



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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December 26, 2024

Charter School Board
Neighborhood Charter Network, Inc.
Marion County, Indiana

We have reviewed the audit report of Neighborhood Charter Network, 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 Neighborhood Charter Network, 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.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditor's Report and further detailed in Note 4.

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

In addition to the report presented herein, a Supplemental Audit Report for Neighborhood Charter Network, 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

Neighborhood Charter Network, Inc.

Financial Statements
Together with Independent Auditor's Report
For the Years Ended June 30, 2024 and 2023



Neighborhood Charter Network, Inc.

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Donovan CPAs

Independent Auditor's Report

The Board of Directors
Neighborhood Charter Network, Inc.
Indianapolis, Indiana

Opinion

We audited the financial statements of Neighborhood Charter Network, 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 audits.
- 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 audits in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 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.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental information 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 November 6, 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.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the School recorded in-kind contributions and offsetting expenses from Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools (IPS), a related party, totaling \$2,326,983 and \$2,067,149 during the years ended June 30, 2024 and 2023, respectively. These in-kind transactions represent approximately 18% of total revenue and support and 18% of total expenses for the year ended June 30, 2024 (17% and 18%, respectively, in 2023). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented. Our opinion is not modified with respect to this matter.



Donovan CPAs
Indianapolis, Indiana
November 6, 2024

Neighborhood Charter Network, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 8,688,548	\$ 6,072,602
Investments	-	2,377,337
Grants receivable	922,594	441,997
Prepaid expenses	4,082	-
Other current assets	1,214	-
Total current assets	9,616,438	8,891,936
Fixed Assets		
Furniture and equipment	490,800	401,522
Less: accumulated depreciation	(201,291)	(123,722)
Fixed assets, net	289,509	277,800
Total Assets	\$ 9,905,947	\$ 9,169,736
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of note payable	\$ 50,000	\$ 50,000
Accounts payable and accrued expenses	330,737	640,546
Refundable advances	451,205	-
Total current liabilities	831,942	690,546
Long-Term Liabilities		
Note payable, net of current portion	75,000	125,000
Total Liabilities	906,942	815,546
Net Assets, Without Donor Restrictions	8,999,005	8,354,190
Total Liabilities and Net Assets	\$ 9,905,947	\$ 9,169,736

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

Neighborhood Charter Network, Inc.
Statements of Activities and Change in Net Assets
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenue and Support		
Student-based allocation funding from IPS	\$ 5,953,811	\$ 5,575,942
Grant revenue	4,815,579	4,399,062
In-kind contribution from IPS	2,326,983	2,067,149
Other income	187,326	73,752
Total revenue and support	<u>13,283,699</u>	<u>12,115,905</u>
Expenses		
Program services	10,168,650	8,848,709
Management and general	2,849,666	2,705,729
Total expenses	<u>13,018,316</u>	<u>11,554,438</u>
Change in Net Assets from Operations	265,383	561,467
Other Income		
Investment income	<u>379,432</u>	<u>61,657</u>
Change in Net Assets	644,815	623,124
Net Assets, Beginning Of Year	<u>8,354,190</u>	<u>7,731,066</u>
Net Assets, End of Year	<u>\$ 8,999,005</u>	<u>\$ 8,354,190</u>

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

Neighborhood Charter Network, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	<u>Services</u>	<u>and General</u>	<u>Total</u>	<u>Services</u>	<u>and General</u>	<u>Total</u>
	Services	and General		Services	and General	
In-kind expenses:						
Occupancy	\$ 2,199,697	\$ -	\$ 2,199,697	\$ 1,870,553	\$ -	\$ 1,870,553
Security services	-	109,103	109,103	-	106,595	106,595
Public engagement	-	18,183	18,183	-	90,001	90,001
Total in-kind expenses	<u>2,199,697</u>	<u>127,286</u>	<u>2,326,983</u>	<u>1,870,553</u>	<u>196,596</u>	<u>2,067,149</u>
Direct expenses:						
Salaries and wages	4,198,529	1,254,821	5,453,350	3,635,530	1,377,455	5,012,985
Employee benefits	977,756	431,300	1,409,056	901,860	359,774	1,261,634
Professional services	598,360	721,835	1,320,195	564,040	438,978	1,003,018
Books and materials	776,292	179,397	955,689	624,428	189,684	814,112
Food service expense	624,001	-	624,001	596,802	-	596,802
Student transportation	607,794	-	607,794	558,767	-	558,767
Depreciation	77,569	-	77,569	30,545	-	30,545
Insurance	63,681	-	63,681	30,856	-	30,856
Authorizer oversight fee	-	44,450	44,450	-	20,669	20,669
Equipment and supplies	36,155	-	36,155	28,110	-	28,110
Food costs	-	33,579	33,579	-	48,312	48,312
Dues and subscriptions	-	20,739	20,739	-	28,231	28,231
Advertising	-	7,880	7,880	-	33,410	33,410
Maintenance and repairs	-	3,750	3,750	-	-	-
Interest	-	1,625	1,625	-	3,500	3,500
Other	8,816	23,004	31,820	7,218	9,120	16,338
Total direct expenses	<u>7,968,953</u>	<u>2,722,380</u>	<u>10,691,333</u>	<u>6,978,156</u>	<u>2,509,133</u>	<u>9,487,289</u>
Total functional expenses	<u>\$ 10,168,650</u>	<u>\$ 2,849,666</u>	<u>\$ 13,018,316</u>	<u>\$ 8,848,709</u>	<u>\$ 2,705,729</u>	<u>\$ 11,554,438</u>

