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December 22, 2023

Charter School Board
Circle City Preparatory, Inc.
Marion County, Indiana

We have reviewed the audit report of Circle City Preparatory, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Circle City Preparatory, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Circle City Preparatory, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

CIRCLE CITY PREPARATORY, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Circle City Preparatory, Inc.

Opinion

We have audited the financial statements of Circle City Preparatory, Inc. (the "School") which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS 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, 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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 Schedule of Expenditures of Federal Awards 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 November 28, 2023 on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the School’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 the School’s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana
November 28, 2023

CIRCLE CITY PREPARATORY, INC.**STATEMENTS OF FINANCIAL POSITION****June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 959,464	\$ 769,266
Grants receivable	679,384	385,831
Prepaid expenses	9,000	9,000
	<hr/>	<hr/>
<i>Total current assets</i>	1,647,848	1,164,097
PROPERTY AND EQUIPMENT, NET	3,949,377	3,833,577
OTHER ASSETS		
Operating lease right-of-use assets, net of accumulated amortization	66,867	-
Cash - restricted	773,766	971,475
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 6,437,858</u>	<u>\$ 5,969,149</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of operating lease obligation	\$ 23,895	\$ -
Current portion of bonds payable	60,000	55,000
Accounts payable and accrued expenses	166,075	327,915
	<hr/>	<hr/>
<i>Total current liabilities</i>	249,970	382,915
LONG-TERM LIABILITIES		
Operating lease obligation, net of current portion	42,972	-
CIES debt service reserve fund liability	297,500	297,500
Bonds payable, net of current portion	4,620,000	4,680,000
Less: unamortized bond issuance costs	(412,093)	(427,078)
	<hr/>	<hr/>
<i>Long-term liabilities, net of unamortized bond issuance costs</i>	4,548,379	4,550,422
	<hr/>	<hr/>
<i>Total liabilities</i>	4,798,349	4,933,337
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<hr/>	<hr/>
	1,639,509	1,035,812
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,437,858</u>	<u>\$ 5,969,149</u>

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

CIRCLE CITY PREPARATORY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT		
State education support	\$ 2,748,002	\$ 2,149,438
Grant revenue	2,370,329	1,890,846
Contributions	322,844	465,180
Other income	97,847	69,279
	<u>5,539,022</u>	<u>4,574,743</u>
 <i>Total revenue and support</i>		
EXPENSES		
Program services	3,582,639	3,099,212
Management and general	1,352,686	1,105,057
	<u>4,935,325</u>	<u>4,204,269</u>
 <i>Total expenses</i>		
CHANGE IN NET ASSETS	603,697	370,474
NET ASSETS, BEGINNING OF YEAR	<u>1,035,812</u>	<u>665,338</u>
NET ASSETS, END OF YEAR	<u>\$ 1,639,509</u>	<u>\$ 1,035,812</u>

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

CIRCLE CITY PREPARATORY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,289,332	\$ 858,960	\$ 2,148,292	\$ 1,018,551	\$ 690,585	\$ 1,709,136
Employee benefits	232,346	240,470	472,816	187,697	192,751	380,448
Professional services	237,739	94,172	331,911	275,825	77,643	353,468
Depreciation	297,827	-	297,827	172,661	-	172,661
Repairs and maintenance	286,963	-	286,963	229,257	-	229,257
Food service	272,559	-	272,559	209,558	-	209,558
Classroom, kitchen, and office supplies	186,369	80,723	267,092	151,486	69,265	220,751
Interest	255,367	-	255,367	276,004	-	276,004
Staff development	107,043	-	107,043	64,782	-	64,782
Equipment	106,612	-	106,612	150,701	-	150,701
Curriculum	89,452	-	89,452	150,087	-	150,087
Occupancy	86,832	-	86,832	80,907	-	80,907
Information technology services	77,536	5,064	82,600	86,650	13,243	99,893
Insurance	31,047	-	31,047	34,336	-	34,336
Advertising	-	29,668	29,668	-	26,108	26,108
Travel	25,615	297	25,912	10,710	242	10,952
Authorizer oversight fee	-	13,552	13,552	-	9,457	9,457
Other	-	29,780	29,780	-	25,763	25,763
<i>Total functional expenses</i>	<u>\$ 3,582,639</u>	<u>\$ 1,352,686</u>	<u>\$ 4,935,325</u>	<u>\$ 3,099,212</u>	<u>\$ 1,105,057</u>	<u>\$ 4,204,269</u>

