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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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March 25, 2025

Charter School Board
Paramount Schools of Excellence, Inc.
Marion County, Indiana

We have reviewed the audit report of Paramount Schools of Excellence, Inc. which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of Paramount Schools of Excellence, 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, Blue & Co., LLC 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 Paramount Schools of Excellence, 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



FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2024 AND 2023

CPAs / ADVISORS



PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Paramount Schools of Excellence, Inc. (Paramount), a not-for-profit organization, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, 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 Paramount as of June 30, 2024 and 2023, and the changes in its net assets and its 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. 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 Paramount and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have 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 that are 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 Paramount's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Paramount'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Paramount'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 that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the accompanying table of contents is presented for purposes of additional analysis rather than to present the financial position and the results of operations of the individual locations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, January 17, 2025 on our consideration of Paramount'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 Paramount'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 Paramount's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
January 17, 2025

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS		
	2024	2023
Current assets		
Cash	\$ 9,525,996	\$ 9,566,994
Grant receivables	842,998	764,785
Prepaid expenses	202,163	88,237
Total current assets	10,571,157	10,420,016
Investments - board designated	887,454	667,491
Property and equipment		
Land and improvements	2,348,001	1,569,001
Building and improvements	30,471,326	22,706,755
Equipment	2,594,288	2,547,138
Software and educational materials	608,131	608,131
Construction in progress	1,711,956	4,960,692
	37,733,702	32,391,717
Accumulated depreciation	(6,511,614)	(5,686,453)
Property and equipment, net	31,222,088	26,705,264
Right-of-use assets under operating leases, net	4,276,885	4,442,656
Total assets	\$ 46,957,584	\$ 42,235,427
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 747,096	\$ 143,697
Accrued salaries, wages and related liabilities	1,985,144	1,340,199
Refundable advances	5,369,482	2,560,089
Current portion of long-term debt	246,796	237,218
Current portion of operating lease liabilities	912,920	641,760
Total current liabilities	9,261,438	4,922,963
Long-term debt, less current portion	12,755,213	13,071,111
Operating lease liabilities, less current portion	3,363,965	3,800,896
Deferred compensation	394,182	187,277
Total liabilities	25,774,798	21,982,247
Net assets		
Undesignated	20,295,332	19,585,689
Designated	887,454	667,491
Total net assets without donor restrictions	21,182,786	20,253,180
Total liabilities and net assets	\$ 46,957,584	\$ 42,235,427

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Revenues and support		
State support	\$ 20,289,169	\$ 13,418,084
Federal support	8,052,452	7,363,614
Contributions	2,096,733	3,970,260
Other revenues and support	103,115	78,497
Investment return, net	373,742	138,356
Total revenues and support	30,915,211	24,968,811
Program and supporting service expenses		
Salaries and wages	15,445,132	10,353,778
Employee benefits	3,071,390	2,339,736
Professional services	2,921,826	1,894,024
Advertising	735,428	405,045
Depreciation	825,161	781,500
Occupancy	2,019,870	1,338,368
Supplies and miscellaneous equipment	3,515,943	2,621,952
Insurance	188,155	118,541
Interest	488,198	497,811
Other	774,502	381,667
Total program and supporting service expenses	29,985,605	20,732,422
Change in net assets without donor restrictions	929,606	4,236,389
Net assets		
Beginning of year	20,253,180	16,016,791
End of year	<u>\$ 21,182,786</u>	<u>\$ 20,253,180</u>

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Operating activities		
Change in net assets	\$ 929,606	\$ 4,236,389
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	825,161	781,500
Amortization of debt issuance costs	6,739	6,739
Amortization of debt premium	(75,840)	(75,840)
Changes in operating assets and liabilities		
Grant receivables	(78,213)	332,762
Prepaid expenses	(113,926)	(83,707)
Right-of-use assets under operating leases	165,771	(4,442,656)
Accounts payable and accrued expenses	522,339	(157,335)
Accrued salaries, wages and other liabilities	644,945	233,724
Refundable advances	2,809,393	1,003,861
Operating lease liabilities	(165,771)	4,442,656
Deferred compensation	206,905	148,479
Net cash flows from operating activities	5,677,109	6,426,572
Investing activities		
Property and equipment additions	(5,260,925)	(4,288,224)
Purchase of investments - board designated	(219,963)	(218,217)
Net cash flows from investing activities	(5,480,888)	(4,506,441)
Financing activities		
Payments on long-term debt	(237,219)	(228,106)
Change in cash	(40,998)	1,692,025
Cash		
Beginning of year	9,566,994	7,874,969
End of year	\$ 9,525,996	\$ 9,566,994
Supplemental cash flows information		
Cash paid for interest	\$ 481,459	\$ 491,072
Property and equipment included in accounts payable	\$ 81,060	\$ -0-

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Paramount Schools of Excellence, Inc. (Paramount) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. Paramount operates public charter schools established under Indiana Code 20-24 and is sponsored by the Mayor's Office of the City of Indianapolis. Paramount provides educational instruction to students in grades kindergarten through eighth grade. Paramount operated in five locations throughout Indiana and one virtual environment during 2024.

