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October 26, 2023

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

We have reviewed the audit report of Timothy L. Johnson Academy Middle School, Inc. which was opined upon by Haven Group CPAs & Advisors, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Timothy L. Johnson Academy Middle School, 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.

In our opinion, Haven Group CPAs & Advisors prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

This report is filed 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

TIMOTHY L. JOHNSON ACADEMY MIDDLE SCHOOL, INC.

FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022

TIMOTHY L. JOHNSON ACADEMY MIDDLE SCHOOL, INC.

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of Timothy L. Johnson Academy - Middle School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Timothy L. Johnson Academy - Middle School, Inc. as of June 30, 2021, 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.

Haven Group CPAs & Advisors

*Haven Group CPAs & Advisors*

Taylor, Michigan

July 31, 2023

**TIMOTHY L. JOHNSON ACADEMY MIDDLE SCHOOL, INC**  
**STATEMENT OF FINANCIAL POSITION**

**ASSETS**

	<b>June 30, 2022</b>
<b>Current Assets</b>	
Cash	\$ 805,167
Grants receivable	67,559
Due from other charter school	146,498
Prepaid expenses	91,316
Total current assets	1,110,540
<b>Property and Equipment</b>	
Furniture and equipment	73,121
Less accumulated depreciation	(63,562)
Property and equipment, net	9,559
Total assets	\$ 1,120,099

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>	
Accounts payable	\$ 198,839
Accrued expenses	23,822
Total liabilities	222,661
<b>Net Assets</b>	
Without donor restrictions:	
Undesignated	895,685
Total without donor restrictions	895,685
With donor restrictions	1,753
Total net assets	897,438
Total liabilities and net assets	\$ 1,120,099

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

**TIMOTHY L. JOHNSON ACADEMY MIDDLE SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2022**

<b>CHANGES IN NET ASSETS</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, gain and other support</b>			
State tuition support	\$ 1,282,635	\$ -	\$ 1,282,635
State grants and other support	196,452	-	196,452
Federal grant revenue	559,660	-	559,660
Other	11,294	-	11,294
	2,050,041	-	2,050,041
 <b>Expenses</b>			
Program services:			
Educational instruction	733,681	-	733,681
Educational support	105,107	-	105,107
Food service	106,708	-	106,708
Supporting services:			
Support services	283,185	-	283,185
Operations and maintenance	213,475	-	213,475
Transportation	128,633	-	128,633
Depreciation	13,300	-	13,300
	1,584,089	-	1,584,089
 <b>Change in Net Assets</b>	 465,952	 -	 465,952
 <b>Net Assets - Beginning of Year</b>	 429,733	 1,753	 431,486
 <b>Net Assets - End of Year</b>	 \$ 895,685	 \$ 1,753	 \$ 897,438

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

**TIMOTHY L. JOHNSON ACADEMY MIDDLE SCHOOL, INC.**  
**STATEMENT OF CASH FLOWS**

	<u>June 30, 2022</u>
<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 465,952
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,300
(Increase) decrease in operating assets	
Accounts & grants receivable	(49,576)
Other receivables	(146,498)
Prepaid expenses	(91,316)
Increase (decrease) in operating liabilities	
Accounts payable	179,957
Accrued expenses	5,851
Other liabilities	(9,572)
Net cash provided by operating activities	<u>368,098</u>
 <b>Net Increase in Cash</b>	 368,098
 <b>Cash, Beginning of Year</b>	 <u>437,069</u>
 <b>Cash, End of Year</b>	 <u><u>\$ 805,167</u></u>
 Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ -

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

TIMOTHY L. JOHNSON ACADEMY MIDDLE SCHOOL, INC.  
Notes to Financial Statements  
June 30, 2022

**Note 1. Summary of Significant Accounting Policies**

Organization

Timothy L. Johnson Academy Middle School, Inc. (the “Academy”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The Academy operates a public charter Academy established under Indiana Code 20-24 and is sponsored by Trine University. The Academy has entered into a service agreement with Phalen Leadership Academies, a nonprofit organization, to provide educational programming, personnel functions, building operations, and business administrative services.

Basis of Accounting

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

Accounting Estimates

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

Financial Statement Presentation

The Academy reports its financial position and activities according to two classes of net assets:

*Net assets without donor restrictions* – which include unrestricted resources that are available for the operating objectives of the Academy; and

*Net assets with donor restrictions* – which represent resources restricted by donors for specific time or purpose.

As of June 30, 2022, the Academy had net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions were available for activities permitted by grant agreements.

TIMOTHY L. JOHNSON ACADEMY MIDDLE SCHOOL, INC.  
Notes to Financial Statements  
June 30, 2022  
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Revenue Recognition

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

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

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. As of June 30, 2022, there were no cash equivalents.

Grants Receivable

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

Income Taxes

Timothy L. Johnson Academy Middle School, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the Academy 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.

