



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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December 31, 2024

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

We have reviewed the audit report of the Circle City Preparatory, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Circle City Preparatory, Inc. as of June 30, 2024, 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 Indiana State Board of Accounts.

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

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

Tammy R. White, CPA  
Deputy State Examiner

**Circle City Preparatory, Inc.**

Financial Statements  
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



# Circle City Preparatory, Inc.

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# Donovan CPAs

## *Independent Auditor's Report*

The Board of Directors  
Circle City Preparatory, Inc.  
Indianapolis, Indiana

### **Opinion**

We audited the financial statements of Circle City Preparatory, Inc. (the School) which comprise the statements of financial position as of June 30, 2024 and 2023 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, 2024 and 2023 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 Auditor's 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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## **Auditor's 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 auditor's 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 audit.

## **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 auditing standards generally accepted in the United States of America. 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 also issued our report dated September 20, 2024 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.

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

Donovan CPAs  
Indianapolis, Indiana  
September 20, 2024

**Circle City Preparatory, Inc.**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

|  | 2024         | 2023         |
|--|--------------|--------------|
| <b>ASSETS</b>  |              |              |
| <b>Current Assets</b>  |              |              |
| Cash   | \$ 2,092,551 | \$ 959,464   |
| Grants receivable  | 191,279      | 679,384      |
| Prepaid expenses   | 34,970       | 9,000        |
| Total current assets   | 2,318,800    | 1,647,848    |
| <b>Fixed Assets, net</b>   | 4,333,842    | 3,949,377    |
| <b>Other Assets</b>  |              |              |
| Operating lease right-of-use assets, net of accumulated amortization | 233,146      | 66,867       |
| Cash - restricted  | 468,434      | 773,766      |
| Total other assets   | 701,580      | 840,633      |
| <b>Total Assets</b>  | \$ 7,354,222 | \$ 6,437,858 |
| <b>LIABILITIES AND NET ASSETS</b>                                    |              |              |
| <b>Current Liabilities</b>   |              |              |
| Current portion of operating lease obligation                        | \$ 44,643    | \$ 23,895    |
| Current portion of bonds payable                                     | 60,000       | 60,000       |
| Accounts payable and accrued expenses                                | 193,349      | 166,075      |
| Refundable advances  | 225,603      | -            |
| Other current liabilities  | 47,471       | -            |
| Total current liabilities  | 571,066      | 249,970      |
| <b>Long-Term Liabilities</b>   |              |              |
| Operating lease obligation, net of current portion                   | 188,503      | 42,972       |
| Bonds payable, net of current portion                                | 4,552,500    | 4,620,000    |
| CIES debt service reserve fund liability                             | 297,500      | 297,500      |
| Less: unamortized bond issuance costs                                | (397,108)    | (412,093)    |
| Long-term liabilities, net of unamortized bond issuance costs        | 4,641,395    | 4,548,379    |
| <b>Total Liabilities</b>   | 5,212,461    | 4,798,349    |
| <b>Net Assets, Without Donor Restrictions</b>                        | 2,141,761    | 1,639,509    |
| <b>Total Liabilities and Net Assets</b>                              | \$ 7,354,222 | \$ 6,437,858 |

See independent auditor's report and notes to the financial statements

**Circle City Preparatory, Inc.**  
**Statements of Activities and Change in Net Assets**  
**For the Years Ended June 30, 2024 and 2023**

|                                      | 2024         | 2023         |
|--------------------------------------|--------------|--------------|
| <b>Revenue and Support</b>           |              |              |
| State education support              | \$ 3,021,798 | \$ 2,748,002 |
| Grant revenue                        | 2,924,414    | 2,370,329    |
| Contributions                        | 77,989       | 322,844      |
| Interest income                      | 85,297       | 22,060       |
| Other income                         | 113,506      | 75,787       |
| Total revenue and support            | 6,223,004    | 5,539,022    |
| <b>Expenses</b>                      |              |              |
| Program services                     | 4,015,826    | 3,582,639    |
| Management and general               | 1,704,926    | 1,352,686    |
| Total expenses                       | 5,720,752    | 4,935,325    |
| <b>Change in Net Assets</b>          | 502,252      | 603,697      |
| <b>Net Assets, Beginning of Year</b> | 1,639,509    | 1,035,812    |
| <b>Net Assets, End of Year</b>       | \$ 2,141,761 | \$ 1,639,509 |

