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December 1, 2016

Charter School Board
Indianapolis Academy of Excellence
1145 E 22nd St
Indianapolis, IN 46202

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 Indianapolis Academy of Excellence, 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

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

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
Indianapolis Academy of Excellence, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Indianapolis Academy of Excellence, 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 audit. We conducted our audit 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 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 Indianapolis Academy of Excellence, 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 29, 2016

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 46,509	$ 50,674
Accounts receivable	50,724	138,198
Prepaid expenses	9,870	7,854
Total current assets	107,103	196,726
PROPERTY AND EQUIPMENT		
Furniture and equipment	235,988	192,043
Leasehold improvements	32,880	-
Vehicles	21,929	21,929
Textbooks	16,476	16,476
Less: accumulated depreciation	(114,885)	(39,896)
Property and equipment, net	192,388	190,552
TOTAL ASSETS	$ 299,491	$ 387,278
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 120,883	$ 203,930
Current portion of notes payable	-	5,096
Total current liabilities	120,883	209,026
LONG-TERM LIABILITIES		
Deferred rent payable	61,270	49,390
Notes payable, net of current portion	200,000	105,189
Total long-term liabilities	261,270	154,579
Total liabilities	382,153	363,605
NET ASSETS		
Unrestricted	(156,759)	(96,080)
Temporarily restricted	74,097	119,753
Total net assets	(82,662)	23,673
TOTAL LIABILITIES AND NET ASSETS	$ 299,491	$ 387,278

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

INDIANAPOLIS ACADEMY OF EXCELLENCE, 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	$ 628,474	$ -	$ 628,474	$ 476,448	$ -	$ 476,448
Grant revenue	364,471	-	364,471	406,311	-	406,311
Student fees	928	-	928	235	-	235
Contributions	13,326	-	13,326	835	137,700	138,535
Interest income	42	-	42	41	-	41
Other income	6,786	-	6,786	944	-	944
Net assets released from restrictions	45,656	(45,656)	-	213,833	(213,833)	-
Total revenue and support	1,059,683	(45,656)	1,014,027	1,098,647	(76,133)	1,022,514
EXPENSES						
Program services	910,604	-	910,604	866,893	-	866,893
Management and general	209,758	-	209,758	359,537	-	359,537
Total expenses	1,120,362	-	1,120,362	1,226,430	-	1,226,430
CHANGE IN NET ASSETS	(60,679)	(45,656)	(106,335)	(127,783)	(76,133)	(203,916)
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	(96,080)	119,753	23,673	31,703	195,886	227,589
NET ASSETS (DEFICIENCY), END OF YEAR	$ (156,759)	$ 74,097	$ (82,662)	$ (96,080)	$ 119,753	$ 23,673

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

INDIANAPOLIS ACADEMY OF EXCELLENCE, 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	$ 355,551	$ 116,015	$ 471,566	$ 341,528	$ 230,108	$ 571,636
Employee benefits	53,079	13,618	66,697	60,110	34,623	94,733
Staff development	5,855	-	5,855	41,028	-	41,028
Professional services	87,488	54,460	141,948	91,194	47,550	138,744
Repairs and maintenance	24,257	-	24,257	13,719	-	13,719
Food service	63,289	-	63,289	64,317	-	64,317
Travel	780	1,750	2,530	-	11,634	11,634
Equipment	34,261	-	34,261	17,528	-	17,528
Classroom, kitchen, and office supplies	49,435	6,939	56,374	40,365	12,459	52,824
Occupancy	158,561	-	158,561	157,784	-	157,784
Depreciation	74,989	-	74,989	37,649	-	37,649
Interest	-	-	-	-	229	229
Insurance	-	11,959	11,959	-	13,768	13,768
Other	3,059	5,017	8,076	1,671	9,166	10,837
Total functional expenses	$ 910,604	$ 209,758	$ 1,120,362	$ 866,893	$ 359,537	$ 1,226,430