Basis of Accounting

Paramount prepares its financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues in the period when performance obligations are satisfied and the recognition of expenses in the period in which they are incurred.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Paramount maintains its cash in accounts, which at times, may exceed federally insured limits. Paramount has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Grant Receivables

Grant receivables are amounts due from federal, state or local government agencies or other organizations. Amounts are recognized as receivable when Paramount has incurred expenditures in compliance with specific contract or grant provisions or amounts billed for incurred expenditures or services and not yet paid. The government agencies or other organizations are billed in the period in which expenditures are incurred. Grant receivables are reported at the net realizable amount due from the government agencies or other organizations.

Grant receivables are recognized at the net amount Paramount expects to collect based on established collection history. Paramount recognizes a separate allowance only when it determines there has been an unforeseeable change in the agencies' ability to pay subsequent to the delivery of goods and services resulting in an impairment loss. Such account balances are charged off against the allowance after all means of collection have been exhausted and the potential recovery is considered remote. Paramount did not record an allowance for credit losses as of June 30, 2024 and 2023.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Prepaid Expenses

Prepaid expenses relate to advance payments on products or services that will be used for future programs or activities.

Investments – Board Designated

Investments consist of cash and mutual funds recorded at fair value. Paramount designated approximately \$887,000 and \$667,000 of investments for deferred compensation employee benefit plans as of June 30, 2024 and 2023, respectively.

Property, Equipment and Depreciation

Property and equipment are recorded at cost, or if donated, at fair market value at date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance repairs and minor renewals are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from 3-40 years, and is computed on using the straight-line method. Depreciation expense was approximately \$825,000 and \$782,000 for 2024 and 2023, respectively. Paramount did not have any significant property and equipment commitments as of June 30, 2024 as construction in progress projects were significantly completed as of June 30, 2024.

Debt Issuance Costs and Premiums

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. These costs are classified with long-term debt, as a deduction, and are amortized over the term of the respective debt. Debt issuance premiums represent the difference between the original face value amount and the premium price paid for a long-term debt instrument. The premium incurred in issuing the debt are classified with long-term debt, as an addition, and are amortized as a reduction of interest expense over the term of the respective debt.

Net Assets

Net assets, support, revenues, gains, and losses are classified based on the absence or existence of donor restrictions. Accordingly, the net assets of Paramount are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use. As of June 30, 2024 and 2023, approximately \$887,000 and \$667,000, respectively, of net assets were designated for deferred compensation plans.
- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes. There were no net assets with donor restrictions as of June 30, 2024 and 2023.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Public Support

Paramount’s revenue is primarily derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by Paramount as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Amounts received are recognized as revenue when Paramount has incurred expenditures in compliance with specific contract or grant provisions. Amounts received after incurring qualifying expenditures are reported as grant receivables in the statements of financial position. Grant receivables were approximately \$843,000 and \$765,000 as of June 30, 2024 and 2023, respectively. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The following table represents refundable advances activity during 2024 and 2023:

	<u>6/30/23</u>	<u>Cash Receipts</u>	<u>Revenue Recognized</u>	<u>6/30/24</u>
Charter innovation	\$ 2,423,563	\$ 2,461,199	\$ (1,004,471)	\$ 3,880,291
Charter facility	21,323	1,337,092	(61,082)	1,297,333
Other	115,203	200,555	(123,900)	191,858
	<u>\$ 2,560,089</u>	<u>\$ 3,998,846</u>	<u>\$ (1,189,453)</u>	<u>\$ 5,369,482</u>

	<u>6/30/22</u>	<u>Cash Receipts</u>	<u>Revenue Recognized</u>	<u>6/30/23</u>
Charter innovation	\$ 1,479,805	\$ 1,652,500	\$ (708,742)	\$ 2,423,563
Charter facility	-0-	21,323	-0-	21,323
Other	76,423	112,500	(73,720)	115,203
	<u>\$ 1,556,228</u>	<u>\$ 1,786,323</u>	<u>\$ (782,462)</u>	<u>\$ 2,560,089</u>

Paramount receives state funds that have been designated for charter schools from the State of Indiana through the Indiana Department of Education (IDOE). The IDOE uses a formula based on the number of students enrolled in the school during the year to determine the amount of funds Paramount receives. Paramount also receives federal support through a variety of programs administered by the IDOE and United States Department of Agriculture.

