



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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December 26, 2024

Charter School Board  
Victory College Prep., Inc.  
Marion County, Indiana

We have reviewed the audit report of Victory College Prep., 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 Victory College Prep., 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 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

**Victory College Prep., Inc.**

Financial Statements  
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



# Victory College Prep., Inc.

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# Donovan CPAs

## *Independent Auditor's Report*

The Board of Directors  
Victory College Prep., Inc.  
Indianapolis, Indiana

### **Opinion**

We audited the financial statements of Victory College Prep., 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 results of its operations, 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 October 4, 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  
October 4, 2024

**Victory College Prep., Inc.**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 7,781,896	\$ 7,222,661
Grants receivable	420,888	504,047
Total current assets	8,202,784	7,726,708
<b>Fixed Assets, Net</b>	11,345,318	10,352,497
<b>Other Assets</b>		
Cash - restricted for debt service	999,715	962,792
Cash - restricted for property repairs and replacement	141,602	139,234
Total other assets	1,141,317	1,102,026
<b>Total Assets</b>	\$ 20,689,419	\$ 19,181,231
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current portion of bonds payable	\$ 190,000	\$ 180,000
Accounts payable and accrued expenses	1,076,123	1,009,782
Refundable advances	409,289	-
Total current liabilities	1,675,412	1,189,782
<b>Long-Term Liabilities</b>		
CSFP debt service reserve fund liability	809,875	809,875
Bonds payable, net of current portion	13,140,000	13,330,000
Less: unamortized bond issuance costs	(691,904)	(713,869)
Total long-term liabilities, net of unamortized bond issuance costs	13,257,971	13,426,006
<b>Total Liabilities</b>	14,933,383	14,615,788
<b>Net Assets, Without Donor Restrictions</b>		
Board-designated	1,000,000	1,000,000
Undesignated	4,756,036	3,565,443
Total net assets	5,756,036	4,565,443
<b>Total Liabilities and Net Assets</b>	\$ 20,689,419	\$ 19,181,231

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

**Victory College Prep., Inc.**  
**Statements of Activities and Change in Net Assets**  
**For the Years Ended June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Revenue and Support</b>		
State education support	\$ 9,237,094	\$ 7,963,696
Grant revenue	8,275,267	9,774,795
Interest	239,985	58,514
Student fees	148,136	112,889
Contributions	39,934	27,648
Other	131,508	60,100
Total revenue and support	18,071,924	17,997,642
<b>Expenses</b>		
Program services	14,514,018	12,841,627
Management and general	2,367,313	1,875,292
Total expenses	16,881,331	14,716,919
<b>Change in Net Assets</b>	1,190,593	3,280,723
<b>Net Assets, Beginning Of Year</b>	4,565,443	1,284,720
<b>Net Assets, End of Year</b>	\$ 5,756,036	\$ 4,565,443

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

**Victory College Prep., Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2024 and 2023**

	2024			2023		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	\$ 7,239,132	\$ 1,420,069	\$ 8,659,201	\$ 6,574,722	\$ 1,080,573	\$ 7,655,295
Employee benefits	1,253,154	443,488	1,696,642	1,244,170	393,932	1,638,102
Transportation service	1,229,565	-	1,229,565	1,084,528	-	1,084,528
Occupancy	998,464	-	998,464	799,175	-	799,175
Depreciation	800,795	-	800,795	689,680	-	689,680
Food service	790,751	-	790,751	608,900	-	608,900
Interest	625,865	-	625,865	633,196	-	633,196
Classroom, kitchen, and office supplies	541,919	57,285	599,204	309,835	77,786	387,621
Other professional services	326,875	211,790	538,665	350,242	154,999	505,241
Staff development and recruitment	347,599	99,445	447,044	289,228	66,279	355,507
Extra-curricular programs	122,720	-	122,720	92,621	-	92,621
Culture events	94,777	-	94,777	53,545	-	53,545
Authorizer fees	-	65,735	65,735	-	57,175	57,175
Field trips	62,294	-	62,294	40,856	-	40,856
Property and textbook rental	60,000	-	60,000	-	-	-
Other	20,108	69,501	89,609	70,929	44,548	115,477
Total functional expenses	<u>\$ 14,514,018</u>	<u>\$ 2,367,313</u>	<u>\$ 16,881,331</u>	<u>\$ 12,841,627</u>	<u>\$ 1,875,292</u>	<u>\$ 14,716,919</u>

