



**STATE OF INDIANA**  
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August 1, 2023

Charter School Board  
The Phalen Leadership Academy - Indiana, Inc.  
2323 North Illinois St.  
Indianapolis, IN 46208

We have reviewed the audit report of The Phalen Leadership Academy - Indiana, Inc. which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of The Phalen Leadership Academy - Indiana, Inc. as of June 30, 2022 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on page 35. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 37.

In our opinion, CliftonLarsonAllen LLP prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for The Phalen Leadership Academy - Indiana, Inc., was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**



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**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
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**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.  
OTHER REPORTS  
YEAR ENDED JUNE 30, 2022**

The report presented herein was prepared in addition to another official report prepared for The Phalen Leadership Academy – Indiana, Inc. as listed below:

Supplemental Audit Report of Phalen Leadership Academy – Indiana, 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*.



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Phalen Leadership Academy – Indiana, Inc.  
Indianapolis, Indiana

### Report on the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of The Phalen Leadership Academy – Indiana, Inc. (PLA), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PLA, as of June 30, 2022, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 PLA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have 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 that are 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, that raise substantial doubt about PLA's ability to continue as a going concern within one year after the date that 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 that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 that, 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 and *Government Auditing Standards*, 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 that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PLA'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, that raise substantial doubt about PLA'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 that we identified during the audit.

***Supplementary Information***

The supplementary information included in the schedules of financial position, functional expenses and activities by school are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The supplementary information and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2023, on our consideration of PLA’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 solely 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 the effectiveness of PLA’s 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 PLA’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
April 17, 2023

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 3,234,731
Grants and Operator Receivables	2,549,034
Related Party Accounts Receivable	5,233,252
Total Current Assets	11,017,017

**PROPERTY AND EQUIPMENT**

Land	300,000
Building and Improvements	6,784,448
Leasehold Improvements	4,425,706
Furniture and Equipment	1,085,347
Books and Educational Materials	869,437
Computer Software and Equipment	591,267
Vehicles	24,500
Total, at Cost	14,080,705
Less: Accumulated Depreciation	3,818,902
Total Property and Equipment	10,261,803

**OTHER ASSETS**

Security Deposit	1,000,000
Total Assets	\$ 22,278,820

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 2,631,893
Related Party Payables	-
Current Portion of Notes Payable	800,062
Current Portion of Notes Payable - Affiliate	522,662
Accrued Liabilities	1,142,453
Total Current Liabilities	5,097,070

**LONG-TERM LIABILITIES**

Notes Payable, Net of Current Portion	2,299,876
Notes Payable, Net of Current Portion - Affiliate	2,804,676
Total Long-Term Liabilities	5,104,552
Total Liabilities	10,201,622

**NET ASSETS**

Without Donor Restrictions:	
Undesignated	12,077,198
With Donor Restrictions:	
Purpose Restrictions	-
Total Net Assets	12,077,198
Total Liabilities and Net Assets	\$ 22,278,820

See accompanying Notes to Financial Statements.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>			
<b>REVENUE</b>			
Contributions and Donations	\$ 1,409,545	\$ -	\$ 1,409,545
Grant Revenue	23,414,953	-	23,414,953
Operator Revenue	14,337,802	-	14,337,802
In-Kind Revenue	3,621,294	-	3,621,294
Other Revenue	407,852	-	407,852
Total Revenue	43,191,446	-	43,191,446
Net Assets Released from Restrictions	5,619	(5,619)	-
Total Revenue and Support	43,197,065	(5,619)	43,191,446
 <b>EXPENSES</b>			
Program Services	32,014,933	-	32,014,933
Supporting Services:			
General and Administrative	8,232,950	-	8,232,950
Total Expenses	40,247,883	-	40,247,883
 <b>CHANGE IN NET ASSETS</b>	2,949,182	(5,619)	2,943,563
 Net Assets - Beginning of Year	9,128,016	5,619	9,133,635
 <b>NET ASSETS - END OF YEAR</b>	\$ 12,077,198	\$ -	\$ 12,077,198

See accompanying Notes to Financial Statements.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>Supporting Services</u>	
	Academics	General and Administrative	Total Expenses
Salaries and Benefits	\$ 16,632,512	\$ 3,313,212	\$ 19,945,724
Professional Services	2,600,086	324,404	2,924,490
Information Technology	2,677,448	3,264,431	5,941,879
Legal and Accounting	-	122,061	122,061
Professional Development	659,725	318,555	978,280
Cleaning Services	129,303	-	129,303
Security Services	209,213	-	209,213
Utilities	530,528	20,968	551,496
Materials and Supplies	1,651,534	233,813	1,885,347
Nutritional Support	2,296,108	55	2,296,163
Sales, Marketing, and Community Relations	36,794	-	36,794
Program Transportation Services	1,470,766	-	1,470,766
Travel and Entertainment	-	12,962	12,962
Interest Expense	-	239,285	239,285
Rent and Facilities	2,590,231	-	2,590,231
Depreciation and Amortization	506,860	-	506,860
Insurance	-	323,326	323,326
Repairs and Maintenance	23,825	56,021	79,846
Miscellaneous	-	3,857	3,857
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u><u>\$ 32,014,933</u></u>	<u><u>\$ 8,232,950</u></u>	<u><u>\$ 40,247,883</u></u>

See accompanying Notes to Financial Statements.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 2,943,563
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	506,860
Changes in Operating Assets and Liabilities:	
Grants Receivable	257,677
Related Party Accounts Receivable	(2,862,368)
Accounts Payable - Trade	(292,157)
Accounts Payable - Related Party	(44,110)
Accrued Liabilities	200,297
Net Cash Provided (Used) by Operating Activities	709,762

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property and Equipment	(1,096,947)
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal Payments on Long-Term Debt	(153,277)
Principal Payments on Long-Term Debt - Affiliate	(212,809)
Net Cash Provided (Used) by Financing Activities	(366,086)

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(753,271)

Cash and Cash Equivalents - Beginning of Year

3,988,002

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 3,234,731

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES**

Interest Paid	\$ 239,285
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See accompanying Notes to Financial Statements.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The George and Veronica Phalen Leadership Academies (PLA) is a nonprofit network of tuition-free public schools that help children excel in their academics and grow as well-rounded individuals. The PLA instructional model is evidence-based, designed by highly successful educators, and focuses on instruction that is personalized and data-driven. The model utilizes best practices including daily differentiated, data-driven instruction and intervention, frequent assessments, and regular progress feedback. This creates a uniquely rigorous and personalized learning experience for every child. At PLA, scholars have a safe and caring learning environment. Educators experience continued professional development and growth opportunities to best meet their scholars' needs. Scholars grow socially, emotionally, and physically through art, music, physical fitness, college- and career-focused visits, scholar-led community service projects, and more. Embedded throughout our program is an emphasis on helping our scholars develop a strong sense of self and character; build connections to their community and futures; and thrive as leaders at home, in their communities, and in the world.

