B45134

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

May 20, 2015

Charter School Board
Timothy L. Johnson Academy, Inc.
4625 Werling Drive
Fort Wayne, IN 46806

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Darnell & Meyering, P.C., Independent Public Accountants, for the period July 1, 2013 to June 30, 2014. 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 Timothy L. Johnson Academy, Inc., as of June 30, 2014, 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 Timothy L. Johnson Academy, 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

TIMOTHY L. JOHNSON ACADEMY, INC.

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

TIMOTHY L. JOHNSON ACADEMY, INC.

Table of Contents
June 30, 2014

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
OTHER REPORT	12

DARNELL & MEYERING, P.C.

Certified Public Accountants

CLINTON MEYERING, C.P.A
RANDALL H. DARNELL, C.P.A.
DALE A. VESTRAND, C.P.A.
WENDY L. DANVILLE, C.P.A

20500 EUREKA ROAD - SUITE 300
TAYLOR, MI 48180
(734) 246-9240
FAX (734) 246-8635

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
Timothy L. Johnson Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Timothy L. Johnson Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities 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.

Auditor's 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Timothy L. Johnson Academy, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DARNELL & MEYERING, P.C.

Darnell & Meyering, P.C.

Taylor, Michigan
March 31, 2015

TIMOTHY L. JOHNSON ACADEMY, INC
STATEMENT OF FINANCIAL POSITION

ASSETS

	June 30, 2014
Current Assets	
Cash	$ 390,720
Grants receivable	168,187
Prepaid expenses	4,000
Total current assets	562,907
Property and Equipment	
Structures and improvements	4,620
Vehicles and equipment	274,962
Less accumulated depreciation	(156,918)
Property and equipment, net	122,664
Other Assets	
Cash restricted by authorizer for closing	50,000
Total other assets	50,000
Total assets	$ 735,571

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 16,556
Accrued expenses	110,434
Deferred revenue	21,262
Current portion of long-term debt	12,038
Total current liabilities	160,290
Long-term Liabilities	
Long-term debt, net of current portion	15,182
Total liabilities	175,472
Net Assets	
Unrestricted	510,099
Temporarily restricted	50,000
Total net assets	560,099
Total liabilities and net assets	$ 735,571

The accompanying notes are an integral part of the financial statements.

TIMOTHY L. JOHNSON ACADEMY, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

CHANGES IN NET ASSETS	Unrestricted	Temporarily Restricted	Total
Revenues, gain and other support			
State tuition support	$ 2,185,072	$ -	$ 2,185,072
State grants and other support	140,642	-	140,642
Federal grant revenue	490,589	-	490,589
Student fees	2,248	-	2,248
Other	12,161	-	12,161
Total revenues, gain and other support	2,830,712	-	2,830,712
Expenses			
Program services:			
Educational instruction	969,834	-	969,834
Educational support	293,314	-	293,314
Food service	227,178	-	227,178
Supporting services:			
Support services	677,572	-	677,572
Operations and maintenance	248,214	-	248,214
Transportation	267,617	-	267,617
Lease	48,000	-	48,000
Depreciation	38,339	-	38,339
Interest	2,469	-	2,469
Total Expenses	2,772,537	-	2,772,537
Non-operating (expense)			
Loss on disposal of property	(4,497)	-	(4,497)
Net assets restricted			
Restricted for closure by authorizer	(50,000)	50,000	-
Change in Net Assets	3,678	50,000	53,678
Net Assets - Beginning of Year	506,421	-	506,421
Net Assets - End of Year	$ 510,099	$ 50,000	$ 560,099

The accompanying notes are an integral part of the financial statements.

TIMOTHY L. JOHNSON ACADEMY, INC.
STATEMENT OF CASH FLOWS

	June 30, 2014
Cash Flows from Operating Activities	
Change in net assets	$ 53,678
Loss on Disposal of property	4,497
Adjustments to reconcile change in	
net assets to net cash provided by operating activities:	
Depreciation	38,339
(Increase) decrease in operating assets	
Accounts receivable	(117,204)
Prepaid expenses	(4,000)
Increase (decrease) in operating liabilities	
Accounts payable	(2,141)
Accrued expenses	46,985
Net cash provided by operating activities	(38,021)
Cash Flows from Investing Activities	
Purchase of property and equipment	(40,704)
Change in cash restricted for closure	(50,000)
Net cash used by investing activities	(90,704)
Cash Flows from Financing Activities	
Payments on vehicle loan	(11,204)
Net cash provided by investing activities	(11,204)
Net Increase in Cash	(81,754)
Cash, Beginning of Year	472,474
Cash, End of Year	$ 390,720
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	$ 2,469

The accompanying notes are an integral part of the financial statements.

Note 1. Description of Organization

Organization

Timothy L. Johnson Academy, Inc. (the "Academy") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The Academy operates a public charter Academy established under Indiana Code 20-24 and is sponsored by Trine University. The Academy has entered into a service agreement with The Leona Group, LLC, a limited liability company organized in the State of Michigan, to provide educational programming, personnel functions, building operations, and business administration services.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Academy have been prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) as applied to nonprofit organizations.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Academy's Act. Under the Act, the Academy receives an amount per student in relation to the funding received by public Academy's in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in equal monthly installments in July through June throughout the Academy year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the Academy's revenue is the product of cost reimbursement grants. Accordingly, the Academy recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Academy considers its cash and cash equivalents to include cash on deposit, cash on hand, money market funds, and all highly liquid investments if purchased with a maturity of three months or less when acquired.