INDIANAPOLIS ACADEMY OF EXCELLENCE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ (106,335)	$ (203,916)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	74,989	37,649
Changes in certain assets and liabilities:		
Accounts receivable	87,474	(120,183)
Prepaid expenses	(2,016)	(3,501)
Accounts payable and accrued expenses	(83,047)	153,460
Deferred rent payable	11,880	49,390
Net cash used in operating activities	(17,055)	(87,101)
INVESTING ACTIVITIES		
Purchases of property and equipment	(76,825)	(171,144)
FINANCING ACTIVITIES		
Proceeds from equipment note payable	-	11,900
Proceeds from forgivable note payable	100,000	100,000
Principal repayment on equipment note payable	(10,285)	(1,615)
Net cash provided by financing activities	89,715	110,285
NET CHANGE IN CASH	(4,165)	(147,960)
CASH, BEGINNING OF YEAR	50,674	198,634
CASH, END OF YEAR	$ 46,509	$ 50,674

	2016	2015
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ -	$ 229

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Indianapolis Academy of Excellence, 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 sponsored by the Indiana Charter School Board.

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 paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the 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.

Accounts Receivable – Accounts receivable consist primarily of grants receivable related to activities funded under federal programs. 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.

Taxes on Income – Indianapolis Academy of Excellence, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 ended after 2013 are open to audit for both federal and state purposes.

<u>Property and Equipment</u> – 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.

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:

Furniture and equipment	3 years
Leasehold improvements	10 years
Vehicles	5 years
Textbooks	4 years

<u>Deferred Rent Payable</u> – The operating lease on the school facility contains a provision for future rent increases. In accordance with generally accepted accounting principles, 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.

<u>Subsequent Events</u> – The School evaluated subsequent events through November 29, 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 - LEASE

The School executed a fifty-nine month lease on a building used as its school facility under an operating lease agreement that commenced on August 1, 2014. The lease provides for monthly rental payments that escalate over the term of the agreement. The School has the option to renew 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 various equipment items. Total lease expense for the years ended June 30, 2016 and 2015 was $124,539 and $110,990, respectively.

Following is a schedule of future minimum lease obligations for the years ending June 30:

2017	$	144,575
2018		144,575
2019		141,503

NOTE 3 - EQUIPMENT NOTE PAYABLE

The equipment note payable at June 30, 2015 consisted of a note payable to National Bus Sales, Inc. The note was payable in monthly installments of $538, including interest at 8% per annum, through April 2017 and was secured by a lien on the related vehicle. The loan was repaid in 2016.

NOTE 4 - FORGIVABLE NOTE PAYABLE

The School has a note payable to Team CFA Foundation. The note is for a total of $300,000, to be disbursed in annual installments of $100,000 over a three-year period beginning July 2014. The loan is unsecured and non-interest bearing. As of June 30, 2016 and 2015, the School had received proceeds of $200,000 and $100,000, respectively. Provided the School remains a Challenge Foundation Academy in good standing, the loan will be forgiven at a rate of $100,000 per year in July 2018, 2019, and 2020. In the event that the Affiliate School Agreement between Team CFA Foundation and the School is terminated before July 1, 2020, the School will be required to pay to the order of Team CFA Foundation the remaining unforgiven principal balance outstanding, plus default interest of 6% per annum, within 30 days of the date of termination.

NOTE 5 - RESTRICTED NET ASSETS

Temporarily restricted net assets represent resources received from grantors and donors but not expended for the restricted purposes as of the end of the reporting period. Temporarily restricted net assets as of June 30 were available for the following purposes:

	2016	2015
Start-up costs	$ -	$ 40,175
Technology costs	74,097	79,578
	$ 74,097	$ 119,753

Net assets were released from donor restrictions by incurring expenses or purchasing assets satisfying the restricted purpose. The following purpose restrictions were accomplished during the years ended June 30:

	2016	2015
Start-up costs	$ 40,175	$ 155,711
Technology costs	5,481	46,422
Teacher development	-	11,700
	$ 45,656	$ 213,833

NOTE 6 - RETIREMENT PLAN

Beginning in January 2016, the school provides retirement benefits covering substantially all full-time employees in January 2016. Employees are eligible to participate in a School-sponsored Section 403(b) plan. Under this plan, the School matches employee contributions up to 3% of compensation, as defined in the Plan Document. Retirement plan expense under the plan was $3,490 for the year ended June 30, 2016.

NOTE 7 - RISKS AND UNCERTAINTIES

The School provides educational instruction to students residing in Marion County, 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 receivable balance was due from the State of Indiana. In addition, deposits maintained at The Huntington National Bank and are insured up to 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 statement of activities. Accordingly, certain expenses have been allocated between program and management services.