



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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January 17, 2025

Charter School Board  
Alianza Community Schools, Inc.  
d/b/a Monarca Academy  
Marion County, Indiana

We have reviewed the audit report of Alianza Community Schools, Inc. d/b/a Monarca Academy, 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 Alianza Community Schools, Inc. d/b/a Monarca Academy 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 report of Alianza Community Schools, Inc. d/b/a Monarca Academy, 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

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**

Financial Statements  
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



# Alianza Community Schools, Inc. d/b/a Monarca Academy

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# Donovan CPAs

## *Independent Auditor's Report*

The Board of Directors  
Alianza Community Schools, Inc.  
d/b/a Monarca Academy  
Indianapolis, Indiana

### **Opinion**

We audited the financial statements of Alianza Community Schools, Inc. d/b/a Monarca Academy (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 year 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 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). 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in 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 audit, significant audit findings, and certain internal control-related matters we identified during the audit.

### **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 \$1,492,307 and \$584,024 during the years ended June 30, 2024 and 2023, respectively. These in-kind transactions represent approximately 56% of total revenue and support and 51% of total expenses for the year ended June 30, 2024 (36% and 35%, respectively, in 2023). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management as presented. Our opinion is not modified with respect to this matter.



Donovan CPAs  
Indianapolis, Indiana  
December 10, 2024

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 557,015	\$ 669,685
Grants receivable	13,296	98,083
Total current assets	570,311	767,768
<b>Fixed Assets</b>		
Furniture and equipment	67,974	23,555
Less: accumulated depreciation	(7,420)	(1,174)
Fixed assets, net	60,554	22,381
<b>Other Assets</b>		
Operating lease right-of-use asset, net	12,485	-
<b>Total Assets</b>	\$ 643,350	\$ 790,149
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current portion of operating lease obligation	\$ 2,364	\$ -
Accounts payable and accrued expenses	107,864	90,761
Refundable advances	66,079	-
Total current liabilities	176,307	90,761
<b>Long-Term Liabilities</b>		
Operating lease obligation, net of current portion	10,121	-
<b>Total Liabilities</b>	186,428	90,761
<b>Net Assets, Without Donor Restrictions</b>	456,922	699,388
<b>Total Liabilities and Net Assets</b>	\$ 643,350	\$ 790,149

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

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**Statements of Activities and Change in Net Assets**  
**For the Years Ended June 30, 2024 and 2023**

	2024	2023
<b>Revenue and Support</b>		
Student-based allocation funding from IPS	\$ 793,552	\$ 292,296
In-kind contribution from IPS	1,492,307	584,024
Grant revenue	399,384	749,338
Contributions	1,654	4,835
Total revenue and support	2,686,897	1,630,493
<b>Expenses</b>		
Program services	2,507,263	1,165,700
Management and general	422,100	503,870
Total expenses	2,929,363	1,669,570
<b>Change in Net Assets</b>	(242,466)	(39,077)
<b>Net Assets, Beginning of Year</b>	699,388	738,465
<b>Net Assets, End of Year</b>	\$ 456,922	\$ 699,388

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

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**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
In-kind expenses:						
Occupancy	\$ 933,618	\$ -	\$ 933,618	\$ 359,396	\$ -	\$ 359,396
Transportation	311,440	-	311,440	-	-	-
Maintenance	223,698	-	223,698	213,064	-	213,064
Security	-	15,978	15,978	-	6,270	6,270
Grounds maintenance	-	4,910	4,910	-	-	-
Public engagement	-	2,663	2,663	-	5,294	5,294
Total in-kind expenses	<u>1,468,756</u>	<u>23,551</u>	<u>1,492,307</u>	<u>572,460</u>	<u>11,564</u>	<u>584,024</u>
Direct expenses:						
Salaries and wages	342,887	309,437	652,324	142,450	334,733	477,183
Professional services	371,433	16,861	388,294	101,374	94,440	195,814
Information technology	107,159	-	107,159	27,737	-	27,737
Employee benefits	24,930	47,230	72,160	12,608	45,223	57,831
Transportation	67,404	-	67,404	175,732	-	175,732
Classroom and office supplies	61,721	4,167	65,888	58,808	4,288	63,096
Insurance	15,007	15,662	30,669	16,965	11,929	28,894
Repairs and maintenance	30,158	-	30,158	35,043	-	35,043
Depreciation	6,246	-	6,246	1,174	-	1,174
Food costs	5,046	-	5,046	2,581	-	2,581
Textbooks and equipment	2,981	-	2,981	1,380	-	1,380
Travel	1,907	-	1,907	16,177	-	16,177
Other	1,628	5,192	6,820	1,211	1,693	2,904
Total direct expenses	<u>1,038,507</u>	<u>398,549</u>	<u>1,437,056</u>	<u>593,240</u>	<u>492,306</u>	<u>1,085,546</u>
Total functional expenses	<u>\$ 2,507,263</u>	<u>\$ 422,100</u>	<u>\$ 2,929,363</u>	<u>\$ 1,165,700</u>	<u>\$ 503,870</u>	<u>\$ 1,669,570</u>

