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November 3, 2016

Charter School Board
Rock Creek Community Academy
11525 Highway 31
Sellersburg IN 47172

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan P.C., Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Rock Creek Community Academy, as of June 30, 2016, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

ROCK CREEK COMMUNITY ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015



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Independent Auditors' Report

The Board of Directors
Rock Creek Community Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Rock Creek Community Academy, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rock Creek Community Academy, Inc. as of June 30, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana
October 7, 2016

ROCK CREEK COMMUNITY ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 803,665	\$ 667,844
Grants receivable	38,229	16,233
Accounts receivable	3,858	-
Prepaid expenses	34,961	35,252
<i>Total current assets</i>	<u>880,713</u>	<u>719,329</u>
SECURITY DEPOSIT	<u>4,000</u>	<u>15,775</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	555,013	551,163
Furniture and equipment	555,738	491,899
Textbooks	327,471	317,320
Less: accumulated depreciation	<u>(1,022,943)</u>	<u>(811,283)</u>
<i>Property and equipment, net</i>	<u>415,279</u>	<u>549,099</u>
TOTAL ASSETS	<u><u>\$ 1,299,992</u></u>	<u><u>\$ 1,284,203</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 18,567	\$ 34,478
Accounts payable and accrued expenses	236,330	210,463
Deferred revenue	127,210	128,340
Refundable advances	-	3,189
<i>Total current liabilities</i>	382,107	376,470
LONG-TERM LIABILITIES		
Note payable, net of current portion	-	18,567
<i>Total liabilities</i>	<u>382,107</u>	<u>395,037</u>
NET ASSETS		
Unrestricted	871,311	849,013
Temporarily restricted	46,574	40,153
<i>Total net assets</i>	<u>917,885</u>	<u>889,166</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,299,992</u></u>	<u><u>\$ 1,284,203</u></u>

See independent auditors' report and accompanying notes to the financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>			<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT						
State education support	\$ 2,983,340	\$ -	\$ 2,983,340	\$ 2,968,465	\$ -	\$ 2,968,465
Grant revenue	512,093	-	512,093	265,276	-	265,276
Student fees	220,764	57,280	278,044	222,530	69,583	292,113
Contributions	30,917	7,515	38,432	4,434	3,976	8,410
Fundraising income	11,279	65,274	76,553	4,197	93,413	97,610
Net assets released from restrictions	123,648	(123,648)	-	145,449	(145,449)	-
<i>Total revenue and support</i>	<u>3,882,041</u>	<u>6,421</u>	<u>3,888,462</u>	<u>3,610,351</u>	<u>21,523</u>	<u>3,631,874</u>
EXPENSES						
Program services	3,278,114	-	3,278,114	3,101,404	-	3,101,404
Management and general	581,629	-	581,629	531,789	-	531,789
<i>Total expenses</i>	<u>3,859,743</u>	<u>-</u>	<u>3,859,743</u>	<u>3,633,193</u>	<u>-</u>	<u>3,633,193</u>
CHANGE IN NET ASSETS	22,298	6,421	28,719	(22,842)	21,523	(1,319)
NET ASSETS, BEGINNING OF YEAR	<u>849,013</u>	<u>40,153</u>	<u>889,166</u>	<u>871,855</u>	<u>18,630</u>	<u>890,485</u>
NET ASSETS, END OF YEAR	<u>\$ 871,311</u>	<u>\$ 46,574</u>	<u>\$ 917,885</u>	<u>\$ 849,013</u>	<u>\$ 40,153</u>	<u>\$ 889,166</u>

See independent auditors' report and accompanying notes to the financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 1,529,611	\$ 325,855	\$ 1,855,466	\$ 1,442,585	\$ 284,476	\$ 1,727,061
Employee benefits	382,203	63,017	445,220	340,168	58,155	398,323
Staff development	3,199	-	3,199	4,850	-	4,850
Professional services	295,610	61,134	356,744	319,691	63,070	382,761
Repairs and maintenance	43,189	-	43,189	46,010	-	46,010
Authorizer oversight fees	-	72,791	72,791	-	68,411	68,411
Food costs	59,067	-	59,067	58,376	-	58,376
Equipment	43,167	-	43,167	31,452	-	31,452
Classroom, kitchen, and office supplies	209,533	5,780	215,313	166,563	7,563	174,126
Occupancy	383,471	-	383,471	333,118	-	333,118
Depreciation	219,382	-	219,382	243,384	-	243,384
Field trips	59,613	-	59,613	78,066	-	78,066
Interest	-	3,742	3,742	-	7,158	7,158
Insurance	-	32,506	32,506	-	24,904	24,904
Loss on disposal of asset	7,278	-	7,278	-	-	-
Other	42,791	16,804	59,595	37,141	18,052	55,193
<i>Total functional expenses</i>	<u>\$ 3,278,114</u>	<u>\$ 581,629</u>	<u>\$ 3,859,743</u>	<u>\$ 3,101,404</u>	<u>\$ 531,789</u>	<u>\$ 3,633,193</u>