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

**Victory College Prep., 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	\$ 1,190,593	\$ 3,280,723
Adjustments to reconcile change in net assets to change in cash from operating activities:		
Depreciation	800,795	689,680
Amortization of bond issuance costs	21,965	21,965
Changes in certain assets and liabilities:		
Grants receivable	83,159	523,652
Prepaid expenses	-	95,430
Accounts payable and accrued expenses	(4,831)	(232,708)
Refundable advances	409,289	-
Change in cash from operating activities	2,500,970	4,378,742
<b>Investing Activities</b>		
Purchases of fixed assets	(1,722,444)	(2,306,864)
<b>Financing Activities</b>		
Principal repayment of Series 2021 bonds payable	(180,000)	(175,000)
<b>Net Change in Cash</b>	598,526	1,896,878
<b>Cash, Beginning of Year</b>	8,324,687	6,427,809
<b>Cash, End of Year</b>	\$ 8,923,213	\$ 8,324,687
<b>Cash, End of Year</b>		
Cash - unrestricted	\$ 7,781,896	\$ 7,222,661
Cash - restricted for debt service	999,715	962,792
Cash - restricted for property repairs and replacement	141,602	139,234
Total cash, end of year	\$ 8,923,213	\$ 8,324,687
<b>Supplemental Information</b>		
Cash paid for interest	\$ 603,900	\$ 611,231
Purchases of fixed assets financed through accounts payable	71,172	250,402

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

**Victory College Prep., Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 1 – Nature of Activities**

Victory College Prep., 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 under Indiana Code 20-24 and is sponsored by the Office of Education Innovation (OEI) of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2026 and is renewable thereafter by mutual consent. The School served approximately 1,000 students in grades kindergarten through twelve during the 2023 - 2024 school year (approximately 920 students during the 2022 - 2023 school year).

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

Basis of Accounting and Use of Estimates

The accompanying financial statements were prepared 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.

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.

Board-Designated Net Assets

The Board of Directors designated a portion of the School's net assets for the purpose of having funds to cover bonds payable when they come due. While the intention is to continue to add to this amount each year until the bonds mature (Note 7), no additional funds were added during the year ended June 30, 2024.

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.

**Victory College Prep., 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)**

Bond Issuance Costs

The School incurred costs associated with securing financing under Indiana Finance Authority Educational Facilities Refunding Revenue Bonds (Series 2021 Bonds). Total bond issuance costs incurred with the 2021 transaction were \$768,782. Amortization is provided on a straight-line basis over the 35-year term of the Series 2021 Bonds. Amortization expense was \$21,965 during both years ended June 30, 2024 and 2023 and is included in interest expense.

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

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, minor replacement costs, and small equipment purchases with a unit cost of less than \$5,000 and a useful life of five years or less 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:

Buildings and improvements.....	10 - 30 years
Furniture and equipment .....	3 - 10 years
Vehicles.....	5 years

Construction in Progress

Costs incurred during construction projects are capitalized and included in construction in progress at cost (Note 5). No depreciation expense is recorded on the construction in progress until the underlying assets are placed into service.

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. Tax years ended after June 30, 2020 are open to audit for both federal and state purposes.

**Victory College Prep., 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)**

Subsequent Events

The School evaluated subsequent events through October 4, 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.

**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 is 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.

The School also receives contributions and grants from other agencies and individuals and these are recorded in accordance with the terms of the underlying agreements. Student fees are recognized in the year in which the services are rendered. Rent is recognized monthly as the performance obligation of providing facilities for use by the lessee is satisfied.

Interest income relates to funds held in a money market account. This income is recorded at the end of each statement period when the interest is earned.

Disaggregation of Revenue

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

**Note 4 – Restricted Cash**

Cash - restricted for debt service

This fund is reserved for the payment of principal and interest on the bonds in the event other funding is unavailable to meet payment requirements. Included in this account is \$809,875 provided by Charter School Financing Partnership, LLC 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 CSFP debt service reserve fund liability on the statements of financial position.

Cash - restricted for property repairs and replacement

This fund was established with the bond proceeds and represents resources available for repairing and replacing facilities. The School funds this account at a rate of \$4,000 per month out of its debt service payments.

**Victory College Prep., Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 5 – Fixed Assets**

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

	2024	2023
Land	\$ 130,000	\$ 130,000
Buildings and improvements	11,829,862	10,979,878
Furniture and equipment	2,071,383	1,875,909
Vehicles	36,668	36,668
Construction in progress	1,598,143	849,984
Less: accumulated depreciation	(4,320,738)	(3,519,942)
	\$ 11,345,318	\$ 10,352,497

**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 \$409,289 as of June 30, 2024. There were no refundable grant advances as of June 30, 2023.

**Note 7 – Bonds Payable**

The School established Series 2021 Bonds as part of a building refinancing arrangement. The Series 2021 Bonds have original amounts totaling \$13,835,000 with principal payments increasing from \$150,000 to \$775,000 and maturing in December 2055. Interest payments are made semi-annually at 4.5% in accordance with the bond agreements. The bonds are secured by land, building, and improvements.

The bond agreement contains certain covenants requiring:

- 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 890 students, tested annually each October.

The School met all the covenants as of June 30, 2024.