Professional standards require the Academy to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater

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than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax year ending June 30, 2019, 2021 & 2021 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of property and equipment that materially increase value, or extend useful lives are capitalized at cost. Routine maintenance and repairs and minor replacement costs, and small equipment purchases are expensed as incurred.

Minimum cost thresholds for the Academy’s asset classes are as follows:

		<u>Group Purchase</u>
Leasehold Improvements	\$25,000	
Site Improvements	25,000	
Computers	5,000	\$12,500
Equipment & Furniture	5,000	12,500
School Buses	5,000	
Educational Media & Textbooks	5,000	

Depreciation on all assets is provided using the straight-line method over the following useful lives:

Leasehold Improvements	3-15 years
Site Improvements	15 years
Computers	3 years
Equipment & Furniture	3-6 years
School Buses	8 years
Educational Media & Textbooks	5 years

Depreciation expense was \$13,300 for the year ended June 30, 2022.

Subsequent Events

The Academy evaluated subsequent events through July 31, 2023, 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.

TIMOTHY L. JOHNSON ACADEMY MIDDLE SCHOOL, INC.  
Notes to Financial Statements  
June 30, 2022  
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**Note 2. Receivables**

Accounts receivable as of June 30, 2022 represent amounts due in the form of grants receivable for state education support from the Department of Education and other receivables as follows:

CARES	\$ 8,580
CSP Quality Counts	50,734
Title II	4,267
Title IV	2,689
IDEA	1,289
	<u>\$ 67,559</u>

:

**Note 3. Management Services Agreement**

The Academy has executed a management agreement with Phalen Leadership Academy, Inc. (“Phalen”), whereby Phalen provides management, administrative, and educational programming services. This agreement remains in effect so long as the Academy maintains its charter, but may be terminated by either party with appropriate advance notice. Under terms of the agreement, the Academy has agreed to pay an amount equal to 10% of revenues, as defined, for such services. Aggregate payments to Phalen under this agreement were \$205,004 for the year ended June 30, 2022. The service agreement between the Academy and Phalen Leadership Academy, Inc. is for five years and will expire on June 30, 2022.

**Note 4. Oversight Sponsoring Organization**

The Academy operates under a charter granted by Trine University. As the sponsoring organization, Trine University exercises certain oversight responsibilities. Under this charter, the Academy has agreed to pay to Trine University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$36,858 for the year ended June 30, 2022.

**Note 5. Retirement Plan**

The Academy participates in a Section 403(b) retirement plan sponsored by Phalen Leadership Academies for the benefit of its employees. Under the plan, the Academy will match 100% of employee contributions not to exceed 6% of compensation for the plan year. Additional

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contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2022. The Academy had a \$7,164 retirement plan expense for the year ended June 30, 2022.

**Note 6. Risks and Uncertainties**

The Academy provides educational instruction services to families residing in Allen and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the Academy. Additionally, the Academy is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the Academy.

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2022, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits maintained at PNC Bank exceed the \$250,000 FDIC insurance limit.

**Note 7. Liquidity**

Under ASU 2016-4, the Academy is required to disclose the assets it has available at June 30, 2022 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The Academy's financial assets include cash and grants receivable.

Financial assets, June 30, 2022	\$ 872,726
	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	\$ 872,726
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The Academy anticipates that it may receive donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Academy

TIMOTHY L. JOHNSON ACADEMY MIDDLE SCHOOL, INC.  
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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 Academy'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. The Academy has \$1,753 donor restricted contributions as of June 30, 2022.

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Notes to Financial Statements  
June 30, 2022

**Note 8. Functional Expense Reporting**

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the year ended June 30, 2022.

	<b>Program Services</b>				<b>Total</b>
	<b>Educational Instruction</b>	<b>Education Support</b>	<b>Food Services</b>	<b>Supporting Services</b>	
Salaries and employee benefits	\$ 516,662	\$ 11,819	\$ 7,389	\$ 410,391	\$ 946,261
Professional services	177,835	20,442	-	11,368	209,645
Academic services	-	-	-	40,569	40,569
Authorizer oversight fee	-	-	-	36,858	36,858
Food costs	-	-	99,319	-	99,319
Transportation service	-	-	-	6,691	6,691
Equipment expense and rental	-	726	-	6,956	7,682
Operation and maintenance	-	-	-	52,555	52,555
Classroom, kitchen, and office supplies	39,184	72,120	-	25,595	136,899
Occupancy	-	-	-	6,812	6,812
Insurance	-	-	-	17,789	17,789
Depreciation	-	-	-	13,300	13,300
Other	-	-	-	9,709	9,709
<b>Total expenses</b>	<b>\$ 733,681</b>	<b>\$ 105,107</b>	<b>\$ 106,708</b>	<b>\$ 638,593</b>	<b>\$ 1,584,089</b>