SPRINGVILLE COMMUNITY AND RURAL FOUNDATION, INC.
d/b/a SPRINGVILLE COMMUNITY ACADEMY

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Year Ended June 30, 2023

Donovan CPAs

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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Springville Community and Rural Foundation, Inc.

Opinion

We audited the financial statements of Springville Community and Rural Foundation, Inc. d/b/a Springville Community Academy (the "School") which comprise the statement of financial position as of June 30, 2023 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and the change 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters we identified during the audit.

DONOVAN

Indianapolis, Indiana
February 28, 2024

SPRINGVILLE COMMUNITY AND RURAL FOUNDATION, INC.
d/b/a SPRINGVILLE COMMUNITY ACADEMY
STATEMENT OF FINANCIAL POSITION
June 30, 2023

ASSETS

CURRENT ASSETS	
Cash	$ 177,222
Grants receivable	181,249
Accounts receivable	6,337
Prepaid expenses	43,083
Total current assets	407,891
PROPERTY AND EQUIPMENT	
Land	181,365
Building and improvements	916,546
Furniture and fixtures	389,947
Less: accumulated depreciation	(99,343)
Property and equipment, net	1,388,515
OTHER ASSET	
Security deposit	7,860
TOTAL ASSETS	$ 1,804,266

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current portion of notes payable	$ 9,483
Note payable to Board member	25,000
Line of credit	64,259
Accounts payable	219,524
Accrued expenses	172,653
Total current liabilities	490,919
LONG-TERM LIABILITIES	
Notes payable, net of current portion	243,691
Less: unamortized debt issuance costs	(11,066)
Total long-term liabilities, net of unamortized debt issuance costs	232,625
Total liabilities	723,544
NET ASSETS, WITHOUT DONOR RESTRICTIONS	1,080,722
TOTAL LIABILITIES AND NET ASSETS	$ 1,804,266

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

SPRINGVILLE COMMUNITY AND RURAL FOUNDATION, INC.
d/b/a SPRINGVILLE COMMUNITY ACADEMY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2023

REVENUE AND SUPPORT	
State education support	$ 1,227,751
Grant revenue	596,685
Preschool, extended care, and student fees	85,086
Contributions	54,306
Medicaid reimbursements	16,468
Other income	2,195
Total revenue and support	1,982,491
EXPENSES	
Program services	1,649,147
Management and general	546,420
Total expenses	2,195,567
CHANGE IN NET ASSETS	(213,076)
NET ASSETS, BEGINNING OF YEAR	1,293,798
NET ASSETS, END OF YEAR	$ 1,080,722

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

SPRINGVILLE COMMUNITY AND RURAL FOUNDATION, INC.
d/b/a SPRINGVILLE COMMUNITY ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	Program Services	Management and General	Total
Salaries and wages	$ 848,559	$ 365,555	$ 1,214,114
Employee benefits	198,252	22,983	221,235
Professional services	119,146	32,944	152,090
Occupancy	109,518	-	109,518
Depreciation	99,343	-	99,343
Equipment	95,692	-	95,692
Classroom, kitchen, and office supplies	33,617	26,214	59,831
Food service	57,983	-	57,983
Repairs and maintenance	17,648	33,468	51,116
Information technology services	44,284	2,374	46,658
Insurance	-	41,204	41,204
Interest	1,434	18,609	20,043
Staff development and recruitment	7,817	-	7,817
Travel	1,575	1,951	3,526
Advertising	-	950	950
Other	14,279	168	14,447
Total functional expenses	$ 1,649,147	$ 546,420	$ 2,195,567

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

SPRINGVILLE COMMUNITY AND RURAL FOUNDATION, INC.
d/b/a SPRINGVILLE COMMUNITY ACADEMY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

OPERATING ACTIVITIES	
Change in net assets	$ (213,076)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	99,343
Amortization of debt issuance costs	1,434
Changes in certain assets and liabilities:	
Grants receivable	(181,249)
Accounts receivable	(6,337)
Prepaid expenses	(43,083)
Security deposit	(7,860)
Accounts payable	219,433
Accrued expenses	172,608
Net cash provided by operating activities	41,213
INVESTING ACTIVITIES	
Purchases of property and equipment	(109,457)
FINANCING ACTIVITIES	
Proceeds from notes payable	240,674
Net proceeds from line of credit	1,320
Payment on balance due to affiliate	(6,610)
Net cash provided by financing activities	235,384
NET CHANGE IN CASH	167,140
CASH, BEGINNING OF YEAR	10,082
CASH, END OF YEAR	$ 177,222
SUPPLEMENTAL INFORMATION	
Cash paid for interest	$ 18,609
Debt issuance costs financed with note payable	12,500

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Springville Community and Rural Foundation, Inc. d/b/a Springville Community Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School is sponsored by the University of Southern Indiana ("USI"). The charter is effective through June 30, 2029 and is renewable thereafter by mutual consent. The School served approximately 165 students in grades kindergarten through eighth during the 2022-2023 school year, its inaugural year.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions - which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions - which represent resources restricted by donors for specific time or purpose.

