



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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April 2, 2025

Charter School Board
Liberty Grove Schools
Marion County, Indiana

We have reviewed the report of Liberty Grove Schools which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Liberty Grove Schools 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 Auditors' Report and further detailed in Note 4.

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 for Liberty Grove Schools 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

Liberty Grove Schools, Inc.

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



Liberty Grove Schools, Inc.

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Donovan CPAs

Independent Auditor's Report

Board of Directors
Liberty Grove Schools, Inc.
Indianapolis, Indiana

Opinion

We audited the financial statements of Liberty Grove Schools, 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). 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, 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 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 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.

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 \$2,090,564 and \$2,144,662 during the years ended June 30, 2024 and 2023, respectively. These in-kind transactions represent approximately 29% of total revenue and support and 34% of total expenses for the year ended June 30, 2024 (29% and 38%, respectively, in 2023). These amounts are calculated by IPS using significant estimates and judgments and recorded by management of the School as presented. Our opinion is not modified with respect to this matter.



Donovan CPAs
Indianapolis, Indiana
December 12, 2024

Liberty Grove Schools, Inc.
Statements of Financial Position
June 30, 2024 and 2023

| | 2024 | 2023 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 3,099,248 | \$ 847,934 |
| Grants receivable | 364,360 | 1,445,816 |
| Total current assets | 3,463,608 | 2,293,750 |
| Fixed Assets | | |
| Furniture and equipment | 56,292 | 56,292 |
| Less: accumulated depreciation | (21,579) | (10,320) |
| Fixed assets, net | 34,713 | 45,972 |
| Total Assets | \$ 3,498,321 | \$ 2,339,722 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 93,569 | \$ 159,334 |
| Net Assets, Without Donor Restrictions | 3,404,752 | 2,180,388 |
| Total Liabilities and Net Assets | \$ 3,498,321 | \$ 2,339,722 |

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

Liberty Grove Schools, Inc.
Statements of Activities and Change in Net Assets
For the Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|--------------------------------------|--------------|--------------|
| Revenue and Support | | |
| Grant revenue | \$ 3,071,683 | \$ 2,783,670 |
| In-kind contributions from IPS | 2,090,564 | 2,144,662 |
| State education support | 2,079,960 | 2,189,610 |
| Contributions | - | 202,500 |
| Interest income | 34,616 | 6,194 |
| Other income | 13,044 | 6,555 |
| Total revenue and support | 7,289,867 | 7,333,191 |
| Expenses | | |
| Program services | 5,328,893 | 4,914,812 |
| Management and general | 736,610 | 772,382 |
| Total expenses | 6,065,503 | 5,687,194 |
| Change in Net Assets | 1,224,364 | 1,645,997 |
| Net Assets, Beginning of Year | 2,180,388 | 534,391 |
| Net Assets, End of Year | \$ 3,404,752 | \$ 2,180,388 |

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

Liberty Grove Schools, 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 |
| In-kind expenses: | | | | | | |
| Occupancy | \$ 1,788,182 | \$ - | \$ 1,788,182 | \$ 1,643,019 | \$ - | \$ 1,643,019 |
| Student transportation | 264,159 | - | 264,159 | 244,991 | - | 244,991 |
| General education | - | - | - | 98,885 | - | 98,885 |
| Support services | - | - | - | 89,566 | - | 89,566 |
| Security services | - | 32,763 | 32,763 | - | 36,979 | 36,979 |
| Public engagement | - | 5,460 | 5,460 | - | 31,222 | 31,222 |
| Total in-kind expenses | <u>2,052,341</u> | <u>38,223</u> | <u>2,090,564</u> | <u>2,076,461</u> | <u>68,201</u> | <u>2,144,662</u> |
| Direct expenses: | | | | | | |
| Salaries and wages | 1,965,455 | 311,163 | 2,276,618 | 1,615,058 | 375,122 | 1,990,180 |
| Professional services | 384,692 | 232,834 | 617,526 | 381,579 | 184,703 | 566,282 |
| Employee benefits | 353,730 | 63,439 | 417,169 | 250,306 | 70,512 | 320,818 |
| Food service | 245,344 | - | 245,344 | 207,244 | - | 207,244 |
| Repairs and maintenance | 139,167 | - | 139,167 | 145,006 | - | 145,006 |
| Curriculum | 103,378 | - | 103,378 | 124,143 | - | 124,143 |
| Classroom, kitchen, and office supplies | 22,149 | 47,045 | 69,194 | 29,283 | 41,092 | 70,375 |
| Dues and subscriptions | - | 22,453 | 22,453 | - | 9,002 | 9,002 |
| Information technology services | 18,555 | - | 18,555 | 38,082 | - | 38,082 |
| Insurance | 15,110 | - | 15,110 | 12,876 | - | 12,876 |
| Depreciation | 11,259 | - | 11,259 | 10,320 | - | 10,320 |
| Travel | 2,950 | 6,652 | 9,602 | 7,569 | 949 | 8,518 |
| Advertising | - | 9,317 | 9,317 | - | 11,791 | 11,791 |
| Telephone | - | 5,484 | 5,484 | - | 2,388 | 2,388 |
| Equipment | 3,999 | - | 3,999 | 8,391 | - | 8,391 |
| Transportation | 3,729 | - | 3,729 | 3,935 | - | 3,935 |
| Other | 7,035 | - | 7,035 | 4,559 | 8,622 | 13,181 |
| Total direct expenses | <u>3,276,552</u> | <u>698,387</u> | <u>3,974,939</u> | <u>2,838,351</u> | <u>704,181</u> | <u>3,542,532</u> |
| Total functional expenses | <u>\$ 5,328,893</u> | <u>\$ 736,610</u> | <u>\$ 6,065,503</u> | <u>\$ 4,914,812</u> | <u>\$ 772,382</u> | <u>\$ 5,687,194</u> |