To achieve these goals, PLA employs three distinct business models to operate its schools:

The Direct Model

Under this model, new charter schools are opened and operated under a charter created, activated, and owned by PLA. Our approach builds on the success of Founder and CEO Earl Martin Phalen's 25-year pioneering track record in education.

PLA's first school, the George and Veronica Phalen Leadership Academy (GVPLA), opened in 2013. PLA also opened the James and Rosemary Phalen Leadership Academy (JRPLA) as a Middle School in July 2017. In July 2019, PLA converted the Phalen Leadership Academy at George Fisher (PLA93) into the turnaround model.

All Direct Model schools are located in Indianapolis, Indiana.

The Turnaround Model

Under this model, PLA helps to transform chronically low-performing public schools into the high quality schools children need and deserve. PLA started turnaround work when it partnered with Indianapolis Public School (IPS) to operate PLA 103, an Innovation Network School. In July 2019, PLA was selected to operate PLA 48 starting in the 2020-2021 school year.

Expenses incurred by PLA on behalf of the schools are reimbursed by IPS. All revenues received from IPS for the operation of PLA 103 are captured as Operator Revenue in the statements of activities. PLA also recognizes in-kind revenue and expense for services provided directly to the schools including transportation, building use, and other services (see Note 9).

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The CMO

PLA utilizes the Central Management Office (CMO) to expand its turnaround model to help more children attending chronically low-performing schools excel. The CMO provides crucial support to partner schools to ensure school leadership can focus fully on high-quality education. Functional areas of support include: human resources, financial management, facilities, food services, performance management, policy development, legal counsel, grants management, on-site quality assurance monitoring and support.

PLA enters into management agreements with these schools to leverage the Turnaround Model. Under these agreements, PLA is paid a management fee for services related to operating the school; however, the school is responsible for acceptance and payment of all expenses.

PLA maintains management agreements with the Thea Bowman Leadership Academy (TBLA) to manage two schools in Gary, Indiana; Timothy L. Johnson Academy (TLJ) in Fort Wayne, Indiana; Jacquet Middle School in Fort Worth, Texas, and the Michigan Educational Choice Center (MECC) in Detroit, Michigan. In 2018, PLA entered into management agreements with Higher Institute of Arts & Tech (HIAT) in Merrillville, Indiana.

Management fees received under these CMO agreements are recorded as Operator Revenue in the statements of activities.

Under these models, PLA is serving over 5,000 students across Indianapolis, Fort Wayne, Merrillville and Gary, Indiana, and Detroit, Michigan. Our ultimate goal is that scholars gain academic mastery, and demonstrate strong character, as exhibited by: honesty, service to others, a superior work ethic, and a strong vision for and belief in their futures. We believe that with the right education, all children can fulfill their tremendous innate potential.

**Use of Estimates in Preparing Financial Statements**

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 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

PLA considers all demand accounts to be cash. PLA had no cash equivalents at June 30, 2022.

**Grants Receivable**

Grants receivable represent the uncollected portion of funds from grants awarded to PLA. Management has deemed these amounts to be fully collectible within one year.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are reported at cost, less accumulated depreciation. Improvements and replacements greater than \$5,000 of major property additions are capitalized. Repairs, maintenance, and minor replacements are expensed.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets which are as follows:

Building and Improvements	30 Years
Leasehold Improvements	30 Years
Furniture and Equipment	7 to 15 Years
Books and Educational Materials	5 Years
Computer Software and Equipment	3 Years

**Impairment of Long-lived Assets**

On an ongoing basis, PLA reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. PLA recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows.

**Security Deposit**

Upon closing of the lease of the building for JRPLA, PLA was obligated to make a one-time cash deposit that would be applied to the PLA's future purchase of the property. This deposit is not refundable.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

**Support and Revenue**

Revenues generally 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. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

*Contributions and Donations* – PLA reports gifts of cash and other assets from various organizations and private donors as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as Net Assets Released from Restrictions.

Volunteers provide program services through the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria. Such services include volunteering at events, in classrooms and clerical assistance.

*Grant Revenue* – PLA receives monies from federal and state organizations, primarily under the Direct Model in which PLA is the direct recipient of the related grant.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Support and Revenue (Continued)**

*Operator Revenue* – Operator revenue is reported at the amount that reflects the consideration to which PLA expects to be entitled in exchange for providing services under the terms of the agreements with the Turnaround and CMO Model schools. Operator revenue consists of the monies received under the agreements under Turnaround and CMO Model schools. This represents fees related to those management services, as well as any reimbursement for expenses incurred by PLA on the individual school's behalf. Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by PLA included in the agreements. Revenue for performance obligations satisfied over time is recognized based on actual services provided. PLA believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Contract assets included in operator receivables and related party receivables was \$962,843 and \$149,821 as of June 30, 2022 and 2021, respectively.

*In-Kind Support* – Contributions of services received are recognized if the services (a) create or enhance nonfinancial assets of (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. See Note 11 for further details.

**Advertising**

PLA expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2022 totaled \$21,443.

**Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited using a direct expense allocation method.

**Income Taxes**

The Phalen Leadership Academy – Indiana, 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 (IRC) 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, 2022, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (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 ending after 2021 are open to audit for both federal and state purposes.