See independent auditors' report and accompanying notes to the financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.**STATEMENTS OF CASH FLOWS****For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 28,719	\$ (1,319)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	211,660	243,384
Loss on disposal of assets	7,278	-
Change in:		
Grants receivable	(21,996)	155,575
Accounts receivable	(3,858)	-
Prepaid expenses	291	(6,072)
Security deposit	11,775	-
Accounts payable and accrued expenses	25,867	2,349
Deferred revenue	(1,130)	(8,233)
Refundable advances	(3,189)	(6,811)
	<u>255,417</u>	<u>378,873</u>
<i>Net cash provided by operating activities</i>		
	<u>255,417</u>	<u>378,873</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(86,089)	(58,534)
Proceeds from sale of property and equipment	971	-
	<u>(85,118)</u>	<u>(58,534)</u>
<i>Net cash used in investing activities</i>		
	<u>(85,118)</u>	<u>(58,534)</u>
FINANCING ACTIVITIES		
Principal repayments of note payable	(34,478)	(31,218)
	<u>(34,478)</u>	<u>(31,218)</u>
NET CHANGE IN CASH	135,821	289,121
CASH, BEGINNING OF YEAR	<u>667,844</u>	<u>378,723</u>
CASH, END OF YEAR	<u>\$ 803,665</u>	<u>\$ 667,844</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 3,742	\$ 7,158

See independent auditors' report and accompanying notes to the financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENT

For the Years Ended June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Rock Creek Community Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School, located in Sellersburg, Indiana, provided educational instruction to approximately 500 students in grades kindergarten to twelve during the 2015-2016 academic year.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

Contributions and Fees – The School receives resources from participation fees and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

ROCK CREEK COMMUNITY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENT

For the Years Ended June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment - Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Textbooks	5 years
Leasehold improvements	5 to 8 years
Furniture and equipment	3 to 5 years

Deferred Revenue – Deferred revenue consists of student fees and textbook rentals received as part of the enrollment process for the subsequent academic school year.

Taxes on Income – Rock Creek Community Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through October 7, 2016, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 – REFUNDABLE ADVANCES

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2015, the School had refundable grant advances in excess of expenditures of \$3,189. There were no refundable advances at June 30, 2016.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENT
For the Years Ended June 30, 2016 and 2015

NOTE 3 – NOTE PAYABLE

Note payable as of June 30, 2016 and 2015 was comprised of a note payable to Mobilease Modular Space, Inc. This note represents an obligation for site improvements relating to the installation of modular classrooms. The note is payable in monthly installments of \$3,185, including interest at 10% per annum, through December 2016. The outstanding balance at June 30, 2016 and 2015 was \$18,567 and \$53,045, respectively.

NOTE 4 – LEASES

The School leases its school facility, modular classrooms, and items of equipment under operating leases. Under the facility lease, the School is also responsible for repairs, maintenance, and utilities. Total expense under these operating leases for 2016 and 2015 was \$305,098 and \$285,142, respectively. Minimum future rental payments as of June 30, 2016 for all operating leases with noncancellable lease terms in excess of one year are as follows for the years ending June 30:

2017	\$	215,800
2018		187,080
2019		132,000
2020		132,000

NOTE 5 – RETIREMENT PLAN

The School maintains a Section 403(b) defined contribution retirement plan with Mass Mutual Financial Group for the benefit of its employees. Substantially all full-time employees are eligible to participate. Under the plan, the School contributes 7.5% of each participant's compensation for the plan year. Retirement plan expense for the years ended June 30, 2016 and 2015 was \$141,745 and \$103,970, respectively.

NOTE 6 – COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. The charter remains in effect until June 30, 2020, and is renewable thereafter by mutual consent. Payments under this charter agreement were \$72,791 and \$68,411 for the years ended June 30, 2016 and 2015, respectively.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENT
For the Years Ended June 30, 2016 and 2015

NOTE 7 – RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Clark and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2016, substantially all of the grants receivable balance was due from the State of Indiana. Cash deposits are maintained at New Washington State Bank and normally exceed the FDIC insurance limit.

NOTE 8 – FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program and management services.