Paramount derives a significant portion of its revenue from state and federal funding programs (approximately 92% and 83% in 2024 and 2023, respectively). The receipt of future revenues by Paramount is subject to among other factors, state and federal policies affecting education, economic conditions, and other conditions which are impossible to predict.

Contributions received, including unconditional promises to give, are recognized when received. Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. If a restriction is fulfilled in the same reporting period in which the contribution is received, the contribution is reported as net assets without donor restrictions. When a donor restriction expires,

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

that is, when a stipulated time restriction ends or purpose restriction is accomplished, applicable net assets with restriction are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions.

Paramount also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions. Receipt of funds for conditional contributions are recorded as a refundable advance in the statements of financial position until conditions are satisfied. Once satisfied, the refundable advance is released into contribution revenue. Materials, property, equipment and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair market values on the date received. There were no significant contributions of nonfinancial assets during 2024 and 2023.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Paramount. Volunteers also provide program services throughout the year that are not recognized as contributions in the financial statements unless the recognition criteria are met. These services include volunteering at events and clerical work. Donated services were not significant in 2024 and 2023.

Advertising

Paramount uses advertising to promote its programs among the audiences it serves. The cost of advertising is expensed as incurred. Advertising expense totaled approximately \$735,000 and \$405,000 during 2024 and 2023, respectively, and is included within program and supporting service expenses within the statements of activities and changes in net assets.

Income Taxes

Paramount is a not-for-profit corporation as defined by Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes. As such, Paramount is generally exempt from income taxes. However, Paramount is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Paramount and recognize a tax liability if Paramount has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Paramount, and has concluded that as of June 30, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Paramount is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Paramount filed its federal and state income tax returns for periods through June 30, 2023. The income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Going Concern Evaluation

Management evaluated whether there were conditions or events that raised substantial doubt about Paramount's ability to continue as a going concern for a period of one year from the date the financial statements were available to be issued.

Subsequent Events

Paramount evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which was January 17, 2025.

2. CHANGE IN ACCOUNTING PRINCIPLE

On July 1, 2023, Paramount adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, utilizing the modified retrospective approach. This ASU replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. The ASU requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. Paramount applied the guidance to financial assets measured at amortized cost that existed as of July 1, 2023 (the date of initial application). The adoption of this ASU did not have a significant impact on Paramount's financial statements.

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Paramount has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2024 and 2023.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by Paramount are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.
- *Deferred compensation*: Valued based on the fair market value of the related deferred compensation assets.

The table sets forth by level, within the hierarchy, Paramount's assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 and 2023:

	June 30, 2024			
	Total	Level 1	Level 2	Level 3
Assets				
Investments - board designated				
Mutual funds - equities	\$ 540,992	\$ 540,992	\$ -0-	\$ -0-
Mutual funds - fixed income	324,098	324,098	-0-	-0-
	865,090	\$ 865,090	\$ -0-	\$ -0-
Cash	22,364			
Total investments - board designated	\$ 887,454			
Liabilities				
Deferred compensation	\$ 394,182	\$ -0-	\$ 394,182	\$ -0-
	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Assets				
Investments - board designated				
Mutual funds - equities	\$ 371,058	\$ 371,058	\$ -0-	\$ -0-
Mutual funds - fixed income	280,947	280,947	-0-	-0-
	652,005	\$ 652,005	\$ -0-	\$ -0-
Cash	15,486			
Total investments - board designated	\$ 667,491			
Liabilities				
Deferred compensation	\$ 187,277	\$ -0-	\$ 187,277	\$ -0-

Paramount invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

4. LONG-TERM DEBT

Long-term debt as of June 30, 2024 and 2023 is summarized as follows:

	2024	2023
Loan payable to Equitable Facilities Fund, Inc., maturing in August 2051, fixed interest rate of 5.00%, principal payments due in monthly installments ranging from \$3,000 to \$62,000 plus interest, secured by pledge of revenues and property with net book value of approximately \$17,528,000 and \$18,088,000 as of June 30, 2024 and 2023, respectively.	\$ 11,011,303	\$ 11,198,522
Loan payable to Indiana Common School Fund and the State Board of Education, maturing in July 2026, fixed interest rate of 1.00%, semi-annual principal and interest payments ranging from \$25,000 to \$30,000 plus interest, collateralized by a security interest in Paramount's school facility.	125,000	175,000
Unamortized debt issuance costs	11,136,303	11,373,522
Unamortized debt premium	(181,963)	(188,702)
Current portion	2,047,669	2,123,509
	(246,796)	(237,218)
	\$ 12,755,213	\$ 13,071,111

In June 2021, Paramount entered into a loan agreement with Equitable Facilities Fund, Inc. (EFF) for approximately \$11,521,000 with fixed interest at 5.00%. The loan was issued at a premium of \$2,275,000 to be amortized over the term loan agreement. The loan matures in August 2051 and requires monthly principal and interest payments. The loan cannot be paid in advance without penalty prior to June 2031.

In December 2015, the Indiana Common School Fund and the State Board of Education issued a \$500,000 loan to Paramount. This agreement requires semi-annual principal payments to be made as reductions of Paramount's distributive share of the State Tuition Support. The interest rate is fixed at 1% for duration of the agreement. The loan payable matures in July 2026.

Paramount has agreed to certain covenants, which, among other things, limit additional indebtedness and guarantees and require Paramount to maintain specific financial ratios. Management believed Paramount was in compliance with the covenants as of June 30, 2024 and 2023.

Aggregate future maturities of long-term debt are as follows:

Year Ending June 30,	
2025	\$ 246,796
2026	256,865
2027	242,449
2028	228,574
Thereafter	10,161,619
	\$ 11,136,303

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

5. OPERATING LEASES

Paramount recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. Paramount had no financing leases as of June 30, 2024 and 2023.

Paramount has operating leases for certain equipment and space for classrooms and administrative purposes. Leasing arrangements require fixed payments and also include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. Paramount's lease agreements do not contain any material restrictive covenants. The leases have remaining terms through 2033.

Paramount's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. As a not-for-profit business entity, Paramount made a policy election to use a risk-free discount rate based on the rate of a zero-coupon U.S. treasury instrument commensurate to the lease term as the discount rate for its leases unless Paramount can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and utilities. Paramount has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its ROU assets and lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are rather expensed on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, Paramount considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if Paramount can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, Paramount assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgement.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

The components of Paramount's lease cost, ROU assets and lease liabilities as of and for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Lease cost		
Operating lease cost	\$ 731,660	\$ 474,994
Short-term lease cost	231,534	93,023
Total lease cost	<u>\$ 963,194</u>	<u>\$ 568,017</u>
Right-of-use assets		
Operating lease assets, net	<u>\$ 4,276,885</u>	<u>\$ 4,442,656</u>
Lease liabilities		
Operating lease liabilities, current	\$ 912,920	\$ 641,760
Operating lease liabilities, noncurrent	3,363,965	3,800,896
Total lease liabilities	<u>\$ 4,276,885</u>	<u>\$ 4,442,656</u>

Additional information regarding cash payments under Paramount's operating leases during 2024 and 2023, as well as the inputs used in determining the ROU assets and liabilities as of June 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Cash paid for amount included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 731,660	\$ 474,994
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 475,990	\$ 2,108,848
Weighted-average remaining lease term - operating leases	5.6 years	7.3 years
Weighted-average discount rate - operating leases	2.7%	2.1%

Future payments on lease liabilities for the years succeeding June 30, 2024 are as follows:

Year Ending June 30,	
2025	\$ 1,004,994
2026	1,004,994
2027	754,994
2028	754,994
2029	280,000
Thereafter	<u>863,333</u>
Total lease payments	4,663,309
Less interest	<u>(386,424)</u>
Present value of lease liabilities	<u>\$ 4,276,885</u>

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

6. RETIREMENT PLANS

403(b) Plan

Paramount's eligible faculty and administrative staff are participants in a 403(b) tax deferred annuity retirement plan (403(b) Plan). Paramount may make a discretionary matching contribution on participant deferrals and may make a discretionary profit sharing contribution to the 403(b) Plan. Paramount's contribution to the 403(b) Plan, net of forfeitures, was approximately \$289,000 and \$228,000 during 2024 and 2023, respectively.