**Subsequent Events**

Management evaluated subsequent events through April 17, 2023, the date the financial statements were available to be issued. Management has determined that no subsequent events exist.

Subsequent to year end, PLA entered into an agreement to acquire Promise Prep, Inc., an Indiana charter school. Also, PLA has elected to terminate the agreement with Jacquet effective June 30, 2023.

**Pending Accounting Pronouncements**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's financial statements.

**Change in Accounting Principles**

In September 2020, FASB issued Accounting Standards update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to improve the transparency of contributed nonfinancial assets through enhancements to presentation disclosure. The amendment to this ASU requires nonprofits to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and (2) include a disclosure of the disaggregation of the amount of contributed nonfinancial assets recognized by category that depicts the type of contributed nonfinancial assets. This standard did not have a significant impact on PLA.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

PLA has \$11,017,017 and \$9,165,597 of financial assets available within one year of the statement of financial position date consisting of cash, grants receivable, and related party accounts receivable at June 30, 2022 and 2021, respectively. This includes \$-0- and \$5,619 which is subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial statement date at June 30, 2022 and 2021, respectively. PLA does not currently have any liquidity management policies in place.

**NOTE 3 NOTES PAYABLE**

PLA notes payable consist of the following at June 30:

<u>Description</u>	<u>2022</u>
6.375% note payable, principal and unpaid accrued interest due at April 1, 2021, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	\$ 624,741
3.27% note payable at the federal tax exempt rate set to re-price every 5 years (next re-price in March 2026), principal and unpaid accrued interest due at March 1, 2041, secured by the property located at 2323 North Illinois Street, Indianapolis, IN 46208.	<u>2,475,197</u>
Total	3,099,938
Less: Current Portion	<u>800,062</u>
Notes Payable Less Current Portion	<u><u>\$ 2,299,876</u></u>

PLA is subject to financial reporting loan covenants associated with the above notes payable. As of June 30, 2022, management is not in compliance with these covenants. PLA has received waivers regarding these covenants from the lenders.

Future maturities of all notes payable, including related party notes payable (see Note 9), are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2023	\$ 1,322,724
2024	324,847
2025	337,587
2026	350,611
2027	363,635
Thereafter	<u>3,727,872</u>
Total	<u><u>\$ 6,427,276</u></u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 CONCENTRATION OF CREDIT RISK**

PLA maintains its cash in bank accounts at a single financial institution. At June 30, 2022, balances in PLA's deposit accounts were insured by the FDIC up to \$250,000 per depositor bank. As of June 30, 2022 and from time-to-time throughout the year, PLA has cash balances on deposit in excess of insured limits.

Credit risk related to grants receivable is limited due to PLA's ability to accomplish the terms of the grants. No credit losses related to grants receivable were incurred during the year ended June 30, 2022.

PLA receives operating funds from the Indiana Department of Education which amounted to 50% of the total revenue and contributed support for the year ended June 30, 2022. Operating revenues are determined under a state funding formula based on the number of students enrolled during the school year.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

**NOTE 5 LEASES**

PLA is a party to a 15-year lease agreement for its JRPLA facility that expires June 2032. The base monthly rent for the space under the agreement is 122% of the Landlord's Debt Service Coverage Payments (variable) for the first two lease years with an annual increase of 1% thereafter. Amount of actual payments is based on the "Total Project Cost for the Project." Additionally, there is a provision in the lease that grants PLA the option to renew the lease for two additional five-year periods beyond the original lease term. Rent expense for the years ended June 30, 2022 and 2021 was \$316,599 and \$313,465, respectively.

As part of the lease, PLA has an option to purchase the building. PLA can exercise this right at any time during the lease term. Closing of the purchase option must take place within 120 days of notice and prior to the end of the lease term. PLA was required to make a one-time cash deposit of \$1,000,000 toward its future purchase of the property. This deposit shall be applied to the future purchase price of the property and is nonrefundable.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 LEASES (CONTINUED)**

Future minimum lease payments remaining under this operating lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 319,765
2024	322,963
2025	326,192
2026	329,454
2027	332,749
Thereafter	1,714,327
Total	<u>\$ 3,345,450</u>

**NOTE 6 RETIREMENT PLANS**

PLA has a 403(b) retirement plan. The plan is contributory only and requires no contribution by PLA. PLA does contribute 7.5% of the salary for all teaching staff. The plan is qualified under Section 403(b)(9) of the IRC. Total contributions to the plan for the year ended June 30, 2022 was \$432,111.

**NOTE 7 PENSION PLANS**

PLA elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost-sharing multiemployer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the board of trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multiemployer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. PLA contributed 5.5% and 7.5%, respectively, of the annual covered salary of employees. PLA is required to contribute an actuarially determined rate determined annually for PERF and TRF. Retirement plan expense for PERF and TRF was \$254,067 for the year ended June 30, 2022.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 RELATED PARTY TRANSACTIONS**

PLA paid Entrepreneurial Ventures in Education (EVE) \$2,575,439 in the year ended June 30, 2022 for reimbursement of management related functions. Amounts due from EVE at June 30, 2022 was \$5,233,252. Amounts due to EVE at June 30, 2022 was \$1,360,218.

PLA and TLJ, MECC, TBLA, and HIAT Jacquet are considered to be entities under common management by virtue of management service agreements with EVE or PLA. There were no receivables for TLJ, MECC, TBLA and HIAT at June 30, 2022. For the year ended June 30, 2022, PLA had revenues from TLJ and TBLA of \$462,313 and \$988,868, respectively.

In February 2016, the GVPLA entered into a 25-year operating lease for \$2,100,000 for its school facility with a member of the board. That organization is controlled by a separate and independent board of directors. PLA is required to make monthly rental payments in the amount of \$11,085 and an interest rate of 4%. For the year ended June 30 2022, principal payments of \$66,581 were made.