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

CIRCLE CITY PREPARATORY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 603,697	\$ 370,474
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	297,827	172,661
Amortization of bond issuance costs included in interest expense	14,985	16,036
Changes in certain assets and liabilities:		
Grants receivable	(293,553)	(157,825)
Prepaid expenses	-	36,000
Tenant security deposit	-	(30,000)
Accounts payable and accrued expenses	<u>(161,840)</u>	<u>215,907</u>
<i>Net cash provided by operating activities</i>	461,116	623,253
INVESTING ACTIVITIES		
Purchases of property and equipment	(413,627)	(730,999)
FINANCING ACTIVITIES		
Principal repayment on bond payable	<u>(55,000)</u>	<u>(45,000)</u>
NET CHANGE IN CASH	(7,511)	(152,746)
CASH, BEGINNING OF YEAR	<u>1,740,741</u>	<u>1,893,487</u>
CASH, END OF YEAR	<u>\$ 1,733,230</u>	<u>\$ 1,740,741</u>
CASH, END OF YEAR		
Cash - unrestricted	\$ 959,464	\$ 769,266
Cash - restricted	<u>773,766</u>	<u>971,475</u>
<i>Total cash, end of year</i>	<u>\$ 1,733,230</u>	<u>\$ 1,740,741</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 240,382	\$ 157,675

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

CIRCLE CITY PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Circle City Preparatory, Inc. (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by the Indiana Charter School Board (“ICSB”). The charter remains in effect until June 30, 2029 and is renewable thereafter by mutual consent. During the 2022-2023 school year, the School served approximately 320 students in kindergarten through sixth grade. During the 2021-2022 school year, the School served approximately 265 students in kindergarten through fifth grade. The School plans to grow one grade level per year until it serves kindergarten through eighth grade.

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

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

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

The School adopted a policy to record contributions received with donor restrictions for which restrictions were met in the same year as unrestricted revenue. As of June 30, 2023 and 2022, the School had only net assets without donor restrictions.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2023 and 2022.

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

Property and Equipment – Purchases of assets and expenditures which materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs and equipment purchases are charged to expense as incurred.

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

Building and improvements	30 years
Furniture and equipment	5 years

CIRCLE CITY PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Bond Issuance Costs – The School incurred costs associated with securing financing under Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2021A (“Series 2021A Bonds”) and Revenue Bonds, Series 2021B (“Series 2021B Bonds”). Total bond issuance costs incurred with the transaction were \$449,556. Amortization is provided on the straight-line basis over the original 35-year term of the Series 2021 Bonds and totaled \$14,985 and \$16,036 for the years ended June 30, 2023 and 2022, respectively. Unamortized bond issuance costs were \$412,093 and \$427,078 as of June 30, 2023 and 2022, respectively.

As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability. Amortization expense is included in interest expense.

Advertising Costs – The School’s accounting policy pertaining to advertising is to expense costs as incurred. The School incurred \$29,668 and \$26,108 in advertising costs for the years ended June 30, 2023 and 2022, respectively.

Taxes on Income – The School 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 School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2023 and 2022, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would 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 examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. The tax years ended after June 30, 2019 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 28, 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.

CIRCLE CITY PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 2 - REVENUE RECOGNITION

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

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

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets during the year in which they are awarded. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and change in net assets as net assets released from restrictions.