Other Benefit Plans

Paramount established additional benefits plans for certain eligible employees. Under these plans, Paramount makes contributions with eligible employees vesting over periods ranging from 5 to 10 years. Paramount funded approximately \$135,000 and \$197,000, net of forfeited balances, to these plans during 2024 and 2023, respectively. Paramount expensed \$122,000 and \$127,000, net of forfeitures, of vested payments to the plans within employee benefits expense on the statements of activities and changes in net assets in 2024 and 2023, respectively. Paramount designated investments of \$887,000 and \$667,000 and recorded a corresponding liability of \$394,000 and \$187,000 as of June 30, 2024 and 2023, respectively, based on the participant vesting of the plans. The designated investments of the plans recorded investment gains of \$85,000 and \$21,000 during 2024 and 2023, respectively. Gains and losses on these investments are recorded in the deferred compensation liability on the statements of financial position.

Indiana Public Retirement System

Paramount elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund and the Indiana Teachers' Retirement Fund (TRF), with the merger of the funds being effective July 1, 2011. TRF is a defined benefit pension plan and a cost-sharing multiple employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The plan is recorded as a multiple employer plan, which was established by the State of Indiana. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate. Indiana Code (IC 5-10.2) governs, through the INPRS Board, most requirements of the system, and gives Paramount authority to contribute to the plan. The retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus interest credited to the member's account. Paramount's required contribution rate is 7.5%. Paramount may elect to make additional contributions on behalf of the member.

Retirement plan contributions for TRF were approximately \$116,000 and \$18,000 for 2024 and 2023, respectively. The plan is not governed by the Employee Income Retirement Income Security Act of 1974 and is not required to file a Federal Form 5500, Annual Return/Report of Employee Benefit Plan. There were no surcharges imposed and there is no expiration date of the plan included in state statutes. Upon withdrawing from TRF, Paramount, would be obligated for its proportionate share of the plan's unfunded vested benefits. Paramount has no intention of withdrawing from the plan. A complete copy of the annual report for the year ended June 30, 2023 can be obtained at www.in.gov/inprs.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

7. RISKS AND UNCERTAINTIES

Paramount provides education 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. Changes in state legislation could significantly affect Paramount. Additionally, Paramount is subject to monitoring and audit by state agencies. Those examinations may result in additional liabilities to be imposed on Paramount.

8. COMMITMENTS AND CONTINGENCIES

Paramount may be involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the future financial position, results of operations or cash flows of Paramount.

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

Paramount's financial assets available within one year of the June 30, 2024 and 2023 statements of financial position for general expenditure are as follows:

	2024	2023
Cash	\$ 9,525,996	\$ 9,566,994
Grant receivables	842,998	764,785
	<u>\$ 10,368,994</u>	<u>\$ 10,331,779</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Grant receivables are subject to implied time restrictions but are expected to be collected within one year. Paramount has a policy to structure its financial assets to be available as is general expenditures, liabilities, and other obligations come due.

10. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program and supporting services have been summarized on a natural basis in the statements of activities and changes in net assets and have been summarized on a functional basis below. Certain costs have been allocated among education services and management and general categories based on an estimate of time spent by Paramount's personnel. These expenses include salaries and wages and employee benefits. Other expenses require allocation on a reasonable basis that is consistently applied based on the ratio of salaries and wages and employee benefits charged to the category to total salaries and wages and employee benefits. The other expenses that are allocated include professional services, advertising, depreciation, occupancy, supplies, insurance, interest, and other. Although the methods used were appropriate, alternative methods may provide different results. Fundraising costs were not significant in 2024 and 2023.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Paramount incurred the following education services as well as management and general expenses for 2024 and 2023:

	2024			2023		
	Education Services	Management and General	Total Expenses	Education Services	Management and General	Total Expenses
Salaries and wages	\$ 12,356,106	\$ 3,089,026	\$ 15,445,132	\$ 8,283,022	\$ 2,070,756	\$ 10,353,778
Employee benefits	2,457,112	614,278	3,071,390	1,871,789	467,947	2,339,736
Professional services	2,337,461	584,365	2,921,826	1,515,219	378,805	1,894,024
Advertising	588,342	147,086	735,428	324,036	81,009	405,045
Depreciation	660,129	165,032	825,161	625,200	156,300	781,500
Occupancy	1,615,896	403,974	2,019,870	1,070,694	267,674	1,338,368
Supplies	2,812,754	703,189	3,515,943	2,097,562	524,390	2,621,952
Insurance	150,524	37,631	188,155	94,833	23,708	118,541
Interest	390,558	97,640	488,198	398,249	99,562	497,811
Other	619,602	154,900	774,502	305,334	76,333	381,667
	<u>\$ 23,988,484</u>	<u>\$ 5,997,121</u>	<u>\$ 29,985,605</u>	<u>\$ 16,585,938</u>	<u>\$ 4,146,484</u>	<u>\$ 20,732,422</u>