In December 2019, JRPLA entered into a loan with James Phalen for \$750,000. The loan requires monthly interest only payments at an interest rate of 3%. The principal balance of the loan was due on January 1, 2025. During the year-ended June 30, 2021, JRPLA entered into an agreement with a member of the board. As part of the agreement, the \$750,000 balance of the James Phalen loan was transferred to a renovations loan with the board member and an additional \$1,000,000 was obtained as well for a total loan balance of \$1,750,000. PLA is required to make monthly payments in the amount of \$17,718 and an interest rate of 4%. For the year ended June 30, 2022 principal payments of \$146,228 and were made.

Related party notes payable consist of the following at June 30:

<u>Description</u>	<u>2022</u>
4% note payable, principal and unpaid accrued interest due at April 1, 2041, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	\$ 1,747,375
4% note payable, due in monthly installments of \$17,717.90, remaining principal and accrued interest due at April 1, 2031, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	<u>1,579,963</u>
Total	3,327,338
Less: Current Portion	<u>522,662</u>
Related Party Notes Payable Less Current Portion	<u><u>\$ 2,804,676</u></u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 NET ASSETS WITH DONOR RESTRICTION**

During the year ended June 30, 2022, \$5,619 of net assets with donor restriction were released from donor restrictions by incurring expenses satisfying the purpose of the agreement.

**NOTE 10 DONATED PROFESSIONAL SERVICES AND MATERIALS**

IPS contributes significant amounts of resources to the School's program services at PLA 103, PLA 93 and PLA 48. In-kind contributions for the year ended June 30, 2022 were as follows: building and facilities usage, utilities and building maintenance, security, SPED personnel, other personnel, transportation, and food service were recognized in the amount of \$3,621,294 for the period. The in-kind contributions are recorded as revenue on the statement of activities based upon the market value provided by IPS. The expenses are included in their natural classification on the statement of functional expenses based upon the break-out provided by IPS.

PLA 103 and 93 received donated professional services and materials as follows for the years ended June 30, 2022 and 2021:

	2022			
	PLA 103	PLA 93	PLA 48	Total
Building and Facilities Usage	\$ 853,931	\$ 754,717	\$ 542,771	\$ 2,151,419
Utilities and Building Maintenance	253,182	103,331	387,017	743,530
Security	66,227	51,956	35,746	153,929
Grounds Maintenance	18,200	14,278	9,823	42,301
Transportation	97,764	256,800	175,551	530,115
Total	<u>\$ 1,289,304</u>	<u>\$ 1,181,082</u>	<u>\$ 1,150,908</u>	<u>\$ 3,621,294</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**  
**JUNE 30, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

