B47242

STATE OF INDIANA

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November 29, 2016

Charter School Board
Enlace Academy
3725 N Kiel Ave
Indianapolis, IN 46224

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 Enlace 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

ENLACE 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
Enlace Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Enlace Academy, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enlace 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

Donovan

Indianapolis, Indiana
November 16, 2016

ENLACE ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 1,098,363	$ 449,388
Grants receivable	51,124	100,123
Accounts receivable	-	5,537
Prepaid expenses	10,000	10,000
Total current assets	1,159,487	565,048
PROPERTY AND EQUIPMENT		
Furniture and equipment	68,203	52,070
Less: accumulated depreciation	(23,187)	(9,546)
Property and equipment, net	45,016	42,524
TOTAL ASSETS	$ 1,204,503	$ 607,572
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 55,000	$ 30,000
Current portion of capital lease obligations	5,335	5,014
Accounts payable and accrued expenses	63,219	77,007
Total current liabilities	123,554	112,021
LONG-TERM LIABILITIES		
Notes payable, net of current portion	532,571	87,571
Capital lease obligations, net of current portion	6,224	-
Total long-term liabilities	538,795	87,571
Total liabilities	662,349	199,592
NET ASSETS		
Unrestricted	542,154	379,853
Temporarily restricted	-	28,127
Net assets	542,154	407,980
TOTAL LIABILITIES AND NET ASSETS	$ 1,204,503	$ 607,572

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

ENLACE ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
State education support	$ 2,083,123	$ -	$ 2,083,123	$ 1,374,563	$ -	$ 1,374,563
Grant revenue	541,696	-	541,696	717,915	-	717,915
Student fees	1,672	-	1,672	15,523	-	15,523
Contributions	25,187	-	25,187	11,750	-	11,750
Interest income	88	-	88	41	-	41
Other income	8,875	-	8,875	2,090	-	2,090
Net assets released from restrictions	28,127	(28,127)	-	158,263	(158,263)	-
Total revenue and support	2,688,768	(28,127)	2,660,641	2,280,145	(158,263)	2,121,882
EXPENSES						
Program services	1,947,605	-	1,947,605	1,342,375	-	1,342,375
Management and general	578,862	-	578,862	585,050	-	585,050
Total expenses	2,526,467	-	2,526,467	1,927,425	-	1,927,425
CHANGE IN NET ASSETS	162,301	(28,127)	134,174	352,720	(158,263)	194,457
NET ASSETS, BEGINNING OF YEAR	379,853	28,127	407,980	27,133	186,390	213,523
NET ASSETS, END OF YEAR	$ 542,154	$ -	$ 542,154	$ 379,853	$ 28,127	$ 407,980

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

ENLACE ACADEMY, INC.

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	$ 980,406	$ 326,282	$ 1,306,688	$ 622,593	$ 258,616	$ 881,209
Employee benefits	221,453	92,485	313,938	122,646	75,657	198,303
Professional services	75,308	94,782	170,090	30,635	194,599	225,234
Books and materials	98,049	19,385	117,434	157,674	31,506	189,180
Food service expense	224,175	-	224,175	132,594	-	132,594
Student transportation	158,371	-	158,371	102,954	-	102,954
Occupancy	-	-	-	90,000	-	90,000
Fee to Indianapolis Public Schools	120,000	-	120,000	-	-	-
Equipment and supplies	26,569	-	26,569	58,289	6,337	64,626
Insurance	21,679	-	21,679	15,444	-	15,444
Advertising	-	4,993	4,993	-	4,248	4,248
Interest	-	906	906	-	2,071	2,071
Depreciation	13,641	-	13,641	9,546	-	9,546
Other	7,954	40,029	47,983	-	12,016	12,016
Total functional expenses	$ 1,947,605	$ 578,862	$ 2,526,467	$ 1,342,375	$ 585,050	$ 1,927,425

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

ENLACE ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 134,174	$ 194,457
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,641	9,546
Expenses incurred in exchange for note payable	-	137,571
Change in certain assets and liabilities:		
Grants receivable	48,999	(58,386)
Accounts receivable	5,537	(5,537)
Prepaid expenses	-	(2,500)
Accounts payable and accrued expenses	(13,788)	32,958
Net cash provided by operating activities	188,563	308,109
INVESTING ACTIVITIES		
Purchases of property and equipment	-	(52,070)
FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(9,588)	(28,407)
Proceeds from note payable	500,000	-
Principal payments on note payable	(30,000)	(20,000)
Net cash provided by (used in) financing activities	460,412	(48,407)
NET CHANGE IN CASH	648,975	207,632
CASH, BEGINNING OF YEAR	449,388	241,756
CASH, END OF YEAR	$ 1,098,363	$ 449,388
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 906	$ 2,071
Equipment purchased under capital lease arrangement	16,133	-

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Enlace Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a charter school on July 1, 2013 under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis.

