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December 1, 2016

Charter School Board  
Indiana Math and Science Academy – South  
2710 Bethel Ave  
Indianapolis, IN 46203

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 Indiana Math and Science Academy – South, 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.

In addition to the report presented herein, a Supplemental Audit Report for the Indiana Math and Science Academy – South, was prepared in accordance with the guidelines established by the State Board of Accounts.

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

Paul D. Joyce, CPA  
State Examiner

**INDIANA MATH AND SCIENCE ACADEMY –  
SOUTH INDIANAPOLIS CHARTER SCHOOL, 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  
Indiana Math and Science Academy – South Indianapolis Charter School, Inc.

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Indiana Math and Science Academy – South Indianapolis Charter School, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, the related statements of activities and change in net deficiency, 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 audit 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.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Math and Science Academy – South Indianapolis Charter School, 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 dark ink, appearing to read "DONOVAN", is written over a light green rectangular background.

Indianapolis, Indiana  
November 28, 2016

**INDIANA MATH AND SCIENCE ACADEMY -  
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2016 and 2015**

	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 175,431	\$ 213,140
Grants receivable	<u>-</u>	<u>34,318</u>
<i>Total current assets</i>	<u>175,431</u>	<u>247,458</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	507,699	497,309
Less: accumulated depreciation	<u>(255,738)</u>	<u>(150,109)</u>
<i>Property and equipment, net</i>	<u>251,961</u>	<u>347,200</u>
<b>OTHER ASSETS</b>		
Security deposit	<u>12,181</u>	<u>12,181</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 439,573</u></u>	<u><u>\$ 606,839</u></u>
<b>LIABILITIES AND NET DEFICIENCY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 178,991	\$ 212,475
Accounts payable - affiliated entity	<u>11,078</u>	<u>-</u>
<i>Total current liabilities</i>	<u>190,069</u>	<u>212,475</u>
<b>LONG-TERM LIABILITIES</b>		
Line of credit	245,000	330,000
Deferred rent payable	<u>125,027</u>	<u>88,645</u>
<i>Total long-term liabilities</i>	<u>370,027</u>	<u>418,645</u>
<i>Total liabilities</i>	560,096	631,120
<b>NET DEFICIENCY</b>	<u>(120,523)</u>	<u>(24,281)</u>
<b>TOTAL LIABILITIES AND NET DEFICIENCY</b>	<u><u>\$ 439,573</u></u>	<u><u>\$ 606,839</u></u>

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

**INDIANA MATH AND SCIENCE ACADEMY -  
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET DEFICIENCY**

**For the Years Ended June 30, 2016 and 2015**

	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 1,989,323	\$ 1,915,143
Grant revenue	577,443	758,158
Student fees	13,506	19,402
Contributions	224,264	132,747
Other income	<u>65,293</u>	<u>15,144</u>
<i>Total revenue and support</i>	<u>2,869,829</u>	<u>2,840,594</u>
<b>EXPENSES</b>		
Program services	2,277,959	2,026,002
Management and general	<u>688,112</u>	<u>684,364</u>
<i>Total expenses</i>	<u>2,966,071</u>	<u>2,710,366</u>
<b>CHANGE IN NET ASSETS</b>	(96,242)	130,228
<b>NET DEFICIENCY, BEGINNING OF YEAR</b>	<u>(24,281)</u>	<u>(154,509)</u>
<b>NET DEFICIENCY, END OF YEAR</b>	<u><u>\$ (120,523)</u></u>	<u><u>\$ (24,281)</u></u>

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

**INDIANA MATH AND SCIENCE ACADEMY -  
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Years Ended June 30, 2016 and 2015**

	<b>2016</b>			<b>2015</b>		
	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Total</u></b>	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Total</u></b>
<b>FUNCTIONAL EXPENSES</b>						
Salaries and wages	\$ 936,987	\$ 312,732	\$ 1,249,719	\$ 785,763	\$ 283,608	\$ 1,069,371
Employee benefits	240,251	59,474	299,725	185,711	50,531	236,242
Staff development and recruitment	335	-	335	9,986	-	9,986
Academic services	-	238,719	238,719	-	229,817	229,817
Food service	156,330	-	156,330	147,383	-	147,383
Transportation services	184,473	-	184,473	168,806	-	168,806
Other professional services	82,661	28,208	110,869	83,876	40,568	124,444
Textbooks	45,861	-	45,861	20,635	-	20,635
Classroom, kitchen, and office supplies	50,090	9,076	59,166	41,296	9,596	50,892
Occupancy	412,081	-	412,081	442,880	-	442,880
Equipment rental and expense	34,247	-	34,247	37,219	-	37,219
Depreciation	120,116	-	120,116	94,429	-	94,429
Insurance	-	8,834	8,834	-	29,468	29,468
Advertising	-	10,481	10,481	-	25,658	25,658
Other	14,527	20,588	35,115	8,018	15,118	23,136
	<u>14,527</u>	<u>20,588</u>	<u>35,115</u>	<u>8,018</u>	<u>15,118</u>	<u>23,136</u>
<i>Total functional expenses</i>	<u><u>\$ 2,277,959</u></u>	<u><u>\$ 688,112</u></u>	<u><u>\$ 2,966,071</u></u>	<u><u>\$ 2,026,002</u></u>	<u><u>\$ 684,364</u></u>	<u><u>\$ 2,710,366</u></u>