<b>ASSETS</b>	<u>GVPLA</u>	<u>PLA 103</u>	<u>PLA 93</u>	<u>CMO</u>	<u>JRPLA</u>
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 715,971	\$ 112,611	\$ 321,175	\$ 10,369	\$ 304,144
Grants and Operator Receivables	184,596	347,230	422,094	441,249	270,147
Related Party Accounts Receivable	1,459,148	5,838,954	2,895,411	661,044	820,819
Total Current Assets	<u>2,359,715</u>	<u>6,298,795</u>	<u>3,638,680</u>	<u>1,112,662</u>	<u>1,395,110</u>
<b>PROPERTY AND EQUIPMENT</b>					
Land	300,000	-	-	-	-
Building and Improvements	6,775,248	-	-	-	-
Leasehold Improvements	10,657	-	108,213	-	4,297,636
Furniture and Equipment	508,832	206,824	-	-	210,271
Books and Educational Materials	164,966	383,435	240,685	-	80,351
Computer Software	49,977	-	-	-	64,600
Computer Equipment	155,188	87,684	-	-	206,988
Vehicles	-	-	-	-	-
Total, at Cost	<u>7,964,868</u>	<u>677,943</u>	<u>348,898</u>	<u>-</u>	<u>4,859,846</u>
Less: Accumulated Depreciation	2,279,898	662,927	303,437	-	557,147
Total Property and Equipment	<u>5,684,970</u>	<u>15,016</u>	<u>45,461</u>	<u>-</u>	<u>4,302,699</u>
<b>OTHER ASSETS</b>					
Security Deposit	-	-	-	-	1,000,000
Total Assets	<u>\$ 8,044,685</u>	<u>\$ 6,313,811</u>	<u>\$ 3,684,141</u>	<u>\$ 1,112,662</u>	<u>\$ 6,697,809</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 1,005,632	\$ 174,551	\$ 166,159	\$ -	\$ 311,216
Related Party Payables	554,624	629,427	-	-	5,433,346
Current Portion of Notes Payable	800,062	-	-	-	-
Current Portion of Notes Payable - Affiliate	352,625	-	-	-	170,037
Accrued Liabilities	103,915	207,945	199,727	-	187,123
Total Current Liabilities	<u>2,816,858</u>	<u>1,011,923</u>	<u>365,886</u>	<u>-</u>	<u>6,101,722</u>
<b>LONG-TERM LIABILITIES</b>					
Notes Payable, Net of Current Portion	2,299,876	-	-	-	-
Notes Payable, Net of Current Portion - Affiliate	1,394,750	-	-	-	1,409,926
Total Long-Term Liabilities	<u>3,694,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,409,926</u>
Total Liabilities	6,511,484	1,011,923	365,886	-	7,511,648
<b>NET ASSETS</b>					
Without Donor Restrictions	1,533,201	5,301,888	3,318,255	1,112,662	(813,839)
With Donor Restrictions	-	-	-	-	-
Total Net Assets	<u>1,533,201</u>	<u>5,301,888</u>	<u>3,318,255</u>	<u>1,112,662</u>	<u>(813,839)</u>
Total Liabilities and Net Assets	<u>\$ 8,044,685</u>	<u>\$ 6,313,811</u>	<u>\$ 3,684,141</u>	<u>\$ 1,112,662</u>	<u>\$ 6,697,809</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FINANCIAL POSITION BY SCHOOL (CONTINUED)**  
**JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b>ASSETS</b>	<u>JRPHS</u>	<u>PLAVS</u>	<u>PLA48</u>	<u>Jacquet</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 146,906	\$ 259,111	\$ 444,472	\$ 919,972	\$ -	\$ 3,234,731
Grants and Operator Receivables	167,586	40,739	190,176	485,217	-	2,549,034
Related Party Accounts Receivable	600,000	1,164,198	559,457	339,328	(9,105,107)	5,233,252
Total Current Assets	<u>914,492</u>	<u>1,464,048</u>	<u>1,194,105</u>	<u>1,744,517</u>	<u>(9,105,107)</u>	<u>11,017,017</u>
<b>PROPERTY AND EQUIPMENT</b>						
Land	-	-	-	-	-	300,000
Building and Improvements	9,200	-	-	-	-	6,784,448
Leasehold Improvements	9,200	-	-	-	-	4,425,706
Furniture and Equipment	159,420	-	-	-	-	1,085,347
Books and Educational Materials	-	-	-	-	-	869,437
Computer Software	4,400	-	-	7,910	-	126,887
Computer Equipment	-	-	-	14,520	-	464,380
Vehicles	24,500	-	-	-	-	24,500
Total, at Cost	<u>206,720</u>	<u>-</u>	<u>-</u>	<u>22,430</u>	<u>-</u>	<u>14,080,705</u>
Less: Accumulated Depreciation	15,493	-	-	-	-	3,818,902
Total Property and Equipment	<u>191,227</u>	<u>-</u>	<u>-</u>	<u>22,430</u>	<u>-</u>	<u>10,261,803</u>
<b>OTHER ASSETS</b>						
Security Deposit	-	-	-	-	-	1,000,000
Total Assets	<u>\$ 1,105,719</u>	<u>\$ 1,464,048</u>	<u>\$ 1,194,105</u>	<u>\$ 1,766,947</u>	<u>\$ (9,105,107)</u>	<u>\$ 22,278,820</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$ 37,895	\$ 221,731	\$ 142,530	\$ 572,179	\$ -	\$ 2,631,893
Related Party Payables	1,280,474	65,299	791,837	350,100	(9,105,107)	-
Current Portion of Notes Payable	-	-	-	-	-	800,062
Current Portion of Notes Payable - Affiliate	-	-	-	-	-	522,662
Accrued Liabilities	158,325	151,860	133,558	-	-	1,142,453
Total Current Liabilities	<u>1,476,694</u>	<u>438,890</u>	<u>1,067,925</u>	<u>922,279</u>	<u>(9,105,107)</u>	<u>5,097,070</u>
<b>LONG-TERM LIABILITIES</b>						
Notes Payable, Net of Current Portion	-	-	-	-	-	2,299,876
Notes Payable, Net of Current Portion - Affiliate	-	-	-	-	-	2,804,676
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,104,552</u>
Total Liabilities	<u>1,476,694</u>	<u>438,890</u>	<u>1,067,925</u>	<u>922,279</u>	<u>(9,105,107)</u>	<u>10,201,622</u>
<b>NET ASSETS</b>						
Without Donor Restrictions	(370,975)	1,025,158	126,180	844,668	-	12,077,198
With Donor Restrictions	-	-	-	-	-	-
Total Net Assets	<u>(370,975)</u>	<u>1,025,158</u>	<u>126,180</u>	<u>844,668</u>	<u>-</u>	<u>12,077,198</u>
Total Liabilities and Net Assets	<u>\$ 1,105,719</u>	<u>\$ 1,464,048</u>	<u>\$ 1,194,105</u>	<u>\$ 1,766,947</u>	<u>\$ (9,105,107)</u>	<u>\$ 22,278,820</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF ACTIVITIES BY SCHOOL**  
**YEAR ENDED JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	GVPLA			PLA 103			PLA93		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>									
<b>REVENUE</b>									
Contributions and Donations	\$ 881,536	\$ -	\$ 881,536	\$ 501	\$ -	\$ 501	\$ 2,500	\$ -	\$ 2,500