Grants Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The Academy believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Income Taxes

Timothy L. Johnson 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 Academy would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2014, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional standards require the Academy 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 Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012 and 2011 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of property and equipment that have an initial individual cost of more than $1,000, materially increase value, or extend useful lives are capitalized at cost. Routine maintenance and repairs and minor replacement costs are expensed as incurred.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of the assets are generally as follows:

Leasehold Improvements	4 years
Computers	3 years
Equipment & Furniture	6-7 years
School Buses	8 years

Depreciation expense was $38,339 for the year ended June 30, 2014.

Basis of Presentation

The financial statement presentation follows the Not-for-Profit Entities topics of the Financial Accounting Standards Codification. The Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted net assets, and permanently restricted net assets. For the year ended June 30, 2014, all net assets were unrestricted, except for the Escrow account of $50,000 which was temporarily restricted.

Subsequent Events

The Academy evaluated subsequent events through March 31,2015, 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. The Academy had no events that it determined should be subsequent and reportable.

Note 3 Grants Receivable

Grants receivable for state education support as of June 30, 2014 represent amounts due from the Department of Education relating to the following sources:

Title I	$ 13,200
Facilities Grant	80,000
Special Ed. Part B	33,809
Child Nutrition	2,940
Title IIA	8,477
IDEA	17,725
Other Receivables	12,036
	$ 168,187

Note 4. Long-term Debt

Long term debt at June 30, 2014 was comprised of:

Mercedes-Benz Fin. Services	$ 27,220
Less: Current Maturities	12,038
	$ 15,182

In August 2011, the Academy executed a loan agreement with Mercedes-Benz Financial Services USA, LLC to purchase a bus in the amount of $56,995. The note is payable in monthly installments of $1,134, including interest at 7.2% per anum.

Future maturities of long-term debt are as follows:

2015	$ 12,038
2016	12,934
2017	2,248
	$ 27,220

Note 5. Leases

The Academy leases its Academy facilities and certain items of office equipment under operating leases. In July 2012, the Academy executed a five-year lease with East Allen County Schools, an Indiana public school corporation. Under the lease, the Academy is responsible for its share of real estate taxes, maintenance, insurance, and utilities. The Academy also has an option to purchase the building in the final year of the lease for $225,000. Lease expense under operating leases for the year ended June 30, 2014 was $48,000.

Future minimum obligations under operating leases are as follows:

Year ended June 30,	
2015	$ 48,000
2016	48,000
2017	4,000
	$ 100,000

Note 6 Commitments

The Academy has executed a management agreement with The Leona Group, LLC ("Leona"), whereby Leona provides management, administrative, and educational programming services. This agreement remains in effect so long as the Academy maintains its charter, but may be terminated by either party with appropriate advance notice. Under terms of the agreement, the Academy has agreed to pay an amount equal to 10% of revenues, as defined, for such services. Aggregate payments to Leona under this agreement were $230,087 for the year ended June 30, 2014.

The Academy operates under a charter granted by Trine University. As the sponsoring organization, Trine University exercises certain oversight responsibilities. Under this charter, the Academy has agreed to pay to Trine University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were $38,414 for the year ended June 30, 2014. The Academy has also agreed to under this charter, and established an escrow account of no less than $50,000 to pay for legal, wind down of operations and audit expenses that would be associated with a dissolution should it occur.

Note 7. Retirement Plan

The Academy participates in a Section 401(k) retirement plan sponsored by The Leona Group, LLC for the benefit of its employees. Under the plan, the Academy will match 100% of employee contributions not to exceed 6% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2014. Retirement plan expense for the year ended June 30, 2014 was $21,762.

Note 8. Risks and Uncertainties

The Academy provides educational instruction services to families residing in Allen 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 Academy. Additionally, the Academy is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the Academy.

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits maintained at Charter One Bank frequently exceed the FDIC insurance limit.

Note 9 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 among the programs and services benefited. Following is a summary of expenses comprising each program and service for the year ended June 30, 2014.

	Program Services				
	Educational Instruction	**Education Support**	**Food Service Support**	**Supporting Services**	**Total**
Salaries and employee benefits	$ 947,246	$ 197,484	$ 30,338	$ 619,537	$ 1,794,605
Professional services	-	89,979	-	29,119	119,098
Staff development and recruitment	-	4,249	-	-	4,249
Academic services	-	-	-	239,567	239,567
Authorizer oversight fee	-	-	-	38,414	38,414
Food costs	-	-	196,840	-	196,840
Transportation service	-	-	-	60,031	60,031
Equipment rental and expense	-	-	-	4,668	4,668
Operation and maintenance	-	-	-	163,980	163,980
Classroom, kitchen, and office supplies	22,588	-	-	6,477	29,065
Occupancy	-	-	-	48,000	48,000
Insurance	-	-	-	28,544	28,544
Depreciation	-	-	-	38,339	38,339
Interest	-	-	-	2,469	2,469
Other	-	1,602	-	3,066	4,668
Total expenses	$ 969,834	$ 293,314	$ 227,178	$ 1,282,211	$ 2,772,537

TIMOTHY L. JOHNSON ACADEMY, INC.

Other Report

Year Ended June 30, 2014

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

Supplemental Audit Report of Timothy L. Johnson Academy, Inc.