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

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2024 and 2023**

	2024	2023
<b>Operating Activities</b>		
Change in net assets	\$ (242,466)	\$ (39,077)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	6,246	1,174
Change in certain assets and liabilities:		
Grants receivable	84,787	179,845
Accounts payable and accrued expenses	(19,642)	87,261
Refundable advances	66,079	-
Net change in cash from operating activities	(104,996)	229,203
<b>Investing Activities</b>		
Purchases of fixed assets	(7,674)	(23,555)
<b>Net Change in Cash</b>	(112,670)	205,648
<b>Cash, Beginning of Year</b>	669,685	464,037
<b>Cash, End of Year</b>	\$ 557,015	\$ 669,685
<b>Supplemental Information</b>		
Purchases of fixed assets financed through accounts payable	\$ 36,745	\$ -

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

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 1 – Nature of Activities**

Alianza Community Schools, Inc. d/b/a Monarca Academy (the School) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates as 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 agreement remains in effect until August 2029 and is renewable thereafter by mutual consent. The School served approximately 100 students in grades kindergarten through eighth during the 2023-2024 school year (approximately 40 students during the 2022-2023 school year).

The School operates under an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools (IPS), to operate a charter school within an IPS building. The agreement is for a term of five years, ending June 30, 2027, and renews automatically for an additional five-year term unless either party provides written notice at least 180 days prior to the expiration of the agreement. Under the agreement, IPS pays to the School the amount the School 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 by either party within 30 days of written notice for material breach of the agreement, by IPS at the end of the school year for poor academic performance given written notice to the School 180 days prior, or by both parties by mutual consent effective as of a mutually agreeable date.

The School received in-kind services from IPS 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 (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:

- net assets without donor restrictions, which includes 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 and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. As of June 30, 2024 and 2023, there were no cash equivalents.

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**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)**

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 over \$5,000 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 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Furniture and equipment are depreciated over an estimated useful life of 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.

Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform to the presentation of the 2024 financial statements. There was no change to net assets previously reported as a result of the reclassifications.

Subsequent Events

The School evaluated subsequent events through December 10, 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.

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**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

As discussed in Note 1, the majority of the School’s revenue and support is provided by IPS as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School receives monthly funding from IPS in accordance with a student-based allocation formula. Funding includes both fixed and variable components. The variable funding depends upon certain attributes including the number of students, student grades, poverty status, and other factors. Revenue is recognized in the year in which the 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 other income from other agencies and individuals, which are recorded in accordance with the terms of the underlying agreements.

Disaggregation of Revenue

Revenue is disaggregated on the statement 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 totaling \$1,492,307 and \$584,024 during the years ended June 30, 2024 and 2023, respectively. These in-kind transactions represent approximately 56% of total revenue and support 51% of total expenses for the year ended June 30, 2024 (36% and 35%, respectively, in 2023). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented. There are no restrictions on the in-kind contributions received by the School.

**Note 5 – 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 advances totaled \$66,079 as of June 30, 2024. There were no refundable advances as of June 30, 2023.

**Note 6 – Leases**

In April 2024, the School began leasing equipment under a non-cancellable operating lease agreement. An operating lease right-of-use asset and operating lease obligation have been presented on the statement 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 4.54%. Expense under the lease agreement totaled approximately \$720 during the year ended June 30, 2024.

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 6 – Leases (Continued)**

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

2025	\$	2,882
2026		2,882
2027		2,882
2028		2,882
2029		2,401
		<u>13,929</u>
Less: imputed interest		<u>(1,444)</u>
Total lease liability		12,485
Less: current portion		<u>(2,364)</u>
Long-term portion	\$	<u><u>10,121</u></u>

**Note 7 – 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 matching contributions of 100% of the first 3% of elective contributions and 50% of the next 2% of elective contributions.

**Note 8 – Commitments**

As the School’s sponsoring organization, OEI exercises certain oversight responsibilities. Beginning with the 2025-2026 school year, OEI will assess a fee equal to 1% of the basic tuition support received by the School. No authorizer oversight fees were paid during the years ended June 30, 2024 and 2023.

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

The School also operates under an Innovation Network Charter School Agreement granted by IPS. Under this agreement, IPS deducts a monthly management fee from its funding to the School to offset certain administrative costs. Management fees deducted by IPS totaled \$30,000 for both years ended June 30, 2024 and 2023.

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 9 – Risks and Uncertainties**

The School provides educational instruction 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 could significantly affect the School. The School also receives substantial financial assistance from IPS in the form of in-kind contributions covering occupancy, transportation, maintenance, security, grounds maintenance and public engagement. Changes to the Innovation Network Charter School Agreement 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.

Bank deposits are maintained at KeyBank and are insured up to the FDIC insurance limit which is regularly exceeded. As of June 30, 2024, approximately \$310,000 in cash was uninsured.

**Note 10 – Liquidity**

Financial assets held by the School include cash and grants receivable totaling \$570,311 and \$767,768 as of June 30, 2024 and 2023. Financial assets, with the exception of the \$30,000 escrow (Note 8), are available to meet cash needs for general expenditures within one 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 11 – 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.

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**Other Report**  
**For the Year Ended June 30, 2024**

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

Supplemental Audit Report of Alianza Community Schools, Inc.  
d/b/a Monarca Academy

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*.

**Alianza Community Schools, Inc.**  
**d/b/a Monarca Academy**  
**Schedule of Lead Auditor**  
**For the Years Ended June 30, 2024 and 2023**

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