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

Liberty Grove Schools, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|--|--------------|--------------|
| Operating Activities | | |
| Change in net assets | \$ 1,224,364 | \$ 1,645,997 |
| Adjustments to reconcile change in net assets to net change in cash from operating activities: | | |
| Depreciation | 11,259 | 10,320 |
| Changes in certain assets and liabilities: | | |
| Grants receivable | 1,081,456 | (1,236,286) |
| Accounts payable and accrued expenses | (65,765) | 129,147 |
| Net change in cash from operating activities | 2,251,314 | 549,178 |
| Investing Activities | | |
| Purchases of fixed assets | - | (56,292) |
| Financing Activities | | |
| Principal repayments on note payable | - | (216,000) |
| Net Change in Cash | 2,251,314 | 276,886 |
| Cash, Beginning of Year | 847,934 | 571,048 |
| Cash, End of Year | \$ 3,099,248 | \$ 847,934 |

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

Liberty Grove Schools, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Nature of Activities

Liberty Grove Schools, Inc. (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 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 210 students in grades kindergarten through sixth grade during the 2023-2024 school year (approximately 240 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 valid through June 30, 2027 and will renew 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 annually by either party by providing written notice at least 180 days prior to the end of the school year.

The School received valuable 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. 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:

- 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 consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2024 and 2023.

Liberty Grove Schools, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

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

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful life of furniture and equipment is five years.

Advertising Costs

The School's accounting policy pertaining to advertising is to expense costs as incurred. The School incurred \$9,317 and \$11,791 in advertising costs during the years ended June 30, 2024 and 2023, respectively.

Taxes on Income

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

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. 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 12, 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.

Liberty Grove Schools, 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 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 educational services are rendered.

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

The School also receives contributions and 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 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 \$2,090,564 and \$2,144,662 during the years ended June 30, 2024 and 2023, respectively. These in-kind transactions represent approximately 29% of total revenue and support and 34% of total expenses for the year ended June 30, 2024 (29% and 38%, 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 – Commitment

As the sponsoring organization, OEI exercises certain oversight responsibilities. Beginning with the 2025-2026 school year, OEI will assess a fee equal to 1% of 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.

Note 6 – Retirement Plan

The School provides retirement benefits covering substantially all full-time employees. Employees are eligible to participate in a School-sponsored Section 403(b) plan. Under this plan, the School may, at its discretion, match full time employee contributions, as defined in the plan document. The School did not make a matching contribution during the years ended June 30, 2024 and 2023.

Liberty Grove Schools, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 7 – 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, student transportation, general education, support services, security services, 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.

Financial instruments potentially subjecting the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at The National Bank of Indianapolis and are insured up to the FDIC insurance limit of \$250,000. As of June 30, 2024, approximately \$2.9 million in cash was uninsured.

Note 8 – Liquidity

Financial assets held by the School include cash and grants receivable totaling \$3,379,786 and \$2,293,750 as of June 30, 2024 and 2023, respectively. Except for the \$30,000 dissolution escrow account (Note5), the entire balance of financial assets is 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 9 – 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.

Liberty Grove Schools, 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 Liberty Grove Schools, 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.

Liberty Grove Schools, 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 |
| Fax Number: | (317) 745-6545 |
| Auditor Contract Title: | Benjamin A. Lippert, CPA |
| Auditor Contact Title: | Partner |
| Auditor Contact Email: | blippert@cpadonovan.com |