Grant Revenue	4,383,082	-	4,383,082	-	-	-	395,127	-	395,127
Operator Revenue	-	-	-	6,832,982	-	6,832,982	5,229,095	-	5,229,095
In-Kind Contributions	-	-	-	1,289,304	-	1,289,304	1,181,082	-	1,181,082
Other Revenue	23,584	-	23,584	28,243	-	28,243	-	-	-
Total Revenue	<u>5,288,202</u>	<u>-</u>	<u>5,288,202</u>	<u>8,151,030</u>	<u>-</u>	<u>8,151,030</u>	<u>6,807,804</u>	<u>-</u>	<u>6,807,804</u>
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-	-
Total Revenue and Support	<u>5,288,202</u>	<u>-</u>	<u>5,288,202</u>	<u>8,151,030</u>	<u>-</u>	<u>8,151,030</u>	<u>6,807,804</u>	<u>-</u>	<u>6,807,804</u>
<b>EXPENSES</b>									
Program Services	4,042,321	-	4,042,321	6,191,224	-	6,191,224	5,486,821	-	5,486,821
Supporting Services:									
General and Administrative	1,127,853	-	1,127,853	717,632	-	717,632	1,154,685	-	1,154,685
Total Expenses	<u>5,170,174</u>	<u>-</u>	<u>5,170,174</u>	<u>6,908,856</u>	<u>-</u>	<u>6,908,856</u>	<u>6,641,506</u>	<u>-</u>	<u>6,641,506</u>
<b>CHANGE IN NET ASSETS</b>	118,028	-	118,028	1,242,174	-	1,242,174	166,298	-	166,298
Net Assets - Beginning of Year	<u>1,415,173</u>	<u>-</u>	<u>1,415,173</u>	<u>4,059,714</u>	<u>-</u>	<u>4,059,714</u>	<u>3,151,957</u>	<u>-</u>	<u>3,151,957</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,533,201</u>	<u>\$ -</u>	<u>\$ 1,533,201</u>	<u>\$ 5,301,888</u>	<u>\$ -</u>	<u>\$ 5,301,888</u>	<u>\$ 3,318,255</u>	<u>\$ -</u>	<u>\$ 3,318,255</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	CMO			JRPLA			JRPHS		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>									
<b>REVENUE</b>									
Contributions and Donations	\$ -	\$ -	\$ -	\$ 300,758	\$ -	\$ 300,758	\$ 101,000	\$ -	\$ 101,000
Grant Revenue	-	-	-	3,706,533	-	3,706,533	5,304,346	-	5,304,346
Operator Revenue	1,451,180	-	1,451,180	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	278,378	-	278,378	24,436	-	24,436
Total Revenue	1,451,180	-	1,451,180	4,285,669	-	4,285,669	5,429,782	-	5,429,782
Net Assets Released from Restrictions	-	-	-	5,619	(5,619)	-	-	-	-
Total Revenue and Support	1,451,180	-	1,451,180	4,291,288	(5,619)	4,285,669	5,429,782	-	5,429,782
<b>EXPENSES</b>									
Program Services	-	-	-	4,067,829	-	4,067,829	4,615,226	-	4,615,226
Supporting Services:									
General and Administrative	970,854	-	970,854	1,176,646	-	1,176,646	961,747	-	961,747
Total Expenses	970,854	-	970,854	5,244,475	-	5,244,475	5,576,973	-	5,576,973
<b>CHANGE IN NET ASSETS</b>	480,326	-	480,326	(953,187)	(5,619)	(958,806)	(147,191)	-	(147,191)
Net Assets - Beginning of Year	632,336	-	632,336	139,348	5,619	144,967	(223,784)	-	(223,784)
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,112,662</u>	<u>\$ -</u>	<u>\$ 1,112,662</u>	<u>\$ (813,839)</u>	<u>\$ -</u>	<u>\$ (813,839)</u>	<u>\$ (370,975)</u>	<u>\$ -</u>	<u>\$ (370,975)</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	PLAVS			PLA48			Jacquet			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>												
<b>REVENUE</b>												
Contributions and Donations	\$ 123,000	\$ -	\$ 123,000	\$ -	\$ -	\$ -	\$ 250	\$ -	\$ 250	\$ 1,409,545	\$ -	\$ 1,409,545
Grant Revenue	4,310,685	-	4,310,685	4,590,180	-	4,590,180	725,000	-	725,000	23,414,953	-	23,414,953
Operator Revenue	-	-	-	-	-	-	824,545	-	824,545	14,337,802	-	14,337,802
In-Kind Contributions	-	-	-	1,150,908	-	1,150,908	-	-	-	3,621,294	-	3,621,294
Other Revenue	33,910	-	33,910	19,301	-	19,301	-	-	-	407,852	-	407,852
Total Revenue	4,467,595	-	4,467,595	5,760,389	-	5,760,389	1,549,795	-	1,549,795	43,191,446	-	43,191,446
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-	-	5,619	(5,619)	-
Total Revenue and Support	4,467,595	-	4,467,595	5,760,389	-	5,760,389	1,549,795	-	1,549,795	43,197,065	(5,619)	43,191,446
<b>EXPENSES</b>												
Program Services	2,757,476	-	2,757,476	4,613,127	-	4,613,127	240,909	-	240,909	32,014,933	-	32,014,933
Supporting Services:												
General and Administrative	766,422	-	766,422	892,893	-	892,893	464,218	-	464,218	8,232,950	-	8,232,950
Total Expenses	3,523,898	-	3,523,898	5,506,020	-	5,506,020	705,127	-	705,127	40,247,883	-	40,247,883
<b>CHANGE IN NET ASSETS</b>	943,697	-	943,697	254,369	-	254,369	844,668	-	844,668	2,949,182	(5,619)	2,943,563
Net Assets - Beginning of Year	81,461	-	81,461	(128,189)	-	(128,189)	-	-	-	9,128,016	5,619	9,133,635
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,025,158</u>	<u>\$ -</u>	<u>\$ 1,025,158</u>	<u>\$ 126,180</u>	<u>\$ -</u>	<u>\$ 126,180</u>	<u>\$ 844,668</u>	<u>\$ -</u>	<u>\$ 844,668</u>	<u>\$ 12,077,198</u>	<u>\$ -</u>	<u>\$ 12,077,198</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL**  
**YEAR ENDED JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	GVPLA			PLA 103			PLA93		
	Program Services	Supporting Services		Program Services	Supporting Services		Program Services	Supporting Services	
	Academics	General and Administrative	Total	Academics	General and Administrative	Total	Academics	General and Administrative	Total
Salaries and Benefits	\$ 1,956,395	\$ 407,573	\$ 2,363,968	\$ 3,192,135	\$ 446,317	\$ 3,638,452	\$ 3,080,912	\$ 534,409	\$ 3,615,321
Professional Services	546,822	23,546	570,368	285,078	38,670	323,748	91,768	176,725	268,493
Information Technology	249,701	332,649	582,350	354,390	119,326	473,716	318,677	325,013	643,690
Legal and Accounting	-	28,195	28,195	-	24,066	24,066	-	24,847	24,847