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



**INDIANA MATH AND SCIENCE ACADEMY -  
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2016 and 2015**

	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (96,242)	\$ 130,228
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	120,116	94,429
Change in certain assets and liabilities:		
Grants receivable	34,318	54,601
Accounts payable and accrued expenses	(33,484)	2,154
Accounts payable - affiliated entity	11,078	-
Deferred rent payable	<u>36,382</u>	<u>43,298</u>
 <i>Net cash provided by operating activities</i>	 72,168	 324,710
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(24,877)	(211,354)
<b>FINANCING ACTIVITIES</b>		
Net borrowings from (repayments on) line of credit	<u>(85,000)</u>	<u>50,000</u>
<b>NET CHANGE IN CASH</b>	(37,709)	163,356
<b>CASH, BEGINNING OF YEAR</b>	<u>213,140</u>	<u>49,784</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 175,431</u></u>	<u><u>\$ 213,140</u></u>

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

**INDIANA MATH AND SCIENCE ACADEMY –  
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2016 and 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Indiana Math and Science Academy – South Indianapolis Charter School, 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 the Office of Education Innovation of the Mayor of the City of Indianapolis ("Mayor's Office"). The School provided educational instruction to approximately 280 students in grades kindergarten through eight during the 2015-16 academic school 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.

Accounts Receivable – Accounts 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.

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 lives for furniture and equipment are three to five years.

Deferred Rent Payable – The operating lease on the school facility contains a provision for future rent increases. In accordance with accounting principles generally accepted in the United States of America, the School records monthly rent expense equal to the total payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is reflected as deferred rent payable in the accompanying statements of financial position.

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 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.

**INDIANA MATH AND SCIENCE ACADEMY –  
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2016 and 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Taxes on Income –Indiana Math and Science Academy – South Indianapolis Charter School, 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 organization 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 2012 and later are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 28, 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 - LINE OF CREDIT**

The School has a \$330,000 line of credit with Concept Schools, Inc. to fund operations. Concept Schools, Inc. is under contract to provide management services to the School (see Note 5). Drawings against the line of credit are unsecured and non-interest bearing. The balances owed as of June 30, 2016 and 2015 were \$245,000 and \$330,000, respectively. The line of credit matures June 30, 2018.

**NOTE 3 - LEASES**

The School executed a fifteen-year lease on a building used as its school facility under an operating lease agreement. The lease provides for monthly rental payments that increase 3% annually over the term of the agreement. The School has the option to extend the lease for an additional five-year term. Under the lease, the School is also responsible for all repairs, maintenance, utilities, and insurance. The School also leases equipment under an operating lease that expires in August 2016.

Total lease expense for the years ended June 30, 2016 and 2015 was \$288,662 and \$284,304, respectively.

**INDIANA MATH AND SCIENCE ACADEMY –  
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2016 and 2015**

**NOTE 3 - LEASES, Continued**

A schedule of minimum lease obligations are as follows for the years ending June 30:

2017	\$	245,244
2018		251,951
2019		259,510
2020		267,295
2021		275,314
Thereafter		2,201,155

**NOTE 4 - RETIREMENT PLAN**

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 teaching faculty to TRF and 10.0% of compensation for other employees to PERF until December 31, 2014 and 11.2% thereafter. 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.

Retirement plan expense was \$75,387 and \$65,945 for the years ended June 30, 2016 and 2015, respectively.

**NOTE 5 - COMMITMENTS**

The School operates under a charter granted by the Mayor's Office. As the sponsoring organization, the Mayor's Office exercises certain oversight responsibilities. This charter agreement remains in effect until June 30, 2020 and is renewable by mutual consent. Effective July 1, 2016, the Mayor's Office will begin assessing a fee equal to 1% of the basic tuition support received by the School.

The School has contracted with Concept Schools, Inc. to provide ongoing training and consultation, personnel, recruitment and admissions, and other services. Under the terms of the agreement, the School has agreed to pay an amount equal to 12% of revenues, as defined, for such services. For fiscal years 2016 and 2015, Concept Schools, Inc. agreed to reduce its fee by \$223,772 and \$132,647, respectively. This fee reduction is included in contribution revenue in the accompanying statements of activities and change in net deficiency. Expense under this agreement was \$238,719 and \$229,817 for the years ended June 30, 2016 and June 30, 2015, respectively. The agreement is renewable annually.

**INDIANA MATH AND SCIENCE ACADEMY –  
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2016 and 2015**

**NOTE 6 - 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 and 2015, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits are maintained at BMO Harris Bank and are insured up to the FDIC insurance limit.

**NOTE 7 - 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.

**INDIANA MATH AND SCIENCE ACADEMY –  
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.  
OTHER REPORT  
For the Year Ended June 30, 2016**

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Indiana Math and Science Academy –  
South Indianapolis Charter School, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.