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AN EQUAL OPPORTUNITY EMPLOYER

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March 21, 2017

Charter School Board  
The Signature School, Inc.  
610 Main Street  
Evansville, IN 47708

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Kemper CPA Group, LLP, 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 Signature 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 Signature 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

**THE SIGNATURE SCHOOL, INC.**

**FINANCIAL STATEMENT  
AND SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2016**

**(With Independent Auditor's Report Thereon)**

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# THE SIGNATURE SCHOOL, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
The Signature School, Inc.

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

We have audited the accompanying statement of cash receipts and disbursements of The Signature School, Inc. (a nonprofit organization), for the year ended June 30, 2016, and the related notes to the financial statement.

#### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Guidelines for the Audits of Charter Schools Performed by Private Examiners* as issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is 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 statement of cash receipts and disbursements, 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.

Board of Directors  
The Signature School, Inc.

***Opinion***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of The Signature School, Inc. (School) for the year ended June 30, 2016 in accordance with the cash basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants

Evansville, Indiana  
March 8, 2017

**THE SIGNATURE SCHOOL, INC.**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**Year Ended June 30, 2016**

**Cash receipts:**

State basic grant	\$ 2,151,873
Other state support	213,347
Federal grant revenue	12,843
Student fees	147,956
Contributions	200,477
Textbook rental and sale	44,894
Extra curricular activities fees	131,702
Other income	4,420
Loan proceeds	65,000
	<hr/>
Total cash receipts	2,972,512

**Cash disbursements:**

Salaries and wages	1,482,937
Payroll taxes	115,905
Employee benefits	396,966
Advertising	1,376
Training and professional development	19,414
Professional fees	146,688
Repairs and maintenance	29,954
Supplies	188,064
Insurance	2,523
Internet and telephone	29,154
Postage and printing	2,430
Travel	19,010
Food purchases	639
Books and periodicals	47,855
Other expenses	4,124
Extra curricular expenses	141,174
Rent of building and equipment	211,483
Building and equipment expense	81,251
Dues and fees	16,742
Printing and publications	4,081
Bank service charges	4,693
Loan payments	25,000
	<hr/>
Total cash disbursements	2,971,463

Increase in cash	1,049
Cash, beginning of year	159,387
	<hr/>
Cash, end of year	\$ 160,436

**THE SIGNATURE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**

**Note 1 – Organization and Summary of Significant Accounting Policies**

**A. Nature of Activities**

The Signature School, Inc. (School) is a not-for-profit organization that provides secondary education for adolescent children in grades nine through twelve. The School is incorporated under the laws of the State of Indiana and is a public charter school sponsored by the Evansville-Vanderburgh School Corporation, which granted a charter to the School under Indiana Code 20-24-3-1.

**B. Basis of Accounting**

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash receipts and disbursements basis differs from generally accepted accounting principles primarily because the effects of outstanding promises to give and obligations for expenses unpaid at the date of the financial statement are not included in the financial statement.

**C. Cash**

The School maintains its cash balance in checking accounts at a local financial institution. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2016, there were no amounts of cash in excess of FDIC insurance coverage.

**D. Receipts**

Receipts come primarily 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 public schools in the same geographic area. This state basic grant from the State of Indiana is based on enrollment, and is paid in equal monthly installments, which are recognized as revenue when received.

The School also receives revenue related to cost reimbursements grants, which is also recognized as revenue when reimbursements are received.

**Note 2 – Date of Management's Review**

The School has evaluated subsequent events through March 8, 2017, the date the financial statement was available to be issued.

**THE SIGNATURE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**

**Note 3 – Income Taxes**

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The School files its Form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Indiana. The School is generally no longer subject to examination by the Internal Revenue Service for years before 2013.

**Note 4 – Defined Benefit Retirement Plans**

**A. Teachers' Retirement Fund**

*Plan Description:* Certified employees participate in the Indiana Teachers' Retirement Fund (TRF), a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS). All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the INPRS Board of Trustees, most requirements of the system, and gives the school corporations authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions, plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, plus the interest credited to the member's account. School corporations may elect to make the contributions on behalf of the member.

*Funding Policy:* Plan members are required to contribute 3% of their annual creditable compensation, set by state statute. The School is required to contribute at an actuarially determined rate (7.5% for the year ended June 30, 2016), as established, and which may be amended, by the INPRS Board of Trustees. The School did elect to make the annuity contributions on behalf of each member. Contributions to TRF for the year ended June 30, 2016 totaled \$125,267, and equaled the required contributions for the year.

**B. Public Employees' Retirement Fund**

*Plan Description:* Non-certified employees participate in the Public Employees' Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS). All full-time employees are eligible to participate in PERF. State statutes (IC 5-10.2 and 5-10.3) govern, through the INPRS Board of Trustees, most requirements of the system, and give the employer authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions, plus an annuity provided by the member's annuity savings account.



**THE SIGNATURE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**

**Note 4 – Defined Benefit Retirement Plans (Concluded)**

**B. Public Employees' Retirement Fund (Concluded)**

The annuity savings account consists of member' contributions, plus the interest credited to the member's account. Employers may elect to make the contributions on behalf of the member.