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

Neighborhood Charter Network, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 644,815	\$ 623,124
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Investment income	(379,432)	(61,657)
Depreciation	77,569	30,545
Change in certain assets and liabilities:		
Grants receivable	(480,597)	2,435,570
Prepaid expenses	(4,082)	-
Other current assets	(1,214)	-
Accounts payable and accrued expenses	(309,809)	131,398
Refundable advances	451,205	-
Net change in cash from operating activities	<u>(1,545)</u>	<u>3,158,980</u>
Investing Activities		
Purchases of fixed assets	(89,278)	(268,813)
Net maturities (purchases) of investments	2,756,769	(2,315,680)
Net change in cash from investing activities	<u>2,667,491</u>	<u>(2,584,493)</u>
Financing Activities		
Principal payments on notes payable	(50,000)	(325,000)
Net Change in Cash and Cash Equivalents	2,615,946	249,487
Cash and Cash Equivalents, Beginning Of Year	<u>6,072,602</u>	<u>5,823,115</u>
Cash and Cash Equivalents, End Of Year	<u>\$ 8,688,548</u>	<u>\$ 6,072,602</u>

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

Neighborhood Charter Network, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Nature of Activities

Neighborhood Charter Network, Inc. (the School) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and is currently the governing body of Enlace Academy in Indianapolis, 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, 2027 and is renewable thereafter by mutual consent. The School served approximately 675 students in kindergarten through eighth grade during the 2023-2024 school year (approximately 670 students during the 2022-2023 school year).

On July 1, 2015, Enlace Academy entered into an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools (IPS). The agreement, under Indiana Code 20-25.5-1, allows IPS to enter into an agreement with Enlace Academy to operate a charter school within an IPS building. The agreement was last renewed on July 1, 2020 for a term of five years, with the option to renew the agreement for additional five-year terms. Under the agreement, IPS will pay to Enlace Academy the amount it would receive from the State of Indiana for state basic tuition support and complexity grant funding as if the School were a traditional charter school. The agreement can be terminated annually by either party with written notice at least 60 days prior to the end of the school year.

The School received in-kind services from IPS for rent and other shared services during the years ended June 30, 2024 and 2023. The values of these services were estimated and have been reflected as in-kind contributions and expenses. See Note 4.

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, as described below.

- 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 accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions 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. Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. This includes a certificate of deposit, money market fund, and U.S. Treasury Bills meeting the definition of cash equivalents.

Neighborhood Charter Network, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Investments

Investments consisted of U.S. Treasury Bills with maturity dates of greater than three months from the financial statement date.

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.

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 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 life of furniture and equipment is five years.

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.

Subsequent Events

The School evaluated subsequent events through November 6, 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.

Neighborhood Charter Network, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 3 – Revenue Recognition

Revenue Recognition Policy

As discussed in Note 1, the majority of revenue comes from IPS as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School receives an amount per student in equal portion as if the School functioned as a traditional charter school. Funding from IPS is received monthly. 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 each grant is considered satisfaction of the performance obligations.

Disaggregation of Revenue

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

Note 4 – Valuation of In-Kind Services

The School recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$2,326,983 and \$2,067,149 during the years ended June 30, 2024 and 2023, respectively. These in-kind transactions represent approximately 18% of total revenue and support and 18% of total expenses for the year ended June 30, 2024 (17% and 18%, respectively, in 2023). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented. The in-kind contributions received by the School are from IPS and are disaggregated on the statements of activities and change in net assets. There are no restrictions set on these amounts.

Note 5 – Refundable Advances

The School was awarded a Charter School Facility Grant to provide for facility costs. The grant is considered an exchange transaction. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The refundable grant advance totaled \$451,205 as of June 30, 2024 and represents grant funding received for expenses not yet incurred.

Note 6 – Commitments

As the School's sponsoring organization, OEI exercises certain oversight responsibilities. OEI assesses an authorizer oversight fee equal to 1% of the state education support received by the School. Total fees paid to OEI by the School were \$44,450 and \$20,669 during the years ended June 30, 2024 and 2023, respectively.

The charter agreement requires the establishment of an escrow account of not less than \$30,000 should a dissolution occur. The School established this escrow account, which is included in the balance of cash and cash equivalents on the statements of financial position.

