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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 28, 2016

Charter School Board
Carousel Family Services
530 East Ireland Road, Bldg B
South Bend IN 46614

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 Carousel Family Services, 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

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

DONOVAN
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Independent Auditors' Report

The Board of Directors
Carousel Family Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Carousel Family Services, Inc. d/b/a/ Veritas Academy, 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 auditors consider 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.

www.cpadonovan.com
Avon Office | 5151 E. U.S. HWY 36 Avon, IN 46123 | 317.745.6411
Indianapolis Office | 9245 North Meridian Street, Ste. 302 Indianapolis, IN 46260 | 317.844.8300

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carousel Family Services, Inc d/b/a Veritas Academy. 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

Donovan

Indianapolis, Indiana
November 11, 2016

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 106,725	$ 17,891
Grants receivable	22,290	8,645
Prepaid expenses	7,606	386
Total current assets	136,621	26,922
PROPERTY AND EQUIPMENT		
Leasehold improvements	11,205	11,205
Furniture and equipment	76,353	70,353
Textbooks	42,172	35,049
Less: accumulated depreciation	(93,875)	(72,045)
Property and equipment, net	35,855	44,562
TOTAL ASSETS	$ 172,476	$ 71,484
LIABILITIES AND NET ASSETS (DEFICIENCY)		
CURRENT LIABILITIES		
Current portion of note payable	$ 8,000	$ 12,000
Accounts payable and accrued expenses	133,212	183,477
Refundable advances	-	11,347
Total current liabilities	141,212	206,824
LONG-TERM LIABILITIES		
Note payable	-	8,000
Total liabilities	141,212	214,824
UNRESTRICTED NET ASSETS (DEFICIENCY)	31,264	(143,340)
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	$ 172,476	$ 71,484

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

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 888,675	$ 824,629
Grant revenue	203,409	89,192
Student fees	14,832	14,985
Contributions	6,860	5,092
Other income	12,009	25,298
Total revenue and support	1,125,785	959,196
EXPENSES		
Program services	693,772	720,547
Management and general	257,409	236,516
Total expenses	951,181	957,063
CHANGE IN NET ASSETS	174,604	2,133
NET DEFICIENCY, BEGINNING OF YEAR	(143,340)	(145,473)
NET ASSETS (DEFICENCY), END OF YEAR	$ 31,264	$ (143,340)

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

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 418,377	$ 125,110	$ 543,487	$ 438,387	$ 122,679	$ 561,066
Employee benefits	72,003	23,733	95,736	86,406	21,321	107,727
Staff development	10,484	740	11,224	9,838	788	10,626
Professional services	7,842	51,041	58,883	5,108	48,143	53,251
Authorizer oversight fees	-	18,299	18,299	-	17,487	17,487
Food costs	718	-	718	10,551	-	10,551
Equipment	19,062	-	19,062	13,358	-	13,358
Classroom and office supplies	19,321	2,902	22,223	17,333	2,749	20,082
Occupancy	123,213	-	123,213	119,177	-	119,177
Depreciation	21,830	-	21,830	19,981	-	19,981
Insurance	-	26,360	26,360	-	18,624	18,624
Other	922	9,224	10,146	408	4,725	5,133
Total functional expenses	$ 693,772	$ 257,409	$ 951,181	$ 720,547	$ 236,516	$ 957,063

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

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 174,604	$ 2,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,830	19,981
Changes in certain assets and liabilities:		
Grants receivable	(13,645)	8,992
Prepaid expenses	(7,220)	(386)
Accounts payable and accrued expenses	(50,265)	(17,006)
Refundable advances	(11,347)	1,542
Net cash provided by operating activities	113,957	15,256
INVESTING ACTIVITIES		
Purchases of property and equipment	(13,123)	(7,698)
FINANCING ACTIVITIES		
Principal repayment of note payable	(12,000)	(9,000)
NET CHANGE IN CASH	88,834	(1,442)
CASH, BEGINNING OF YEAR	17,891	19,333
CASH, END OF YEAR	$ 106,725	$ 17,891
SUPPLEMENTAL INFORMATION		
Equipment financed through note payable	$ -	$ 29,000

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

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Carousel Family Services, Inc. d/b/a Veritas Academy (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.

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 generally 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 grants 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.

Taxes on Income – Carousel Family Services, 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.

Property and Equipment – Purchases of 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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:

Leasehold improvements	15 years
Furniture and equipment	3 to 5 years
Textbooks	4 years

Subsequent Events – The School evaluated subsequent events through November 11, 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 – LEASES

The School leases its school facility under an operating lease. The facility lease is renewable annually. The School also leased a copier under an operating lease that was terminated in 2015. Expense under operating leases for the years ended June 30, 2016 and 2015 was $80,547 and $68,274, respectively.

NOTE 3 – NOTE PAYABLE

A note payable is due to DeLage Landen Financial Services, Inc. as of June 30, 2016 and 2015. The note is non-interest bearing, is payable in monthly installments of $1,000 through February 2017, and is secured by the equipment financed through the note. The balance of the note at June 30, 2016 and 2015 was $8,000 and $20,000, respectively.

NOTE 4 – 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.June 30, 2016 At June 30, 2015 the School had refundable grant advances in excess of expenditures $11,347. No such refundable advances existed as of June 30, 2016.

NOTE 5 – RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2015 (the latest year reported), both TRF and PERF were more than 80% funded. A copy of the complete annual report for the year ended June 30, 2015 can be obtained at:

www.in.gov/inprs/files/2015INPRSCAFRBook.pdf

Total retirement plan expense was $54,076 and $58,287 for the years ended June 30, 2016 and 2015, 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. Expense under this charter agreement was $18,299 and $17,487 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

NOTE 7 – RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in St. Joseph 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 and 2015, substantially all of the accounts receivable balance was due from the State of Indiana. All cash deposits are maintained at 1st Source Bank and are secured by FDIC insurance up to the legal limit.

NOTE 8 – FUNCTIONAL EXPENSE REPORTING

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