**Victory College Prep., Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 7 – Bonds Payable (Continued)**

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

2025	\$ 190,000
2026	200,000
2027	205,000
2028	215,000
2029	225,000
Thereafter	12,295,000
	<u>\$ 13,330,000</u>

**Note 8 – Retirement Plan**

The School offers a Section 401(k) plan to its employees. Under the plan, the School matches 100% of employee contributions up to 4% of compensation for the plan year. Additional contributions are allowed at the discretion of the School's Board of Directors. No discretionary contributions were made during the years ended June 30, 2024 or 2023. Retirement plan expense totaled \$232,115 and \$184,838 for the years ended June 30, 2024 and 2023, respectively.

**Note 9 – Risks and Uncertainties**

The School provides educational instruction services to families residing in Marion and surrounding counties of 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 potentially subjecting the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2024 and 2023, substantially all receivable balances were due from the State of Indiana. Cash deposits are maintained at BMO Harris Bank and are insured up to the FDIC insurance limit. As of June 30, 2024, approximately \$8.67 million in cash was uninsured.

**Note 10 – Commitments**

As the sponsoring organization, OEI exercises certain oversight responsibilities. OEI assesses a fee equal to 1% of the basic tuition support received by the School. The authorizer fees totaled \$65,735 and \$57,175 for the years ended June 30, 2024 and 2023, respectively.

**Victory College Prep., Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 11 – Liquidity**

The School's financial assets include cash (excluding restricted cash which is not available for general operating activities) and grants receivable totaling \$8,202,784 and \$7,726,708 as of June 30, 2024 and 2023, respectively, all of which is available to meet cash needs for general expenditures within a year.

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 12 – Functional Expense Reporting**

The costs of providing educational activities are 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**

**Victory College Prep., Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2024**

<u>Federal Grantor Agency/Pass-Through Entity/Cluster Title/Program Title/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 252,132
National School Lunch Program	10.555		638,748
Total U.S. Department of Agriculture			<u>890,880</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	897,760
Title II, Part A;			
Supporting Effective Instruction State Grants	84.367	S367A230013	76,963
Title III, Part A;			
English Language Acquisition State Grants	84.365	S365A230014	14,136
Title IV, Part A;			
Student Support and Academic Enrichment	84.424	S424A230015	68,104
Special Education Cluster			
Special Education - Grants to States	84.027A	24611-516-PN01	230,970
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425U210013	1,927,321
ARP - Elementary and Secondary School Emergency Relief	84.425U		453,500
ARP - Homeless Children and Youth Grant	84.425W	S425W210015	9,182
Total U.S. Department of Education			<u>3,677,936</u>
Total federal awards expended			<u>\$ 4,568,816</u>

See independent auditor's report and notes to this schedule

**Victory College Prep., 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 Victory College Prep., Inc. (the School) under programs of the federal government for the year ended June 30, 2024. The information in the 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, change in net assets, functional expenses, or cash flows of the School.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Indirect Cost Rate**

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



# Donovan CPAs

***Independent 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  
Victory College Prep., 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 Victory College Prep., 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 October 4, 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.



Donovan CPAs  
Indianapolis, Indiana  
October 4, 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  
Victory College Prep., Inc.  
Indianapolis, Indiana

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

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

We audited Victory College Prep., 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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## **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 which 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 dark ink that reads "DONOVAN". The letters are slightly slanted and connected, with a prominent "D" at the start.

Donovan CPAs  
Indianapolis, Indiana  
October 4, 2024

**Victory College Prep., Inc.**  
**Schedule of Finding 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?	No
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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425U, and 84.425W	Education Stabilization Fund

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**II. Financial Statement Findings**

No matters are reportable.

**III. Federal Award Findings and Questioned Costs**

No matters are reportable.

**Victory College Prep., Inc.**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2024**

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FINDING 2023-001 DAVIS-BACON COMPLIANCE  
SIGNIFICANT DEFICIENCY

Federal Program: Education Stabilization Fund

Assistance Listing Numbers: 84.425D, 84.425U, and 84.425W

Criteria

The 2023 Compliance Supplement states: Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (section 36(i)(5)); OMB Circular A-110 (2 CFR Part 215, Appendix A, Contract Provisions); 2 CFR Part 176, Subpart C; and 2 CFR section 200.326).

Condition

The School entered into an agreement with a contractor for building renovations, paid with funds from the Education Stabilization Fund. A formal contract requiring compliance with the provisions of the Davis-Bacon Act was put into place. However, the School did not obtain certified payrolls from the contractor for each week that work was performed under the contract.

Current Status

Corrective action was taken.

**Victory College Prep., Inc.**  
**Schedule of Lead Auditor**  
**For the Year Ended June 30, 2024**

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Auditor Information:	Donovan CPAs 9292 N Meridian Street, Suite 150 Indianapolis, IN 46260
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