



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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January 16, 2025

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

We have reviewed the audit report of Otwell Miller Academy, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Otwell Miller Academy, Inc. as of June 30, 2024 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

In addition to the report presented herein, a supplemental report of Otwell Miller Academy, 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



Otwell Miller Academy, Inc.

Financial Statements
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



Otwell Miller Academy, Inc.

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Donovan CPAs

Independent Auditor's Report

The Board of Directors
Otwell Miller Academy, Inc.
Otwell, Indiana

Opinion

We audited the financial statements of Otwell Miller Academy, 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 financial statements referred to above 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). 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 these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are issued.

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

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



Donovan CPAs
Indianapolis, Indiana
December 9, 2024

Otwell Miller Academy, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash	\$ 187,543	\$ 178,177
Grants receivable	-	9,103
Prepaid expenses	5,147	25,147
Total current assets	192,690	212,427
Fixed Assets		
Furniture and equipment	22,155	22,155
Textbooks	48,501	48,501
Vehicles	70,000	70,000
Leasehold improvements	28,386	28,386
Less: accumulated depreciation	(133,388)	(119,821)
Fixed assets, net	35,654	49,221
Total Assets	\$ 228,344	\$ 261,648
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 106,731	\$ 117,480
Refundable advance	68,081	-
Total current liabilities	174,812	117,480
Net Assets, Without Donor Restrictions	53,532	144,168
Total Liabilities and Net Assets	\$ 228,344	\$ 261,648

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

Otwell Miller Academy, Inc.
Statements of Activities and Change in Net Assets
For the Years Ended June 30, 2024 and 2023

	2024	2023
Revenue and Support		
State education support	\$ 783,775	\$ 755,194
Grant revenue	361,208	466,476
Student fees	7,230	14,534
Contributions	11,192	6,931
Other income	19,892	1,145
Total revenue and support	1,183,297	1,244,280
Expenses		
Program services	1,019,115	994,589
Management and general	254,818	237,706
Total expenses	1,273,933	1,232,295
Change in Net Assets	(90,636)	11,985
Net Assets, Beginning of Year	144,168	132,183
Net Assets, End of Year	\$ 53,532	\$ 144,168

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

Otwell Miller Academy, 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	\$ 659,662	\$ 122,687	\$ 782,349	\$ 602,573	\$ 120,344	\$ 722,917
Professional services	23,501	85,585	109,086	18,976	74,516	93,492
Food costs	88,008	-	88,008	76,301	-	76,301
Employee benefits	71,613	14,499	86,112	66,147	14,842	80,989
Classroom, kitchen, and office supplies	51,770	2,267	54,037	100,929	1,093	102,022
Occupancy	45,606	-	45,606	62,500	-	62,500
Repairs and maintenance	42,347	1,360	43,707	32,560	-	32,560
Authorizer oversight fees	-	21,064	21,064	-	20,914	20,914
Insurance	13,816	702	14,518	3,169	723	3,892
Depreciation	13,567	-	13,567	12,492	-	12,492
Information technology	8,041	-	8,041	11,503	-	11,503
Telephone	-	6,654	6,654	-	5,274	5,274
Transportation	477	-	477	4,352	-	4,352
Equipment	82	-	82	313	-	313
Other	625	-	625	2,774	-	2,774
Total functional expenses	<u>\$ 1,019,115</u>	<u>\$ 254,818</u>	<u>\$ 1,273,933</u>	<u>\$ 994,589</u>	<u>\$ 237,706</u>	<u>\$ 1,232,295</u>

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

Otwell Miller Academy, 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	\$ (90,636)	\$ 11,985
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	13,567	12,492
Change in certain assets and liabilities:		
Grants receivable	9,103	102,500
Prepaid expenses	20,000	(25,147)
Accounts payable and accrued expenses	(10,749)	18,584
Refundable advance	68,081	-
Net change in cash from operating activities	<u>9,366</u>	<u>120,414</u>
Investing Activity		
Purchases of fixed assets	<u>-</u>	<u>(12,140)</u>
Net Change in Cash	9,366	108,274
Cash, Beginning of Year	<u>178,177</u>	<u>69,903</u>
Cash, End of Year	<u><u>\$ 187,543</u></u>	<u><u>\$ 178,177</u></u>

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

Otwell Miller Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Nature of Activities

Effective March 2017, the not-for-profit entity, Friends of Otwell Elementary, Ltd. (Friends), formed and incorporated a subsidiary, Otwell Miller Academy, Inc. (the School). The School is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School, sponsored by Grace College, serves students in kindergarten through fifth grade. The School served approximately 100 students during both the 2023-2024 and 2022-2023 school years. The charter remains in effect until June 30, 2039 and is renewable thereafter by mutual consent. The accompanying financial statements include only the activity of the subsidiary, Otwell Miller Academy, Inc.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions - which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions - which represent resources restricted by donors for specific time or purpose.

As of June 30, 2024 and 2023, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates

The 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. 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.

Otwell Miller Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Fixed Assets

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and included in the accounts at cost. Routine maintenance and repairs and minor replacement costs and equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

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

Taxes on Income

For tax filing purposes, the School's activity is reported on the tax returns of Friends. Friends received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, it would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2024 and 2023, no accounting for federal and state income taxes was required to be included in the accompanying financial statements of the School.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2020 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through December 9, 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 educational services are rendered.

Otwell Miller Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 3 – Revenue Recognition (Continued)

Grant Revenue

A significant portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs is considered satisfaction of the purchase obligation.

Student Fees

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

Contributions

The School receives contributions and grants from other agencies and individuals, which are recorded in accordance with the terms of the underlying agreements.

Disaggregation of Revenue

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

Note 4 – Refundable Advance

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 \$68,081 as of June 30, 2024 and represents grant funding received for expenses not yet incurred. There were no refundable advances as of June 30, 2023.

Note 5 – Leases

The School leases a building under an operating lease with Friends, a related party. The lease is renewed annually in August. Base rent expense is \$1,300 per month. In addition, the School pays a share of the monthly expenses incurred by Friends.

Note 6 – Retirement Plan

The School provides retirement benefits covering teaching faculty. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund (TRF), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plan, the School contributes 7.5% of compensation for electing teaching faculty to TRF. Should the School elect to withdraw from TRF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2023, the latest year reported, TRF was approximately 88% funded. Retirement plan expense was \$24,804 and \$28,693 for the years ended June 30, 2024 and 2023, respectively.

Otwell Miller Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 7 – Commitments

As the sponsoring organization, Grace College exercises certain oversight responsibilities. Under this charter, the School agreed to pay Grace College an annual authorizer oversight fee not to exceed 3% of state education support received. Expense under this charter agreement was \$21,064 and \$20,914 for the years ended June 30, 2024 and 2023, respectively.

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

Note 8 – Risks and Uncertainties

The School provides educational instruction services to persons primarily residing in Otwell, Indiana and greater Pike County, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at Old National Bank are insured up to the FDIC insurance limit. There were no uninsured cash balances as of June 30, 2024 and 2023.

Note 9 – Liquidity

Financial assets held by the School include cash and grants receivable totaling \$187,543 and \$187,280 as of June 30, 2024 and 2023, respectively, all of which were available to meet cash needs for general expenditures within one year with the exception of \$30,000 in the dissolution escrow account (Note 7).

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 10 – Functional Expense Reporting

The costs of providing educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

Otwell Miller Academy, Inc.
Other Report
For the Year Ended June 30, 2024

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

Supplemental Audit Report of Otwell Miller Academy, 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*.

Otwell Miller Academy, 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
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