Neighborhood Charter Network, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 7 – Investments

The School opened an investment account during the year ended June 30, 2023. The purpose of the account was to fund future expansion of the School’s operations. U.S. Treasury Bills with maturity dates of three months or less and funds held in money market accounts are included in cash equivalents on the statements of financial position.

The investments as of June 30, 2024 totaled approximately \$8,200,000, which consisted of approximately \$7,000,000 in U.S. Treasury Bills with maturities ranging from July to September 2024, and approximately \$1,200,000 in a money market fund.

The investments as of June 30, 2023 totaled approximately \$5,500,000, which consisted of approximately \$4,400,000 in U.S. Treasury Bills, with maturities ranging from August 2023 to February 2024, and approximately \$1,100,000 in a money market fund.

Note 8 – Investment Income

Investment income consisted of the following for the years ended June 30:

	2024	2023
Unrealized gain	\$ 33,525	\$ 49,254
Interest and dividend income	377,257	20,967
Management fees	(31,350)	(8,564)
 Total investment income	 \$ 379,432	 \$ 61,657

Note 9 – Note Payable

Note payable consists of the following at June 30:

	2024	2023
Note payable to State Board of Education, payable \$25,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum	\$ 125,000	\$ 175,000
Less: current portion	(50,000)	(50,000)
 Long-term portion	 \$ 75,000	 \$ 125,000

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School’s future tuition support payments on funding from IPS.

Neighborhood Charter Network, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 9 – Note Payable (Continued)

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

2025	\$ 50,000
2026	50,000
2027	<u>25,000</u>
	<u>\$ 125,000</u>

Note 10 – Retirement Plans

The School maintains a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides the School will make contributions at its discretion. For the years ended June 30, 2024 and 2023, the School contributed 4% of defined compensation for all employees and matched 100% of employee deferral contributions, not to exceed 3% of compensation.

The School also provides retirement benefits provided by the Indiana State Teachers' Retirement Fund (TRF), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. The School contributed 6% of compensation for eligible teaching personnel to TRF during both years ended June 30, 2024 and 2023. Should the School elect to withdraw from TRF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2023 (the latest year reported), TRF was 88% funded. Retirement plan expense under all plans was \$299,842 and \$267,583 for the years ended June 30, 2024 and 2023, respectively.

Note 11 – Risks and Uncertainties

The School provides education services to families residing in Marion and surrounding counties in 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 and/or the agreements with IPS could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. 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 Key Bank and are insured up to the FDIC insurance limit of \$250,000. As of June 30, 2024, approximately \$205,000 of the School's cash and cash equivalents balance was uninsured.

Neighborhood Charter Network, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 12 – Liquidity

The School's financial assets include cash and cash equivalents, grants receivable, and investments. Financial assets at June 30, 2024 and 2023 total \$9,611,142 and \$8,891,936, respectively, all of which are available to meet cash needs for general expenditures within a year, with the exception of the \$30,000 cash escrow accounts (Note 6).

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

Note 13 – Functional Expense Reporting

The costs of providing the 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

Neighborhood Charter Network, 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			
National School Lunch Program	10.555		<u>\$ 607,187</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	677,627
Grants to Local Educational Agencies	84.010		292,000
Title III, Part A;			
Supporting Effective Instruction State Grants	84.365A	S365A220014	56,076
Title IV, Part A;			
Student Support and Academic Enrichment	84.424F	S424F220015	83,448
Special Education Cluster			
Special Education - Grants to States	84.027A	H027A230084	170,654
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	<u>1,224,375</u>
Total U.S. Department of Education			<u>2,504,180</u>
Total federal awards expended			<u><u>\$ 3,111,367</u></u>

See independent auditor's report and notes to this schedule

Neighborhood Charter Network, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Neighborhood Charter Network, 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 present 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
Neighborhood Charter Network, 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 Neighborhood Charter Network, 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 have issued our report thereon dated November 6, 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 that 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 that 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Donovan CPAs
Indianapolis, Indiana
November 6, 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
Neighborhood Charter Network, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited Neighborhood Charter Network, 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 we identified during the audit.

Report on Internal Control Over Compliance

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 that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2024-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Donovan CPAs
Indianapolis, Indiana
November 6, 2024

Neighborhood Charter Network, Inc.
Schedule of Finding and Questioned Costs
For the Year Ended June 30, 2024

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 federal 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:	

Assistance Listing Number

Name of Federal Program or Cluster

84.010

Title I, Part A;
Grants to Local Educational Agencies

Dollar threshold used 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.

Neighborhood Charter Network, Inc.
Other Report
For the Year Ended June 30, 2024

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

Supplemental Audit Report of Neighborhood Charter Network, 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*.

Neighborhood Charter Network, Inc.
Schedule of Lead Auditor
For the Years Ended June 30, 2024 and 2023

Auditor Information:	Donovan CPAs 9292 N Meridian Street, Suite 150 Indianapolis, IN 46260
Phone Number:	(317) 844-8300
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Auditor Contact Title:	Partner
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