As of June 30, 2023, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2023.

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

Accounts Receivable – Accounts receivable relate primarily to balances owed by students attending the School. Management believes the entire balance is collectible and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of assets and expenditures which 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 and equipment purchases 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:

Building and improvements	40 years
Furniture and fixtures	5 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Debt Issuance Costs – During the year ended June 30, 2023, the School incurred debt issuance costs totaling $12,500 associated with securing notes payable. Amortization of these debt issuance costs is provided on a straight-line basis over the term of the agreement (61 months). Amortization expense for the year ended June 30, 2023 was $1,434, which is included in interest expense. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income – The School received a determination from the U.S. Treasury Department stating 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, 2023, 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 not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability 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 examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Since the School incorporated in August 2021, all periods are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 28, 2024, 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 - REVENUE RECOGNITION

Revenue Recognition Policy – 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 which the educational services are rendered.

A significant 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. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

NOTE 2 - REVENUE RECOGNITION, Continued

Preschool, extended care, and student fees are recognized in the year in which the services are rendered.

The School also receives contributions and other income from other agencies and individuals, which are recorded in accordance with the terms of the underlying agreements.

Disaggregation of Revenue – Revenue is disaggregated on the statement of activities and change in net assets.

NOTE 3 - PRIOR PERIOD FINANCIAL ACTIVITY

Prior to the year ended June 30, 2023, the School's first year of operations, the School received funding through notes payable and contributions in anticipation of opening. The School's statement of financial position as of July 1, 2022 was as follows:

Cash	$	10,082
Property and equipment, net		1,378,401
Total assets	$	1,388,483
Accounts payable and accrued expenses	$	136
Due to affiliate		6,610
Line of credit		62,939
Note payable		25,000
Net assets, without donor restrictions		1,293,798
Total liabilities and net assets	$	1,388,483

NOTE 4 - LINE OF CREDIT

The School had a $100,000 revolving line of credit with Old National Bank maturing in March 2023. The line of credit was extended to March 2024 and the borrowing limit was reduced to $60,000. Borrowings bear interest at the bank's prime rate plus 1% (a total of 9.25% at June 30, 2023) and are secured by substantially all assets of the School. As of June 30, 2023, the School had borrowings on the line of credit of $64,259.

NOTE 5 - NOTES PAYABLE

The notes payable consisted of the following as of June 30, 2023:

Note payable to Old National Bank, payable in monthly installments of $413, including interest at 6.5% per annum, secured by substantially all assets of the School.	$	13,458
Note payable to IFF, payable in monthly installments of $1,959 beginning January 2024, including interest at 5.5% per annum, secured by substantially all assets of the School.		239,716
		253,174
Less: current portion		(9,483)
Long-term portion	$	243,691

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

2024	$	9,483
2025		15,429
2026		16,162
2027		12,140
2028		12,825
Thereafter		187,135
	$	253,174

The School also borrowed $25,000 from a founding Board member at no interest with no defined repayment terms.

NOTE 6 - 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.

NOTE 6 - RETIREMENT PLAN, Continued

Contribution requirements of plan members are determined annually by the INPRS Board. The School contributed 6.0% and 11.2% of compensation for eligible teaching personnel and other employees to TRF and PERF, respectively, for the year ended June 30, 2023. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2023, TRF and PERF were approximately 88% and 81% funded, respectively.

Total contributions to INPRS for TRF and PERF were $47,709 for the year ended June 30, 2023.

NOTE 7 - COMMITMENT

As the sponsoring organization, USI exercises certain oversight responsibilities. Beginning with the 2023-2024 school year, USI will assess a fee equal to 3% of basic tuition support received by the School. No authorizer oversight fees were paid during the year ended June 30, 2023.

The charter agreement requires the School to establish an escrow account of no less than $30,000 should a dissolution occur. As of June 30, 2023, this account had not been established.

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides educational instruction to students residing in Lawrence 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 which potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at Old National Bank and are insured up to the FDIC insurance limit.

NOTE 9 - LIQUIDITY

Financial assets include cash and grants receivable and totaled $364,808 as of June 30, 2023, all of which are available to meet the cash needs for general expenditures within one year. The School also has a line of credit with bank, which was overdrawn as of June 30, 2023.

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

The costs of providing educational activities have been summarized on a functional basis in the statement of activities and change in net assets. Management of the School categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

SPRINGVILLE COMMUNITY AND RURAL FOUNDATION, INC.
d/b/a SPRINGVILLE COMMUNITY ACADEMY
OTHER REPORT
For the Year Ended June 30, 2023

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

Supplemental Audit Report of Springville Community and Rural Foundation, Inc.
d/b/a Springville Community Academy

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.*