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

NOTE 3 - RESTRICTED CASH

Cash - restricted for project fund is reserved for improvements to the building.

Cash - restricted for debt service fund is reserved for the payment of principal and interest on the bonds in the event that no other funding is available to meet payment requirements. Included is \$297,500 provided by Center for Innovative Education Solutions, Inc. (“CIES”) as a credit enhancement. Upon full repayment or other termination of the bond debt, the School is obligated to repay the amount of the credit enhancement and has therefore recorded a long-term liability to reflect the obligation, which is reflected as a CIES debt service reserve fund liability on the statements of financial position.

Cash - restricted for bond fund is reserved for the payment of interest and principal.

Cash - restricted for property repairs and replacement was established with the bond proceeds and represents resources available for repairing and replacing facilities.

CIRCLE CITY PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 3 - RESTRICTED CASH, Continued

Restricted cash was comprised of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Project fund	\$ 371,834	\$ 595,033
Debt service fund	297,500	297,500
Bond fund	65,792	51,934
Property repairs and replacement	<u>38,640</u>	<u>27,008</u>
	\$ <u>773,766</u>	\$ <u>971,475</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 237,700	\$ 237,700
Building and improvements	3,890,193	3,594,951
Furniture and equipment	<u>390,093</u>	<u>271,708</u>
	4,517,986	4,104,359
Less: accumulated depreciation	<u>(568,609)</u>	<u>(270,782)</u>
	\$ <u>3,949,377</u>	\$ <u>3,833,577</u>

NOTE 5 - BONDS PAYABLE

The School purchased a building and furnishings via Series 2021 Bonds, which have original amounts totaling \$4,780,000, with annual principal payments paid on the first of December each year. Interest payments are made semi-annually at 5% in accordance with the bond agreement. The bonds are secured by land, building, and improvements.

The bond agreement contains certain covenants, including:

- submission of audited financial statements within 150 days after the end of the fiscal year;
- a minimum 45 days' cash on hand as of each June 30;
- a minimum debt service coverage ratio of 1.15 to 1.00, measured annually, and;
- enrollment of at least 235 students, tested annually each October.

The School met all of the covenants as of June 30, 2023. In lieu of submitting audited financial statements within 150 days after the end of the fiscal year, the School was able to submit unaudited financial statements to satisfy this requirement, with audited financial statements to be submitted when available.

CIRCLE CITY PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 5 - BONDS PAYABLE, Continued

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

2024	\$	60,000
2025		60,000
2026		65,000
2027		65,000
2028		70,000
Thereafter		<u>4,360,000</u>
	\$	<u>4,680,000</u>

NOTE 6 - LEASE

Lease Accounting Standard – Effective July 1, 2022, the School adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 replaced previous lease guidance under U.S. GAAP and aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statements of financial position and disclosing key information about leasing arrangements. The School has elected to apply the transition alternative allowed under ASU 2018-11. Under this election, the entity recognizes a cumulative effect adjustment to the opening balance of net assets as of the adoption date. Management determined no cumulative effect adjustment to net assets was necessary; there is no difference in rent expense under the new standard. The entity has applied the provisions of ASU 2016-02 as of the adoption date.

Operating Leases – The School leases two printers under operating lease agreements. Right-of-use assets and lease liabilities have been recorded using a discount rate equal to prime plus 1.75%, the School’s incremental borrowing rate. Costs under these leases totaled \$68,658 and \$68,799 for the years ended June 30, 2023 and 2022, respectively.

Future minimum payments under non-cancellable operating leases are as follows for the years ending June 30:

2024	\$	26,695
2025		26,695
2026		18,265
2027		-
2028		-
Thereafter		<u>-</u>
		71,656
Less: imputed interest		<u>(4,789)</u>
Total lease liability		66,867
Less: current portion		<u>(23,895)</u>
Long-term portion	\$	<u>42,972</u>

CIRCLE CITY PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 7 - COMMITMENT

The School operates under a charter granted by ICSB. As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School agreed to pay ICSB an annual administrative fee equal to .5% of state tuition payments received. Payments under the charter agreement were \$13,552 and \$9,457 for the years ended June 30, 2023 and 2022, respectively.