See independent auditor's report and notes to the financial statements



**Circle City Preparatory, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2024 and 2023**

|   | 2024                |                           |                     | 2023                |                           |                     |
|---|---------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------|
|   | Program<br>Services | Management<br>and General | Total               | Program<br>Services | Management<br>and General | Total               |
| Salaries and wages                      | \$ 1,609,850        | \$ 1,111,086              | \$ 2,720,936        | \$ 1,289,332        | \$ 858,960                | \$ 2,148,292        |
| Employee benefits                       | 313,114             | 299,177                   | 612,291             | 232,346             | 240,470                   | 472,816             |
| Depreciation                            | 417,710             | -                         | 417,710             | 297,827             | -                         | 297,827             |
| Repairs and maintenance                 | 351,241             | -                         | 351,241             | 286,963             | -                         | 286,963             |
| Classroom, kitchen, and office supplies | 158,665             | 157,430                   | 316,095             | 186,369             | 80,723                    | 267,092             |
| Professional services                   | 253,643             | 22,370                    | 276,013             | 237,739             | 94,172                    | 331,911             |
| Food service                            | 244,120             | -                         | 244,120             | 272,559             | -                         | 272,559             |
| Interest                                | 236,021             | -                         | 236,021             | 255,367             | -                         | 255,367             |
| Information technology services         | 87,787              | 4,518                     | 92,305              | 77,536              | 5,064                     | 82,600              |
| Staff development                       | 74,635              | -                         | 74,635              | 107,043             | -                         | 107,043             |
| Equipment                               | 68,079              | -                         | 68,079              | 106,612             | -                         | 106,612             |
| Occupancy                               | 65,948              | -                         | 65,948              | 86,832              | -                         | 86,832              |
| Curriculum                              | 56,530              | -                         | 56,530              | 89,452              | -                         | 89,452              |
| Travel                                  | 47,515              | 62                        | 47,577              | 25,615              | 297                       | 25,912              |
| Advertising                             | -                   | 44,819                    | 44,819              | -                   | 29,668                    | 29,668              |
| Insurance                               | 30,968              | -                         | 30,968              | 31,047              | -                         | 31,047              |
| Authorizer oversight fee                | -                   | 13,908                    | 13,908              | -                   | 13,552                    | 13,552              |
| Other                                   | -                   | 51,556                    | 51,556              | -                   | 29,780                    | 29,780              |
| Total functional expenses               | <u>\$ 4,015,826</u> | <u>\$ 1,704,926</u>       | <u>\$ 5,720,752</u> | <u>\$ 3,582,639</u> | <u>\$ 1,352,686</u>       | <u>\$ 4,935,325</u> |

See independent auditor's report and notes to the financial statements

**Circle City Preparatory, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2024 and 2023**

|  | <b>2024</b>  | <b>2023</b>  |
|--|--------------|--------------|
| <b>Operating Activities</b>  |              |              |
| Change in net assets   | \$ 502,252   | \$ 603,697   |
| Adjustments to reconcile change in net assets to change in cash from operating activities: |              |              |
| Depreciation   | 417,710      | 297,827      |
| Amortization of bond issuance costs included in interest expense                           | 14,985       | 14,985       |
| Changes in certain assets and liabilities:   |              |              |
| Grants receivable  | 488,105      | (293,553)    |
| Prepaid expenses   | (25,970)     | -            |
| Accounts payable and accrued expenses  | 27,274       | (161,840)    |
| Refundable advances  | 225,603      | -            |
| Other current liabilities  | 47,471       | -            |
| Change in cash from operating activities   | 1,697,430    | 461,116      |
| <b>Investing Activities</b>  |              |              |
| Purchases of fixed assets  | (802,175)    | (413,627)    |
| <b>Financing Activities</b>  |              |              |
| Principal repayment on bonds payable   | (67,500)     | (55,000)     |
| <b>Net Change in Cash</b>  | 827,755      | (7,511)      |
| <b>Cash, Beginning of Year</b>   | 1,733,230    | 1,740,741    |
| <b>Cash, End of Year</b>   | \$ 2,560,985 | \$ 1,733,230 |
| <b>Cash, End of Year</b>   |              |              |
| Cash - unrestricted  | \$ 2,092,551 | \$ 959,464   |
| Cash - restricted  | 468,434      | 773,766      |
| Total cash, end of year  | \$ 2,560,985 | \$ 1,733,230 |
| <b>Supplemental Information</b>  |              |              |
| Cash paid for interest   | \$ 204,914   | \$ 240,382   |

See independent auditor's report and notes to the financial statements

**Circle City Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 1 – Nature of Activities**

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 2023 - 2024 school year, the School served approximately 340 students in kindergarten through seventh grade. During the 2022 - 2023 school year, the School served approximately 320 students in kindergarten through sixth grade. The School plans to grow one grade level per year until it serves kindergarten through eighth grade.