Professional Development	127,094	23,319	150,413	140,807	18,840	159,647	116,526	13,792	130,318
Cleaning Services	16,352	-	16,352	109,933	-	109,933	1,728	-	1,728
Security Services	3,989	-	3,989	66,227	-	66,227	51,956	-	51,956
Utilities	146,445	19,107	165,552	112,656	-	112,656	62,435	-	62,435
Materials and Supplies	342,317	65,627	407,944	323,469	19,023	342,492	239,548	28,407	267,955
Nutritional Support	343,918	-	343,918	601,209	-	601,209	483,521	55	483,576
Sales, Marketing, and Community Relations	19,157	-	19,157	1,570	-	1,570	1,570	-	1,570
Program Transportation Services	10,942	-	10,942	108,453	-	108,453	269,300	-	269,300
Travel and Entertainment	-	3,787	3,787	-	94	94	-	253	253
Interest Expense	-	172,899	172,899	-	-	-	-	-	-
Rent and Facilities	-	-	-	853,931	-	853,931	754,717	-	754,717
Depreciation and Amortization	279,189	-	279,189	40,769	-	40,769	14,163	-	14,163
Insurance	-	50,809	50,809	-	50,809	50,809	-	50,809	50,809
Repairs and Maintenance	-	-	-	597	-	597	-	-	-
Miscellaneous	-	342	342	-	487	487	-	375	375
<b>Total</b>	<b>\$ 4,042,321</b>	<b>\$ 1,127,853</b>	<b>\$ 5,170,174</b>	<b>\$ 6,191,224</b>	<b>\$ 717,632</b>	<b>\$ 6,908,856</b>	<b>\$ 5,486,821</b>	<b>\$ 1,154,685</b>	<b>\$ 6,641,506</b>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	CMO			JRPLA			JRPHS		
	Program Services	Supporting Services		Program Services	Supporting Services		Program Services	Supporting Services	
	Academics	General and Administrative	Total	Academics	General and Administrative	Total	Academics	General and Administrative	Total
Salaries and Benefits	\$ -	\$ -	\$ -	\$ 2,044,067	\$ 677,078	\$ 2,721,145	\$ 2,138,953	\$ 629,927	\$ 2,768,880
Professional Services	-	-	-	523,592	24,788	548,380	558,213	22,496	580,709
Information Technology	-	970,854	970,854	215,935	298,941	514,876	394,252	13,075	407,327
Legal and Accounting	-	-	-	-	11,028	11,028	-	20,754	20,754
Professional Development	-	-	-	140,161	11,259	151,420	32,531	159,381	191,912
Cleaning Services	-	-	-	-	-	-	-	-	-
Security Services	-	-	-	15,956	-	15,956	35,339	-	35,339
Utilities	-	-	-	94,341	1,861	96,202	114,651	-	114,651
Materials and Supplies	-	-	-	192,856	20,884	213,740	216,404	27,830	244,234
Nutritional Support	-	-	-	203,044	-	203,044	223,973	-	223,973
Sales, Marketing, and Community Relations	-	-	-	5,604	-	5,604	5,274	-	5,274
Program Transportation Services	-	-	-	380,421	-	380,421	516,009	-	516,009
Travel and Entertainment	-	-	-	-	2,873	2,873	-	442	442
Interest Expense	-	-	-	-	66,386	66,386	-	-	-
Rent and Facilities	-	-	-	94,960	-	94,960	343,852	-	343,852
Depreciation and Amortization	-	-	-	156,892	-	156,892	12,547	-	12,547
Insurance	-	-	-	-	5,044	5,044	-	85,795	85,795
Repairs and Maintenance	-	-	-	-	56,021	56,021	23,228	-	23,228
Miscellaneous	-	-	-	-	483	483	-	2,047	2,047
<b>Total</b>	<b>\$ -</b>	<b>\$ 970,854</b>	<b>\$ 970,854</b>	<b>\$ 4,067,829</b>	<b>\$ 1,176,646</b>	<b>\$ 5,244,475</b>	<b>\$ 4,615,226</b>	<b>\$ 961,747</b>	<b>\$ 5,576,973</b>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	PLAVS			PLA48			Jacquet			Total		
	Program Services	Supporting Services		Program Services	Supporting Services		Program Services	Supporting Services		Program Services	Supporting Services	
		General and Administrative	Total		General and Administrative	Total		General and Administrative	Total		General and Administrative	Total
	Academics	Administrative	Total	Academics	Administrative	Total	Academics	Administrative	Total	Academics	Administrative	Total
	\$ 1,946,990	\$ 265,604	\$ 2,212,594	\$ 2,124,932	\$ 352,304	\$ 2,477,236	\$ 148,128	\$ -	\$ 148,128	\$ 16,632,512	\$ 3,313,212	\$ 19,945,724
	258,684	16,546	275,230	335,929	21,633	357,562	-	-	-	2,600,086	324,404	2,924,490
Salaries and Benefits	432,224	349,812	782,036	644,550	398,745	1,043,295	67,719	456,016	523,735	2,677,448	3,264,431	5,941,879
Professional Services	-	5,795	5,795	-	7,376	7,376	-	-	-	-	122,061	122,061
Information Technology	31,562	76,818	108,380	47,791	10,146	57,937	23,253	5,000	28,253	659,725	318,555	978,280
Legal and Accounting	1,290	-	1,290	-	-	-	-	-	-	129,303	-	129,303
Professional Development	-	-	-	35,746	-	35,746	-	-	-	209,213	-	209,213
Cleaning Services	-	-	-	-	-	-	-	-	-	530,528	20,968	551,496
Security Services	75,680	6,482	82,162	259,451	62,476	321,927	1,809	3,084	4,893	1,651,534	233,813	1,885,347
Utilities	3,405	-	3,405	437,038	-	437,038	-	-	-	2,296,108	55	2,296,163
Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Nutritional Support	-	-	-	-	-	-	-	-	-	-	-	-
Sales, Marketing, and Community Relations	3,619	-	3,619	-	-	-	-	-	-	36,794	-	36,794
Program Transportation Services	722	-	722	184,919	-	184,919	-	-	-	1,470,766	-	1,470,766
Travel and Entertainment	-	5,330	5,330	-	183	183	-	-	-	-	12,962	12,962
Interest Expense	-	-	-	-	-	-	-	-	-	-	239,285	239,285
Rent and Facilities	-	-	-	542,771	-	542,771	-	-	-	2,590,231	-	2,590,231
Depreciation and Amortization	3,300	-	3,300	-	-	-	-	-	-	506,860	-	506,860
Insurance	-	40,030	40,030	-	40,030	40,030	-	-	-	-	323,326	323,326
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	23,825	56,021	79,846
Miscellaneous	-	5	5	-	-	-	-	118	118	-	3,857	3,857
<b>Total</b>	<b>\$ 2,757,476</b>	<b>\$ 766,422</b>	<b>\$ 3,523,898</b>	<b>\$ 4,613,127</b>	<b>\$ 892,893</b>	<b>\$ 5,506,020</b>	<b>\$ 240,909</b>	<b>\$ 464,218</b>	<b>\$ 705,127</b>	<b>\$ 32,014,933</b>	<b>\$ 8,232,950</b>	<b>\$ 40,247,883</b>