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2024, Paramount opened an additional charter school location named Girls IN STEM (Science, Technology, Engineering and Mathematics) Academy in Indianapolis, Indiana. Girls IN STEM Academy serves students in grades K-8. Paramount entered into a one year lease agreement for the school space at approximately \$22,000 per month with an option to extend the lease for another year through June 2026 upon notice no later than March 2025. Paramount expects to renew the lease through June 2026 and has recorded within right-of-use assets under operating leases and corresponding operating lease liabilities.

Subsequent to June 30, 2024, Paramount entered into a management agreement with Andrew J. Brown Charter School, Inc. (AJB) to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to AJB students. As part of the consideration received under the agreement, Paramount also provides the facility in which AJB operates. The agreement will continue until the termination or expiration of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either AJB or Paramount. Under the terms of the agreement, Paramount receives all AJB revenue from all sources as their contracted service fee. Paramount is entitled to any difference between the gross management fee and the operating costs of AJB as compensation for management services rendered.

SUPPLEMENTARY INFORMATION

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF FINANCIAL POSITION – BY LOCATION
JUNE 30, 2024

	Brookside	Cottage Home	Englewood	Lafayette	South Bend	Online Academy	Navigation	Eliminations	Total
ASSETS									
Current assets									
Cash	\$ 1,051,766	\$ 466,817	\$ 517,318	\$ 908,457	\$ 738,322	\$ 413,158	\$ 5,430,158	\$ -0-	\$ 9,525,996
Grant receivables	301,330	61,434	165,095	30,292	28,785	87,849	168,213	-0-	842,998
Interschool receivables	7,513,027	1,358,754	612,440	-0-	-0-	3,112,088	-0-	(12,596,309)	-0-
Prepaid expenses	-0-	-0-	-0-	-0-	-0-	-0-	202,163	-0-	202,163
Total current assets	8,866,123	1,887,005	1,294,853	938,749	767,107	3,613,095	5,800,534	(12,596,309)	10,571,157
Investments - board designated	81,849	41,259	-0-	2,893	3,106	3,774	754,573	-0-	887,454
Property and equipment									
Land and improvements	999,001	-0-	5,000	-0-	570,000	-0-	774,000	-0-	2,348,001
Building and improvements	10,073,936	10,501,746	163,229	1,744,098	6,001,973	90,344	1,896,000	-0-	30,471,326
Equipment	1,832,173	565,477	100,753	-0-	47,150	-0-	48,735	-0-	2,594,288
Software and educational materials	522,010	47,568	38,553	-0-	-0-	-0-	-0-	-0-	608,131
Construction in progress	78,629	-0-	-0-	638,727	335,321	-0-	659,279	-0-	1,711,956
	13,505,749	11,114,791	307,535	2,382,825	6,954,444	90,344	3,378,014	-0-	37,733,702
Accumulated depreciation	(4,779,114)	(1,329,448)	(156,941)	(36,335)	(180,960)	(4,448)	(24,368)	-0-	(6,511,614)
Property and equipment, net	8,726,635	9,785,343	150,594	2,346,490	6,773,484	85,896	3,353,646	-0-	31,222,088
Right-of-use assets under operating leases, net	-0-	-0-	1,873,464	1,927,431	-0-	-0-	475,990	-0-	4,276,885
Total assets	\$ 17,674,607	\$ 11,713,607	\$ 3,318,911	\$ 5,215,563	\$ 7,543,697	\$ 3,702,765	\$ 10,384,743	\$ (12,596,309)	\$ 46,957,584
LIABILITIES AND NET ASSETS									
Current liabilities									
Accounts payable and accrued expenses	\$ -0-	\$ -0-	\$ (2,683)	\$ 49,960	\$ 31,100	\$ 1,560	\$ 667,159	\$ -0-	\$ 747,096
Interschool payables	-0-	-0-	-0-	3,120,749	4,829,925	-0-	4,645,635	(12,596,309)	-0-
Accrued salaries, wages and related liabilities	512,719	301,629	191,441	217,092	233,994	83,587	444,682	-0-	1,985,144
Refundable advances	3,294,998	704,154	569,762	115,471	649,183	35,914	-0-	-0-	5,369,482
Current portion of long-term debt	164,499	82,297	-0-	-0-	-0-	-0-	-0-	-0-	246,796
Current portion of operating lease liabilities	-0-	-0-	463,531	205,730	-0-	-0-	243,659	-0-	912,920
Total current liabilities	3,972,216	1,088,080	1,222,051	3,709,002	5,744,202	121,061	6,001,135	(12,596,309)	9,261,438
Long-term debt, less current portion	7,245,941	5,509,272	-0-	-0-	-0-	-0-	-0-	-0-	12,755,213
Operating lease liabilities, less current portion	-0-	-0-	1,409,933	1,721,701	-0-	-0-	232,331	-0-	3,363,965
Deferred compensation	27,305	17,259	-0-	-0-	-0-	3,774	345,844	-0-	394,182
Total liabilities	11,245,462	6,614,611	2,631,984	5,430,703	5,744,202	124,835	6,579,310	(12,596,309)	25,774,798
Net assets									
Undesignated	6,347,296	5,057,737	686,927	(218,033)	1,796,389	3,574,156	3,050,860	-0-	20,295,332
Designated	81,849	41,259	-0-	2,893	3,106	3,774	754,573	-0-	887,454
Total net assets without donor restrictions	6,429,145	5,098,996	686,927	(215,140)	1,799,495	3,577,930	3,805,433	-0-	21,182,786
Total liabilities and net assets	\$ 17,674,607	\$ 11,713,607	\$ 3,318,911	\$ 5,215,563	\$ 7,543,697	\$ 3,702,765	\$ 10,384,743	\$ (12,596,309)	\$ 46,957,584