*Funding Policy:* Plan members are required to contribute 3% of their annual creditable compensation, set by state statute. The School is required to contribute at an actuarially determined rate (11.2% for the year ended June 30, 2016), as established, and which may be amended, by the INPRS Board of Trustees. The School did not elect to make the annuity contributions on behalf of each member. Contributions to PERF for the year ended June 30, 2016, totaled \$10,453, and equaled the required contributions for the year.

INPRS administers both of these plans, and issues publicly available financial reports for each, which include financial statements and required supplementary information. These reports may be obtained by contacting INPRS, 1 North Capital Street, Suite 001, Indianapolis, Indiana 46204, or by calling 888-526-1687.

**C. Other Retirement Plans**

For certified employees, The School also provides additional retirement benefits under the plans described below:

401(a) Annuity Plan: The School contributes 1% of each employee's base salary to the plan. Contributions totaled \$12,415 for the year ended June 30, 2016.

Voluntary Employees' Beneficiary Association: The School contributes 1% of each employee's base salary to the plan for retiree group health benefits. Contributions totaled \$4,420 for the year ended June 30, 2016.

403(b) Plan: The School will match 100% of employee contributions not to exceed the percentages noted below. Employer contributions totaled \$8,854 for the year ended June 30, 2016.

<u>Years of Service</u>	<u>Match Percentage</u>
0 - 16	.75%
17 - 29	1.50%
30 +	3.00%

**THE SIGNATURE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**

**Note 5 – Leases**

The School's premises are leased from Signature School Foundation, Inc. under an annually renewable agreement (see Note 9). Lease payments made to Signature School Foundation, Inc. for the year ended June 30, 2016 were \$190,193.

The School leases two copiers under noncancelable operating leases. The lease agreements provide for minimum future rental payments as of June 30, 2016, as follows:

2017	\$ 155,199
2018	5,599
2019	5,599
2020	5,599
2021	5,599
Thereafter	1,400
Total minimum rentals	<u>\$ 178,995</u>

Rental expense for the leases totaled \$211,483 for the year ended June 30, 2016.

**Note 6 – Functional Expenses**

A summary of expenses by functional classification for the year ended June 30, 2016, is as follows:

Program	\$ 2,834,630
Management and General	111,833
Fundraising	0
	<u>\$ 2,946,463</u>

**Note 7 – Concentration**

Approximately 76% of the School's funding was provided by the state basic grant in fiscal year 2016.

**THE SIGNATURE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**

**Note 8 – Contingencies**

The School receives funding from Federal and state agencies and from private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantors' review, the funds are considered not to have been used for the intended purpose, the grantors may request refund of monies advanced, or refuse to reimburse the School for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the School's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**Note 9 – Related Party Transactions**

Signature School Foundation, Inc.

Signature School Foundation, Inc. (SSF) provides financial and other support for the School. The chairman of the School's Board of Directors also serves as chairman of the SSF Board of Directors.

The School's premises are leased from SSF under an annually renewable agreement which provides for monthly rental payments of \$12,500 plus reimbursements to SSF for maintenance, insurance, and utilities. Lease payments to SSF totaled \$190,193 for the year ended June 30, 2016.

Contributions received from SSF totaled \$153,000 for the year ended June 30, 2016.

Sponsor

Employees of the school participate in the health insurance programs offered by the School's sponsor, the Evansville-Vanderburgh School Corporation. Total amounts remitted to the sponsor for the premiums totaled \$284,163 for the year ended June 30, 2016.

**THE SIGNATURE SCHOOL, INC.**  
**SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2016**

The following supplementary information is required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners*.



**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION**

Board of Directors  
The Signature School, Inc.

We have audited the financial statement of The Signature School, Inc. as of and for the year ended June 30, 2016, and our report thereon dated March 8, 2017, which expressed an unmodified opinion on the financial statement, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The Schedule of Receivables, Schedule of Capital Assets and Schedule of Accounts Payable, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Evansville, Indiana  
March 8, 2017

*Kemper CPA Group, LLP*  
Certified Public Accountants and Consultants

**THE SIGNATURE SCHOOL, INC.**  
**SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2016**

Schedule of Receivables

Accounts Receivable:

Due from State	\$ 4,005
Textbook rentals and fees	14,954
	<u>\$ 18,959</u>

Schedule of Capital Assets

Machinery and equipment	<u>\$ 189,395</u>
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Schedule of Accounts Payable

General fund	<u>\$ 12,441</u>
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Schedule of Accrued Liabilities

Payroll liabilities	<u>\$ 2,191</u>
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Schedule of Debt

Note payable, unsecured, dated June 30, 2016, one payment due on July 18, 2016 bearing interest at 0%	<u>\$ 40,000</u>
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
The Signature School, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of The Signature School, Inc. (a nonprofit organization), which comprise the statement of cash receipts and disbursements for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 8, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Signature School, Inc.'s (School) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Evansville, Indiana  
March 8, 2017

  
Kemper CPA Group, LLP  
Certified Public Accountants and Consultants



**THE SIGNATURE SCHOOL, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2016**

**Findings – Financial Statement Audit**

None for the current year.

**THE SIGNATURE SCHOOL, INC.**  
**OTHER REPORT**  
**Year Ended June 30, 2016**

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

Supplemental Compliance Examination Report of The Signature School, Inc.