Effective July 1, 2015, the School entered into an Innovation Network Charter School Agreement with Indianapolis Public Schools (“IPS”). The agreement, under Indiana Code 20-25.5-1, allows IPS to enter into an agreement with the Enlace Academy, Inc. to operate a charter school within an IPS building. The agreement is for a term of five years, with the option to renew the agreement for additional five-year terms. Under the agreement, IPS will pay to the School the amount the School would receive from the State of Indiana for state basic tuition support and complexity grant funding as if the School were a traditional charter school. For consideration of this agreement, the School pays IPS a monthly fee of $10,000. The agreement can be terminated annually by either party, by providing written notice at least 60 days prior to the end of the school year.

The School served approximately 280 students in grades kindergarten through five in fiscal year 2016.

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

- Unrestricted net assets - represents 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 - represents net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

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.

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.

Contributions – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition – As discussed in Note 1, effective July 1, 2015, the majority of the revenue comes from IPS, as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School receives an amount per student in equal portion as if the School acted as a traditional charter school. Funding from IPS is received monthly.

Prior to July 1, 2015, revenues primarily came from resources provided under the Indiana Charter Schools Act. Under the Act, the School received 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.

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, and minor replacement costs 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 life of such assets has been determined to be five years.

Taxes on Income – Enlace 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. The tax years ending after 2012 are open to audit for both federal and state purposes.

Reclassifications – Certain reclassifications have been made on the 2015 statement of functional expenses to more accurately compare to groupings on the 2016 statement. Total functional expenses for 2015 did not change.

Subsequent Events – The School evaluated subsequent events through November 16, 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 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	2016	2015
Note payable to State Board of Education, payable $25,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in February 2016. First payment due January 1, 2017.	$ 500,000	$ -
Note payable to CSDC Property Corporation, monthly payments of $2,500, non-interest bearing.	87,571	117,571
	587,571	117,571
Less: current portion	(55,000)	(30,000)
Long-term portion	$ 532,571	$ 87,571

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

In March 2013, the School signed an agreement with CSDC Property Corporation, contracting CSDC to begin work on locating and developing a location for a new school facility. The School later abandoned this effort after reaching agreement with Indianapolis Public Schools. In November 2014, the School negotiated settlement of amounts owed to CSDC for services performed under this contract in the amount of $137,570.

Principal maturities of the notes payable are as follows for the years ending June 30:

2017	$ 55,000
2018	80,000
2019	77,571
2020	50,000
2021	50,000
Thereafter	275,000
	$ 587,571

NOTE 3 - LEASES

Capital Lease Obligation

During 2016, the School entered into a capital lease obligation for a copier. At June 30, 2016, the cost and accumulated depreciation of the copier was $16,133 and $3,227, respectively.

The School had computer equipment under a capital lease arrangement that was paid in full during 2016.

Following is a schedule of future minimum lease payments under the capital lease and present value of net minimum lease payments as of June 30, 2016:

2017	$	5,982
2018		5,982
2019		499
		12,463
Less: amount representing interest		(904)
	$	11,559

Operating Leases

During the year ended June 30, 2015, the School leased its facility from IPS and certain items of office equipment under operating leases. Expense under these leases was $96,667 for the year ended June 30, 2015. As detailed in Note 1, effective July 1, 2015, the agreement with IPS is no longer a lease arrangement, but an agreement to operate a charter school within IPS' facility. Therefore, there is no facilities lease for the year ended June 30, 2016.

NOTE 4 - RETIREMENT PLAN

The School maintains a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make contributions at its discretion. For the years ended June 30, 2016 and 2015, the School contributed 4% of defined compensation for all employees and matched 100% of employee deferral contributions, not to exceed 3% of compensation. Retirement plan expense was $61,434 and $37,625 for the years ended June 30, 2016 and 2015, respectively.

NOTE 5 - RISKS AND UNCERTAINTIES

The School provides education services to families residing in Marion 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 accounts receivable balance was due from the State of Indiana. In addition, deposits are maintained at Key Bank and are insured up to the FDIC insurance limit.

NOTE 6 - 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.