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January 9, 2024

Charter School Board  
Allegiant Preparatory, Inc.  
Marion County, Indiana

We have reviewed the audit report of Allegiant 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 Allegiant 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 Allegiant 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

**ALLEGIANT PREPARATORY, INC.**

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022



## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position.....	3
Statements of Activities and Change in Net Assets.....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 12
<b>OTHER REPORT</b> .....	13



# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Allegiant Preparatory, Inc.

### **Opinion**

We audited the financial statements of Allegiant 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 referred to above 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"). 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, that 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

DONOVAN



Indianapolis, Indiana  
December 14, 2023

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

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 694,180	\$ 462,774
Grants receivable	148,045	70,724
Prepaid expenses	15,661	5,291
<i>Total current assets</i>	<u>857,886</u>	<u>538,789</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	247,931	216,517
Leasehold improvements	315,976	72,623
Less: accumulated depreciation	<u>(265,756)</u>	<u>(200,496)</u>
<i>Property and equipment, net</i>	<u>298,151</u>	<u>88,644</u>
<b>OTHER ASSETS</b>		
Operating lease right-of-use asset	489,415	-
Security deposit	7,769	7,769
	<u>497,184</u>	<u>7,769</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,653,221</u></u>	<u><u>\$ 635,202</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of operating lease liability	\$ 100,279	\$ -
Current portion of notes payable	21,841	20,776
Accounts payable and accrued expenses	71,443	40,557
<i>Total current liabilities</i>	<u>193,563</u>	<u>61,333</u>
<b>LONG-TERM LIABILITIES</b>		
Operating lease liability, net of current portion	389,136	-
Notes payable, net of current portion	156,180	7,506
<i>Total long-term liabilities</i>	<u>545,316</u>	<u>7,506</u>
<i>Total liabilities</i>	738,879	68,839
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>914,342</u>	<u>566,363</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,653,221</u></u>	<u><u>\$ 635,202</u></u>

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

**ALLEGIANT 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>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 1,162,149	\$ 894,761
Grant revenue	962,846	648,435
Contributions	207	657
Interest income	4,717	252
Other income	14,993	3,406
	<u>2,144,912</u>	<u>1,547,511</u>
<i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	1,324,149	1,032,481
Management and general	472,784	418,040
	<u>1,796,933</u>	<u>1,450,521</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS</b>	347,979	96,990
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>566,363</u>	<u>469,373</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 914,342</u>	<u>\$ 566,363</u>

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

**ALLEGIANT 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	\$ 479,665	\$ 251,403	\$ 731,068	\$ 383,252	\$ 208,539	\$ 591,791
Professional services	99,973	150,119	250,092	62,741	123,815	186,556
Employee benefits	135,035	34,160	169,195	82,992	41,055	124,047
Classroom and office supplies	132,643	1,326	133,969	208,013	1,887	209,900
Staff development	114,815	-	114,815	9,428	-	9,428
Food costs	109,321	-	109,321	77,581	-	77,581
Occupancy	88,622	-	88,622	61,665	-	61,665
Information technology	66,880	-	66,880	58,867	-	58,867
Depreciation	65,260	-	65,260	64,333	-	64,333
Insurance	313	17,931	18,244	6,183	19,889	26,072
Travel and meetings	12,781	-	12,781	9,489	-	9,489
Repairs and maintenance	11,941	-	11,941	3,929	-	3,929
Equipment	4,175	4,031	8,206	1,488	2,647	4,135
Authorizer fees	-	7,785	7,785	-	3,877	3,877
Advertising	-	4,151	4,151	-	15,106	15,106
Interest	2,725	-	2,725	2,455	-	2,455
Other	-	1,878	1,878	65	1,225	1,290
<i>Total functional expenses</i>	<u>\$ 1,324,149</u>	<u>\$ 472,784</u>	<u>\$ 1,796,933</u>	<u>\$ 1,032,481</u>	<u>\$ 418,040</u>	<u>\$ 1,450,521</u>

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

**ALLEGIANT PREPARATORY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 347,979	\$ 96,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	65,260	64,333
Change in certain assets and liabilities:		
Grants receivable	(77,321)	54,701
Prepaid expenses	(10,370)	(444)
Accounts payable and accrued expenses	30,886	11,107
Deferred rent payable	-	(15,539)
<i>Net cash provided by operating activities</i>	356,434	211,148
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(105,769)	(29,700)
<b>FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(19,259)	(19,521)
<b>NET CHANGE IN CASH</b>	231,406	161,927
<b>CASH, BEGINNING OF YEAR</b>	462,774	300,847
<b>CASH, END OF YEAR</b>	\$ 694,180	\$ 462,774
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 2,725	\$ 2,455
Leasehold improvements funded with note payable	168,998	-

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Allegiant 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 remained in effect until June 2023 and is currently in the process of being renewed. The School served approximately 140 students in kindergarten through fifth grade during the 2022-2023 school year (approximately 115 students in kindergarten through fourth grade during the 2021-2022 school year).