**Note 2 – Summary of Significant Accounting Policies**

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, 2024 and 2023, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates

The School prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, 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 consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2024 and 2023.

Grants Receivable

The School adopted Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* during the year ended June 30, 2024 which introduced a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including grants receivable. The adoption of this accounting standards update did not have a material impact on the School's financial position or the result of its operations and cash flows.

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 credit losses is deemed necessary.

**Circle City Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Fixed Assets

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  |

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 \$14,985 for both years ended June 30, 2024 and 2023. Unamortized bond issuance costs were \$397,108 and \$412,093 as of June 30, 2024 and 2023, 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 \$44,819 and \$29,668 in advertising costs during the years ended June 30, 2024 and 2023, respectively.

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, 2024 and 2023, 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 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. The tax years ended after June 30, 2020 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through September 20, 2024, 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, 2024 and 2023**

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**Note 3 – 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 4 – Restricted Cash**

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

|                                       | <u>2024</u>       | <u>2023</u>       |
|---------------------------------------|-------------------|-------------------|
| Debt service fund                     | \$ 297,500        | \$ 297,500        |
| Bond fund                             | 64,601            | 65,792            |
| Property repairs and replacement fund | 58,862            | 38,640            |
| Non-cancellable lease obligation      | 47,471            | -                 |
| Project fund                          | -                 | 371,834           |
|                                       | <u>\$ 468,434</u> | <u>\$ 773,766</u> |

**Circle City Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 4 – Restricted Cash (Continued)**

Restricted cash - debt service fund

This fund is reserved for the payment of principal and interest on the bonds in the event 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.

Restricted cash - bond fund

This fund is reserved for the payment of interest and principal on the bonds.

Restricted cash - property repairs and replacement fund

This fund is reserved for repairing and replacing facilities.

Restricted cash - non-cancellable lease obligation

This fund is reserved to fund payments on a non-cancellable lease (Note 7).

Restricted cash - project fund

This fund is reserved for improvements to the building.

**Note 5 – Fixed Assets**

Fixed assets were comprised of the following as of June 30:

|                                | 2024         | 2023         |
|--------------------------------|--------------|--------------|
| Land                           | \$ 237,700   | \$ 237,700   |
| Building and improvements      | 4,552,934    | 3,890,193    |
| Furniture and equipment        | 529,527      | 390,093      |
| Less: accumulated depreciation | (986,319)    | (568,609)    |
|                                | \$ 4,333,842 | \$ 3,949,377 |

**Note 6 – Refundable Advances**

The School was awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Refundable grant advances totaled \$225,603 as of June 30, 2024. There were no refundable grant advances as of June 30, 2023.

**Circle City Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 7 – Other Current Liabilities**

In January 2024, the School entered into a transaction to transition its operating leases to a new vendor. Despite this, the School is still liable to make remaining payments under its previous leases (Note 9). The new vendor agreed to fund these payments and in turn gave the School \$71,531 to use toward the remaining payments under the previous lease agreement. The School accounts for these funds as restricted cash. As of June 30, 2024, the School's remaining obligation under its old operating leases totaled \$47,471.

**Note 8 – Bonds Payable**

The School purchased a building and furnishings via Series 2021 Bonds 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, 2024.

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

|            |    |                  |
|------------|----|------------------|
| 2025       | \$ | 60,000           |
| 2026       |    | 65,000           |
| 2027       |    | 65,000           |
| 2028       |    | 70,000           |
| 2029       |    | 75,000           |
| Thereafter |    | 4,277,500        |
|            | \$ | <u>4,612,500</u> |

**Note 9 – Leases**

The School previously leased two printers under non-cancellable operating lease agreements. Right-of-use assets and lease liabilities were presented on the statements of financial position as of June 30, 2023 under these leases. These printers were returned as part of the transaction discussed in Note 7.

In January 2024, the School began leasing printers from a new vendor. Right-of-use assets and lease liabilities have been presented on the statements of financial position as of June 30, 2024 under this lease. The School elected to discount cash flows under this lease using a risk-free rate at lease commencement of 3.97%.

Lease costs totaled \$89,219 and \$68,658 during the years ended June 30, 2024 and 2023, respectively.

**Circle City Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 9 – Leases (Continued)**

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

|                        |    |                |
|------------------------|----|----------------|
| 2025                   | \$ | 53,093         |
| 2026                   |    | 53,093         |
| 2027                   |    | 53,093         |
| 2028                   |    | 53,093         |
| 2029                   |    | 44,242         |
|                        |    | <u>256,614</u> |
| Less: imputed interest |    | (23,468)       |
| Total lease liability  |    | <u>233,146</u> |
| Less: current portion  |    | (44,643)       |
| Long-term portion      | \$ | <u>188,503</u> |

**Note 10 – Commitment**

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 \$13,908 and \$13,552 for the years ended June 30, 2024 and 2023, 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 11 – 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, 2024 and 2023, respectively.