See report of independent auditors on pages 1 through 3.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – BY LOCATION
YEAR ENDED JUNE 30, 2024

	Brookside	Cottage Home	Englewood	Lafayette	South Bend	Online Academy	Navigation	Eliminations	Total
Revenues and support									
State support	\$ 8,125,015	\$ 3,672,249	\$ 2,414,909	\$ 1,703,756	\$ 2,487,902	\$ 1,912,012	\$ (26,674)	\$ -0-	\$ 20,289,169
Federal support	3,360,683	979,013	795,135	470,574	567,326	1,719,380	160,341	-0-	8,052,452
Contributions	7,950	6,700	204	-0-	520	-0-	2,081,359	-0-	2,096,733
Other revenues and support	12,239	7,547	3,372	3,342	3,094	39,864	33,657	-0-	103,115
Investment return, net	44,057	17,804	19,124	33,662	28,385	15,410	215,300	-0-	373,742
Total revenues and support	11,549,944	4,683,313	3,232,744	2,211,334	3,087,227	3,686,666	2,463,983	-0-	30,915,211
Program and supporting service expenses									
Salaries and wages	4,188,167	2,235,813	1,622,233	1,595,017	2,225,111	672,454	2,906,337	-0-	15,445,132
Employee benefits	933,130	481,653	373,114	257,594	367,886	149,130	508,883	-0-	3,071,390
Professional services	457,458	263,646	194,836	339,033	421,745	227,640	1,017,468	-0-	2,921,826
Advertising	1,066	113	120	383	5,631	-0-	728,115	-0-	735,428
Depreciation	286,930	353,209	18,120	36,335	116,804	4,016	9,747	-0-	825,161
Occupancy	277,525	159,995	560,113	442,585	213,140	33,191	333,321	-0-	2,019,870
Supplies and miscellaneous equipment	1,362,730	444,211	257,402	437,674	679,346	84,729	249,851	-0-	3,515,943
Insurance	51,846	32,817	18,881	14,843	24,644	7,664	37,460	-0-	188,155
Interest	254,815	233,383	-0-	-0-	-0-	-0-	-0-	-0-	488,198
Other	149,455	57,346	66,167	28,210	236,191	37,824	199,309	-0-	774,502
Total program and supporting service expenses	7,963,122	4,262,186	3,110,986	3,151,674	4,290,498	1,216,648	5,990,491	-0-	29,985,605
Revenues and support over (under) expenses	3,586,822	421,127	121,758	(940,340)	(1,203,271)	2,470,018	(3,526,508)	-0-	929,606
Transfers	(106,358)	12,316	198,774	586,825	387,178	(24,137)	(1,054,598)	-0-	-0-
Change in net assets without donor restrictions	3,480,464	433,443	320,532	(353,515)	(816,093)	2,445,881	(4,581,106)	-0-	929,606
Net assets									
Beginning of year	2,948,681	4,665,553	366,395	138,375	2,615,588	1,132,049	8,386,539	-0-	20,253,180
End of year	\$ 6,429,145	\$ 5,098,996	\$ 686,927	\$ (215,140)	\$ 1,799,495	\$ 3,577,930	\$ 3,805,433	\$ -0-	\$ 21,182,786