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

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

As of June 30, 2023 and 2022, the School had only net assets without donor restrictions.

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

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists 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 that materially increase value or extend useful lives are capitalized and included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases of less than \$5,000 individually, or as a group of assets, are charged to expense as incurred.

Furniture and equipment are depreciated using the straight-line method over the respective asset’s estimated useful life (ranging from 3-5 years). Leasehold improvements are depreciated using the straight-line method over the remaining life of the lease.

Taxes on Income – The School received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the 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.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. 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 December 14, 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.

**NOTE 2 - REVENUE RECOGNITION**

Revenue Recognition – 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 is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which 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 is considered satisfaction of the performance obligations.

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

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

**NOTE 3 - LEASES**

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 elected to apply the transition alternative allowed under ASU 2018-11 to recognize 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 since the lease in existence at July 1, 2022 was terminated during the year ended June 30, 2023. The entity applied the provisions of ASU 2016-02 as of the adoption date.

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

**NOTE 3 - LEASES, Continued**

*Operating Leases*

During March 2023, the School entered into a new facilities lease effective for the period July 1, 2023 through June 30, 2027. The lease requires monthly installments of \$10,000 with an annual increase of 2%. Prior to July 1, 2023, the School leased the facility under a lease term which ended June 30, 2023.

The School also leases a copier for \$1,716 per month through February 2028.

The School determined both of these leases fall under ASU 2016-02 and as such recorded an operating lease right-of-use asset and operating lease liability on the statements of financial position.

Total lease expense was \$66,018 and \$61,665 for the years ended June 30, 2023 and 2022, respectively.

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

2024	\$	140,592
2025		142,992
2026		145,440
2027		147,937
2028		12,012
<i>Total payments</i>		588,973
Less: imputed interests at 9.75% and 8.95%		(99,558)
Total operating lease liability		489,415
Less: current portion		(100,279)
Long-term portion	\$	389,136

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

**NOTE 4 - NOTES PAYABLE**

Notes payable were comprised of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Note payable to IFF bearing interest at 7.25%, interest only through December 2023, then monthly payments of \$3,125 including interest through December 2035	\$ 168,998	\$ -
Note payable to IFF bearing interest at 5.875%, monthly payments of \$1,831 including interest through November 2023	<u>9,023</u>	<u>28,282</u>
	178,021	28,282
Less: current portion	<u>(21,841)</u>	<u>(20,776)</u>
Long-term portion	\$ <u>156,180</u>	\$ <u>7,506</u>

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

2024	\$	21,841
2025		27,068
2026		29,097
2027		31,278
2028		33,622
Thereafter		<u>35,115</u>
	\$	<u>178,021</u>

**NOTE 5 - RETIREMENT PLAN**

The School offers a 403(b) defined contribution retirement plan. All employees are eligible for benefits under the 403(b) plan. To receive matching contributions, employees must be at least 21 years old, have a minimum of 1,000 hours of service, and be employed on the last day of the plan year. The School may make discretionary contributions.

Total contributions by the School to the 403(b) plan were \$35,074 and \$15,128 during the years ended June 30, 2023 and 2022, respectively.

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

**NOTE 6 - COMMITMENTS**

As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School pays to ICSB an administrative fee equal to 0.5% of state education support revenue. Payments under this charter agreement were \$7,785 and \$3,877 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. As of June 30, 2023 and 2022, this account has been established and is included in the balance of cash on the statements of financial position.

**NOTE 7 - RISKS AND UNCERTAINTIES**

The School provides education instruction services to families primarily 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 that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at National Bank of Indianapolis are insured up to the FDIC insurance limit of \$250,000. As of June 30, 2023 and 2022 and regularly throughout the years then ended, funds held at National Bank of Indianapolis exceeded FDIC insurance limits.

**NOTE 8 - LIQUIDITY**

Financial assets include cash and grants receivable and totaled \$842,225 and \$533,498 at June 30, 2023 and 2022, respectively, all of which are available to meet cash needs for general expenditures within a year, with the exception of the \$30,000 cash escrow account (Note 6).

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.

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

**NOTE 9 - 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.

**ALLEGIANT PREPARATORY, INC.**

**OTHER REPORT**

**For the Year Ended June 30, 2023**

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

Supplemental Audit Report of Allegiant 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*.