The charter agreement requires the School to establish an escrow of no less than \$30,000 should a dissolution occur. This account has been established and is included in the balance of cash.

NOTE 8 - RETIREMENT PLAN

The School provides retirement benefits covering substantially all full-time employees. Employees are eligible to participate in a School-sponsored Section 403(b) plan. Under this plan, the School may, at its discretion, match full time employee contributions up to 3% of compensation, as defined in the plan document. The School contributed \$55,416 and \$37,141 to the plan for the years ended June 30, 2023 and 2022, respectively.

NOTE 9 - RISKS AND UNCERTAINTIES

The School provides educational instruction to students residing in Marion County, Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

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

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at The National Bank of Indianapolis and are insured up to the FDIC insurance limit. Cash balances at the end of the year and periodically throughout the year exceeded the FDIC insured limit.

NOTE 10 - LIQUIDITY

Financial assets available to meet cash needs for general expenditures include unrestricted cash and grants receivable, and excludes all restricted cash balances. Financial assets available to meet cash needs for general expenditures within one year totaled \$1,638,848 and \$1,155,097 as of June 30, 2023 and 2022, respectively, with the exception of the \$30,000 escrow account required by ICSB (Note 7).

CIRCLE CITY PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 10 - LIQUIDITY, Continued

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

NOTE 11 - FUNCTIONAL EXPENSE REPORTING

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

SUPPLEMENTARY INFORMATION

CIRCLE CITY PREPARATORY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

<u>Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/Program Title/ Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 84,281
National School Lunch Program	10.555		251,136
SNP Emergency Funds	10.555		<u>29,131</u>
<i>Total U.S. Department of Agriculture</i>			<u>364,548</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Education Agencies	84.010	S010A220014	197,450
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A220013	15,000
Title IV, Part A; Student Support and Academic Enrichment	84.424A	S424A220015	8,829
Charter School Program - Quality Counts	84.282A		506,452
Special Education Cluster			
Special Education - Grants to States	84.027	23611-614-PN01	61,994
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief	84.425D	S425D210013	162,116
Elementary and Secondary School Emergency Relief	84.425D	S425U200013	<u>528,277</u>
<i>Total U.S. Department of Education</i>			<u>1,480,118</u>
<i>Total federal awards expended</i>			<u>\$ 1,844,666</u>

See independent auditors' report and accompanying notes to this schedule

CIRCLE CITY PREPARATORY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Circle City Preparatory, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the 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”). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

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, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The School elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

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

The Board of Directors
Circle City Preparatory, Inc.

We 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 Circle City Preparatory, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures which 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility 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 which 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 which might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control which we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and connected, with a prominent loop at the end of the word.

Indianapolis, Indiana
November 28, 2023



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors
Circle City Preparatory, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Circle City Preparatory, Inc.'s (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* which could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School'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 School complied, in all material respects, with the compliance requirements referred to above which could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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 ("*Government Auditing Standards*"); 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 School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we 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 School's compliance with the compliance requirements referred to above.

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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 School'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 School'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 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 School'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 School'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 School's internal control over compliance relevant to the audit in order to design audit procedures 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 School'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.

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.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are stylized and connected, with a prominent loop on the 'D'.

Indianapolis, Indiana
November 28, 2023

CIRCLE CITY PREPARATORY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Education Stabilization Fund: Elementary and Secondary School Emergency Relief Fund
84.282A	Charter School Program - Quality Counts

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

CIRCLE CITY PREPARATORY, INC.
OTHER REPORT
For the Year Ended June 30, 2023

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

Supplemental Audit Report of Circle City Preparatory, 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*.