**INDEPENDENT AUDITORS' 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 and Management  
The Phalen Leadership Academy – Indiana, Inc.  
Indianapolis, Indiana

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 statements of The Phalen Leadership Academy – Indiana, Inc., which comprise of the statement of financial position as of June 30, 2022, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 17, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered The Phalen Leadership Academy – Indiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Phalen Leadership Academy – Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Phalen Leadership Academy – Indiana, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

***The Phalen Leadership Academy – Indiana, Inc.’s Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on The Phalen Leadership Academy – Indiana, Inc.’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Phalen Leadership Academy – Indiana, Inc.’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether The Phalen Leadership Academy – Indiana, Inc.’s financial statements are 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 financial statements. 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
April 17, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors and Management  
The Phalen Leadership Academy – Indiana, Inc.  
Indianapolis, Indiana

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited The Phalen Leadership Academy – Indiana, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of The Phalen Leadership Academy – Indiana, Inc.'s major federal programs for the year ended June 30, 2022. The Phalen Leadership Academy – Indiana, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Phalen Leadership Academy – Indiana, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Phalen Leadership Academy – Indiana, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Phalen Leadership Academy – Indiana, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to The Phalen Leadership Academy – Indiana, Inc.'s federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Phalen Leadership Academy – Indiana, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Phalen Leadership Academy – Indiana, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Phalen Leadership Academy – Indiana, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Phalen Leadership Academy – Indiana, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Phalen Leadership Academy – Indiana, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

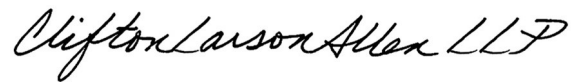
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Board of Directors and Management  
The Phalen Leadership Academy – Indiana, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
April 17, 2023

**THE PHALEN LEADERSHIP ACADEMY- INDIANA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Agriculture</b>				
Passed through Indiana Department of Education:				
Child Nutrition Cluster - School Breakfast Program	10.553	N/A	\$ -	\$ 956,868
Child Nutrition Cluster - National School Lunch Program	10.555	N/A	-	432,238
Total Department of Agriculture			-	1,389,106
<b>Department of Education</b>				
Passed through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A190014, S010A200014, S010A210014	-	2,806,135
Special Education Cluster - Special Education Grants to States	84.027	H027A190084, H027A200084	-	381,774
Title III Higher Education Institutional Aid	84.031	N/A	-	(6,785)
Charter School Program	84.282	U282A180017, U282A190017, U282A200017, S282D190002	-	2,268,109
Title II Improving Teacher Quality State Grants	84.367	S367A190013, S367A200013, S367A210013	-	172,740
Title IV Student Support and Academic Enrichment Program	84.424	S424A180015, S424A190015, S424A200015, S424A210015	-	135,285
COVID 19: Education Stabilization Fund	84.425D	S425D200013	-	3,002,563
COVID 19: Education Stabilization Fund	84.425U	S425U210013	-	536,372
Total Department of Education			-	9,296,193
Total Expenditures of Federal Awards			\$ -	\$ 10,685,299

**THE PHALEN LEADERSHIP ACADEMY- INDIANA, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The Phalen Leadership Academy – Indiana, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of The Phalen Leadership Academy – Indiana, Inc., it is not intended to and does not present the financial position of The Phalen Leadership Academy – Indiana, Inc.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Phalen Leadership Academy – Indiana, Inc. has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

**THE PHALEN LEADERSHIP ACADEMY- INDIANA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

**Section I – Summary of Auditors' Results**

**Financial Statements**

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?     x     yes            no
  - Significant deficiency(ies) identified?            yes     x     none reported
3. Noncompliance material to financial statements noted?            yes     x     no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified?            yes     x     no
  - Significant deficiency(ies) identified?            yes     x     none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?            yes     x     no

**Identification of Major Federal Programs**

**Assistance Listing Number(s)**

10.553, 10.555  
84.425

**Name of Federal Program or Cluster**

Child Nutrition Cluster  
Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

           yes     x     no

**THE PHALEN LEADERSHIP ACADEMY- INDIANA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

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***Section II – Financial Statement Findings***

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**2022 – 001: Audit Adjustments**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** The board and management share the ultimate responsibility for the School's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. Various significant audit adjustments were proposed and posted through the audit process. The adjustments were a necessary step in ensuring the financial statements were fairly stated in accordance with accounting principles generally accepted in the United States of America.

**Criteria or Specific Requirement:** In an ideal control setting, the School would have a comprehensive control procedure to ensure that the financial statements, including disclosures are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable accounting principles generally accepted in the United States of America.

**Effect:** It is possible that a misstatement of the School's financial statements could occur and not be prevented or detected by the School's internal control.

**Cause:** The School's controls were not able to detect the adjustments made as part of the audit. The School does not have a comprehensive review process to ensure that the financial statements, including disclosures, are complete and accurate.

**Repeat Finding:** No

**Recommendation:** We recommend the board and management work with their bookkeeping company to develop a process to review and identify such items in a timely manner.

**Views of Responsible Officials and Planned Corrective Actions:** There is no disagreement with the audit finding.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).



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**THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2022**

U.S. Department of Education, U.S. Department of Agriculture

The Phalen Leadership Academy – Indiana, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2022.

Audit period: July 01, 2021 - June 30, 2022

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESS**

2022-001      Audit Adjustments

Recommendation: We recommend the board and management work with their bookkeeping company to develop a process to review and identify such items in a timely manner.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The Business Office will establish a month end close checklist to ensure transactions are identified and properly recorded in the general ledger in a timely manner and conduct monthly financial statement reviews to ensure financial statements are complete and accurate.

Name of the contact person responsible for corrective action: Carlo Hershberger, Director of Finance and Accounting

Planned completion date for corrective action plan: September 30, 2023

**FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

Our audit did not disclose any matters that required a corrective action plan.

If the U.S. Department of Education or U.S. Department of Agriculture has questions regarding this plan, please call Carlo Hershberger at 956-926-9089.