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January 10, 2024

Charter School Board  
Otwell Miller Academy, Inc.  
Pike County, Indiana

We have reviewed the audit report of Otwell Miller Academy, 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 Otwell Miller Academy, 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.

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

**OTWELL MILLER ACADEMY, 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>	<b>1 - 2</b>
 <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 - 10



# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Otwell Miller Academy, Inc.

### **Opinion**

We audited the financial statements of Otwell Miller Academy, 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 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 these 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 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 20, 2023

**OTWELL MILLER ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 178,177	\$ 69,903
Grants receivable	9,103	111,603
Prepaid expenses	25,147	-
<i>Total current assets</i>	212,427	181,506
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	22,155	10,015
Textbooks	48,501	48,501
Vehicles	70,000	70,000
Leasehold improvements	28,386	28,386
Less: accumulated depreciation	(119,821)	(107,329)
<i>Property and equipment, net</i>	49,221	49,573
<b>TOTAL ASSETS</b>	<b>\$ 261,648</b>	<b>\$ 231,079</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 117,480	\$ 98,896
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<b>144,168</b>	<b>132,183</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 261,648</b>	<b>\$ 231,079</b>

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

**OTWELL MILLER ACADEMY, 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	\$ 755,194	\$ 662,517
Grant revenue	466,476	482,770
Student fees	14,534	8,578
Contributions	6,931	15,470
Other income	1,145	192
	<u>1,244,280</u>	<u>1,169,527</u>
<i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	994,589	950,443
Management and general	237,706	231,761
	<u>1,232,295</u>	<u>1,182,204</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS</b>	11,985	(12,677)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>132,183</u>	<u>144,860</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 144,168</u>	<u>\$ 132,183</u>

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

**OTWELL MILLER ACADEMY, 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	\$ 592,958	\$ 120,344	\$ 713,302	\$ 533,261	\$ 117,614	\$ 650,875
Classroom, kitchen, and office supplies	100,929	1,093	102,022	89,906	3,369	93,275
Professional services	18,976	74,516	93,492	59,710	70,884	130,594
Employee benefits	75,762	14,842	90,604	63,744	12,375	76,119
Food costs	76,301	-	76,301	73,834	-	73,834
Occupancy	62,500	-	62,500	64,960	-	64,960
Repairs and maintenance	32,560	-	32,560	21,725	-	21,725
Authorizer oversight fees	-	20,914	20,914	-	17,772	17,772
Depreciation	12,492	-	12,492	22,413	-	22,413
Information technology	11,503	-	11,503	11,454	-	11,454
Telephone	-	5,274	5,274	-	8,420	8,420
Transportation	4,352	-	4,352	-	-	-
Insurance	3,169	723	3,892	4,663	1,327	5,990
Equipment	313	-	313	4,302	-	4,302
Other	2,774	-	2,774	471	-	471
<i>Total functional expenses</i>	<u>\$ 994,589</u>	<u>\$ 237,706</u>	<u>\$ 1,232,295</u>	<u>\$ 950,443</u>	<u>\$ 231,761</u>	<u>\$ 1,182,204</u>

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

**OTWELL MILLER ACADEMY, 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	\$ 11,985	\$ (12,677)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,492	22,413
Change in certain assets and liabilities:		
Prepaid expenses	(25,147)	-
Grants receivable	102,500	(102,538)
Accounts payable and accrued expenses	<u>18,584</u>	<u>3,778</u>
<i>Net cash provided by (used in) operating activities</i>	120,414	(89,024)
<b>INVESTING ACTIVITY</b>		
Purchases of property and equipment	(12,140)	-
<b>FINANCING ACTIVITY</b>		
Principal payments on capital lease obligation	<u>-</u>	<u>(18,000)</u>
<b>NET CHANGE IN CASH</b>	108,274	(107,024)
<b>CASH, BEGINNING OF YEAR</b>	<u>69,903</u>	<u>176,927</u>
<b>CASH, END OF YEAR</b>	<u>\$ 178,177</u>	<u>\$ 69,903</u>

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

**OTWELL MILLER ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

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

General – Effective March 2017, the not-for-profit entity, Friends of Otwell Elementary, Ltd. (“Friends”), formed and incorporated a subsidiary, Otwell Miller Academy, Inc. (the “School”). The School is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School, sponsored by Grace College, serves students in kindergarten through fifth grade. The School served approximately 100 students during both the 2022-2023 and 2021-2022 school years. The charter remains in effect until June 30, 2024 and is renewable thereafter by mutual consent. The accompanying financial statements include only the activity of the subsidiary, Otwell Miller Academy, Inc.

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, which requires management to make estimates and assumptions that affect 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 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:

Furniture and equipment	3 to 5 years
Textbooks	10 years
Vehicles	5 years
Leasehold improvements	15 years

**OTWELL MILLER ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

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

Taxes on Income – For tax filing purposes, the School’s activity is reported on the tax returns of Friends of Otwell Elementary, Ltd. Friends 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, it would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2023 and 2022, the School had no unrelated business income and thus no accounting for federal and state income taxes was required to be included in the accompanying financial statements of the School.

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 20, 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**

State Education Support – 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.

Grant Revenue – 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 purchase obligation.

Student Fees – Student fees are recognized in the year in which the services are rendered.

Contributions – The School 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.

**OTWELL MILLER ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**NOTE 3 - LEASES**

The School entered into a financing agreement for two school buses. Total payments were \$70,000 over a period of 54 months. The lease did not explicitly state an interest rate. Management determined the imputed interest on this agreement was insignificant and therefore recorded the asset and related initial liability at \$70,000. The lease was accounted for as a capital lease obligation with a cost of \$70,000. As of June 30, 2023 and 2022, accumulated depreciation relating to these assets was \$50,000 and \$40,000, respectively. As of June 30, 2022, the lease was paid off.

The School leases a building under an operating lease with Friends, a related party. The lease is renewed annually in August. Base rent expense is \$3,500 per month. In addition, the School pays a share of the monthly expenses incurred by Friends.

**NOTE 4 - RETIREMENT PLAN**

The School provides retirement benefits covering teaching faculty. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plan, the School contributes 7.5% of compensation for electing teaching faculty to TRF. Should the School elect to withdraw from TRF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2022, TRF was approximately 92% funded. Retirement plan expense was \$23,491 and \$20,291 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 5 - COMMITMENTS**

As the sponsoring organization, Grace College exercises certain oversight responsibilities. Under this charter, the School has agreed to pay Grace College an annual authorizer oversight fee not to exceed 3% of state education support received. Expense under this charter agreement was \$20,914 and \$17,772 for the years ended June 30, 2023 and 2022, respectively.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2023, this account is funded and is included in the cash balance on the statements of financial position.

**OTWELL MILLER ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**NOTE 6 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to persons primarily residing in Otwell, Indiana and greater Pike County, 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 Old National Bank are insured up to the FDIC insurance limit.

**NOTE 7 - LIQUIDITY**

Financial assets held by the School include cash and grants receivable totaling \$187,280 and \$181,506 as of June 30, 2023 and 2022, respectively, all of which were available to meet cash needs for general expenditures within one year with the exception of \$30,000 in the dissolution escrow account (Note 5).

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 8 - 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.