**Note 12 – 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.



**Circle City Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 12 – Risks and Uncertainties (Continued)**

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2024 and 2023, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits are maintained at Fifth Third Bank and are insured up to the FDIC insurance limit, which is regularly exceeded. As of June 30, 2024, approximately \$1.92 million in cash was uninsured.

**Note 13 – 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 \$2,283,830 and \$1,638,848 as of June 30, 2024 and 2023, respectively, with the exception of the \$30,000 escrow account required by ICSB (Note 10).

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 14 – 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, 2024**

| <u>Federal Grantor Agency/Pass-Through Entity/Cluster<br/>Title/Program Title/Project Title</u> | <u>Assistance<br/>Listing<br/>Number</u> | <u>Pass-Through<br/>Entity<br/>Identifying<br/>Number</u> | <u>Total<br/>Federal<br/>Awards<br/>Expended</u> |
|---|--|---|--|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u>   |  |   |  |
| Pass-through Indiana Department of Education:   |  |   |  |
| Child Nutrition Cluster   |  |   |  |
| School Breakfast Program  | 10.553                                   |   | \$ 110,025                                       |
| National School Lunch Program   | 10.555                                   |   | 273,747  |
| Total U.S. Department of Agriculture  |  |   | <u>383,772</u>                                   |
| <u>U.S. DEPARTMENT OF EDUCATION</u>   |  |   |  |
| Pass-through Indiana Department of Education:   |  |   |  |
| Title I, Part A;  |  |   |  |
| Grants to Local Educational Agencies  | 84.010                                   | S010A230014   | 299,174  |
| Title II, Part A;   |  |   |  |
| Supporting Effective Instruction State Grants   | 84.367                                   | S367A230013   | 20,977   |
| Title IV, Part A;   |  |   |  |
| Student Support and Academic Enrichment   | 84.424                                   | S424A230015   | 31,052   |
| Special Education Cluster   |  |   |  |
| Special Education - Grants to States  | 84.027                                   | 24611-614-PN01  | 62,007   |
| Charter School Program - Quality Counts   |  |   |  |
|   | 84.282A                                  |   | 573,146  |
| Education Stabilization Fund  |  |   |  |
| Elementary and Secondary School Emergency Relief Fund   | 84.425D                                  | S425U210013   | 214,117  |
| Total U.S. Department of Education  |  |   | <u>1,200,473</u>                                 |
| Total federal awards expended   |  |   | <u>\$ 1,584,245</u>                              |

See independent auditor's 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, 2024**

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**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, 2024. 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 represent the financial position, changes 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 Auditor's 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.  
Indianapolis, Indiana

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, 2024 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 issued our report thereon dated September 20, 2024.

## **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 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 we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

## 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.

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

Donovan CPAs  
Indianapolis, Indiana  
September 20, 2024



# Donovan CPAs

## *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance*

The Board of Directors  
Circle City Preparatory, Inc.  
Indianapolis, Indiana

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

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

We 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, 2024. The School's major federal programs are identified in the summary of auditor's 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, 2024.

#### **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 Auditor's 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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Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

## **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.

## **Auditor's 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, 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance which 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 we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist which were not identified.

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

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

A handwritten signature in blue ink that reads "DONOVAN". The letters are slightly slanted and connected, with a prominent "D" at the start.

Donovan CPAs  
Indianapolis, Indiana  
September 20, 2024

**Circle City Preparatory, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

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**I. Summary of Auditor's Results**

**Financial Statements**

|   |               |
|---|---------------|
| Type of auditor's 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 auditor's 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> |
|----------------------------------|---|
| 84.282A                          | Charter School Program                    |

|   |           |
|---|-----------|
| 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, 2024**

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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.

**Circle City Preparatory, Inc.**  
**Schedule of Lead Auditor**  
**For the Year Ended June 30, 2024**

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|                         |   |
|-------------------------|---|
| Auditor Information:    | Donovan CPAs<br>9292 N Meridian Street, Suite 150<br>Indianapolis, IN 46260 |
| Phone Number:           | (317) 844-8300  |
| Fax Number:             | (317) 745-6545  |
| Auditor Contract Title: | Benjamin A. Lippert, CPA  |
| Auditor Contact Title:  | Partner   |
| Auditor Contact Email:  | blippert@cpadonovan.com   |