B47733

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

February 24, 2017

Charter School Board
Indiana College Preparatory School, Inc.
4050 E 38th St
Indianapolis, IN 46218

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan PC, 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 College Preparatory School, Inc., 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 College Preparatory School, Inc., 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

Paul D. Joyce, CPA
State Examiner

INDIANA COLLEGE PREPARATORY SCHOOL, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Year Ended June 30, 2016

DONOVAN
CPAs | ADVISORS

TABLE OF CONTENTS

DONOVAN
CPAs | ADVISORS

Independent Auditors' Report

The Board of Directors
Indiana College Preparatory School, Inc.
4050 East 38th Street
Indianapolis, IN 46218

We have audited the accompanying financial statements of Indiana College Preparatory School, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year 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 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 Indiana College Preparatory School, Inc. as of June 30, 2016, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

Indianapolis, Indiana
December 22, 2016

INDIANA COLLEGE PREPARATORY SCHOOL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS		
CURRENT ASSETS		
Cash	$	38,488
Grants receivable		22,344
Other receivables		10,835
Total current assets		71,667
PROPERTY AND EQUIPMENT		
Furniture and equipment		186,201
Textbooks		63,639
Less: accumulated depreciation		(49,969)
Property and equipment, net		199,871
TOTAL ASSETS	$	271,538
LIABILITIES AND NET DEFICIENCY		
CURRENT LIABILITIES		
Current portion of note payable	$	50,000
Accounts payable		176,796
Accrued rent expense		135,000
Accrued payroll and related expenses		66,092
Total current liabilities		427,888
NOTE PAYABLE, NET OF CURRENT PORTION		450,000
Total liabilities		877,888
NET DEFICIENCY		(606,350)
TOTAL LIABILITIES AND NET DEFICIENCY	$	271,538

INDIANA COLLEGE PREPARATORY SCHOOL, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)

For the Year Ended June 30, 2016

REVENUE AND SUPPORT	
State education support	$ 2,222,663
Grant revenue	625,103
Other income	8,999
Total revenue and support	2,856,765
EXPENSES	
Program services	2,613,967
Management and general	1,023,148
Total expenses	3,637,115
CHANGE IN NET ASSETS	(780,350)
NET ASSETS, BEGINNING OF YEAR	174,000
NET DEFICIENCY, END OF YEAR	$ (606,350)

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

INDIANA COLLEGE PREPARATORY SCHOOL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program Services	Management and General	Total
FUNCTIONAL EXPENSES			
Salaries and wages	$ 1,141,018	$ 128,592	$ 1,269,610
Employee benefits	185,590	36,022	221,612
Staff development	6,762	1,691	8,453
Professional services	323,603	656,432	980,035
Food service	185,663	-	185,663
Student transportation	206,766	-	206,766
Classroom and office supplies	96,428	45,961	142,389
Occupancy	417,566	104,390	521,956
Depreciation	39,975	9,994	49,969
Fiscal charges	-	37,417	37,417
Other	10,596	2,649	13,245
Total functional expenses	$ 2,613,967	$ 1,023,148	$ 3,637,115

INDIANA COLLEGE PREPARATORY SCHOOL, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

OPERATING ACTIVITIES	
Change in net assets	$ (780,350)
Adjustments to reconcile change in net assets	
to net cash used in operating activities:	
Depreciation	49,969
Change in certain assets and liabilities:	
Grants receivable	151,656
Other receivables	(10,835)
Accounts payable	176,796
Accrued rent expense	135,000
Accrued payroll and related expenses	66,092
Net cash used in operating activities	(211,672)
INVESTING ACTIVITIES	
Purchases of property and equipment	(249,840)
FINANCING ACTIVITIES	
Proceeds from note payable	500,000
NET CHANGE IN CASH	38,488
CASH, BEGINNING OF YEAR	-
CASH, END OF YEAR	$ 38,488

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Indiana College Preparatory School, 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 public charter school on July 1, 2015 under Indiana Code 20-24. The School serves grades kindergarten through eight and is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis ("Mayor's Office").

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. Therefore, the School recognizes revenue under these grants in the amounts 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.

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 generally are as follows:

Furniture and equipment	3 - 5 years
Textbooks	3 years

Taxes on Income – Indiana College Preparatory 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 School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2016, 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

Taxes on Income, 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.

Subsequent Events – The School evaluated subsequent events through December 22, 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 - NOTE PAYABLE

The note payable at June 30, 2016 comprised of:

Note payable to the Indiana 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	$	500,000
Less: current portion		(50,000)
Long-term portion	$	450,000

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

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

2017	$	50,000
2018		50,000
2019		50,000
2020		50,000
2021		50,000
Thereafter		250,000
	$	500,000

NOTE 3 - LEASES

On January 27, 2015, the School entered into a lease with the Archdiocese of Indianapolis Properties, Inc. for 45,000 square feet of space located at 4050 East 38th Street, Indianapolis, IN 46218. The term of the lease is for a period of seven years. Rent is due quarterly. As of June 30, 2016, two quarterly payments were owed to the Archdiocese of Indianapolis, both of which were paid subsequent to year end. Base rent expense for the fiscal year ended June 30, 2016 was $270,000.

Minimum future lease obligations are as follows for the years ending June 30:

2017	$ 295,000
2018	320,000
2019	347,000
2020	374,000
2021	376,000
Thereafter	380,000

NOTE 4 - RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan 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. For the year ended June 30, 2016, the School contributed 7.5% of compensation for eligible teaching personnel to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2015 (the latest year reported), TRF was more than 80% funded.

The School also offers a 403(b) defined contribution retirement plan. Non-teaching personnel and teachers who opt to not participate in TRF are eligible for benefits under the 403(b) plan. Under the 403(b) plan, the School contributes 7% of each employee's defined compensation.

For the year ended June 30, 2016, retirement plan expense under both plans was $82,552.

NOTE 4 - 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. The charter agreement remains in effect until June 30, 2022 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.

NOTE 4 – COMMITMENTS, Continued

The School entered into an agreement with ICAN Schools, a nonprofit management company, to provide legal, financial, and other management support services for fiscal year 2016. The agreement is in effect beginning February 6, 2015 through June 30, 2022. Management fees are calculated as 18% of the total revenues received from Federal and State sources. The fee paid in 2016 was calculated using all 2016 revenue and support as well as the $174,000 planning grant received in 2015. The total management fee paid by the School for the year ended June 30, 2016 was $540,203.

NOTE 5 - RISKS AND UNCERTAINTIES

The School provides educational instruction 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 receivable balance was due from the State of Indiana. In addition, bank deposits are maintained primarily at PNC Bank and are insured up to the FDIC insurance limit.

NOTE 6 - PRIOR PERIOD FINANCIAL ACTIVITY

Prior to the School's initial year of operations, it was awarded a Planning Grant by the Indiana Department of Education in the amount of $174,000 through the Federal Public Charter School Program. These funds were to be used to assist the School during the start-up phase of operations. The School recognized $174,000 of revenues from the grant in the year prior to the start of operations. The entire balance of the grant, $174,000, was receivable as of June 30, 2015, and comprised the entirety of the School's net assets as of the beginning of the year.

NOTE 7 - 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 services and management and general.

INDIANA COLLEGE PREPARATORY 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 College Preparatory 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.*