See report of independent auditors on pages 1 through 3.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF FINANCIAL POSITION – BY LOCATION
JUNE 30, 2023

	Brookside	Cottage Home	Englewood	Lafayette	South Bend	Online Academy	Navigation	Eliminations	Total
ASSETS									
Current assets									
Cash	\$ 1,032,500	\$ 421,152	\$ 271,022	\$ 271,979	\$ 322,377	\$ 263,612	\$ 6,984,352	\$ -0-	\$ 9,566,994
Grant receivables	240,697	142,021	122,647	50,000	42,015	83,740	83,665	-0-	764,785
Interschool receivables	2,794,013	89,840	292,347	-0-	-0-	849,832	1,297,605	(5,323,637)	-0-
Prepaid expenses	-0-	-0-	-0-	-0-	-0-	-0-	88,237	-0-	88,237
Total current assets	4,067,210	653,013	686,016	321,979	364,392	1,197,184	8,453,859	(5,323,637)	10,420,016
Investments - board designated	66,434	33,839	34,821	-0-	-0-	33,145	499,252	-0-	667,491
Property and equipment									
Land and improvements	999,001	-0-	-0-	-0-	570,000	-0-	-0-	-0-	1,569,001
Building and improvements	10,061,584	10,547,941	156,574	-0-	1,924,693	15,963	-0-	-0-	22,706,755
Equipment	1,832,173	565,477	100,753	-0-	-0-	-0-	48,735	-0-	2,547,138
Software and educational materials	522,010	47,568	38,553	-0-	-0-	-0-	-0-	-0-	608,131
Construction in progress	-0-	-0-	-0-	1,613,919	3,346,773	-0-	-0-	-0-	4,960,692
	13,414,768	11,160,986	295,880	1,613,919	5,841,466	15,963	48,735	-0-	32,391,717
Accumulated depreciation	(4,492,184)	(976,239)	(138,821)	-0-	(64,156)	(432)	(14,621)	-0-	(5,686,453)
Property and equipment, net	8,922,584	10,184,747	157,059	1,613,919	5,777,310	15,531	34,114	-0-	26,705,264
Right-of-use assets under operating leases, net	-0-	-0-	2,333,808	2,108,848	-0-	-0-	-0-	-0-	4,442,656
Total assets	\$ 13,056,228	\$ 10,871,599	\$ 3,211,704	\$ 4,044,746	\$ 6,141,702	\$ 1,245,860	\$ 8,987,225	\$ (5,323,637)	\$ 42,235,427
LIABILITIES AND NET ASSETS									
Current liabilities									
Accounts payable and accrued expenses	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 143,697	\$ -0-	\$ 143,697
Interschool payables	-0-	-0-	-0-	1,797,523	3,526,114	-0-	-0-	(5,323,637)	-0-
Accrued salaries, wages and related liabilities	506,740	236,024	193,526	-0-	-0-	91,958	311,951	-0-	1,340,199
Refundable advances	1,944,245	292,982	310,154	-0-	-0-	12,708	-0-	-0-	2,560,089
Current portion of long-term debt	158,927	78,291	-0-	-0-	-0-	-0-	-0-	-0-	237,218
Current portion of operating lease liabilities	-0-	-0-	460,344	181,416	-0-	-0-	-0-	-0-	641,760
Total current liabilities	2,609,912	607,297	964,024	1,978,939	3,526,114	104,666	455,648	(5,323,637)	4,922,963
Long-term debt, less current portion	7,479,201	5,591,910	-0-	-0-	-0-	-0-	-0-	-0-	13,071,111
Operating lease liabilities, less current portion	-0-	-0-	1,873,464	1,927,432	-0-	-0-	-0-	-0-	3,800,896
Deferred compensation	18,434	6,839	7,821	-0-	-0-	9,145	145,038	-0-	187,277
Total liabilities	10,107,547	6,206,046	2,845,309	3,906,371	3,526,114	113,811	600,686	(5,323,637)	21,982,247
Net assets									
Undesignated	2,882,247	4,631,714	331,574	138,375	2,615,588	1,098,904	7,887,287	-0-	19,585,689
Designated	66,434	33,839	34,821	-0-	-0-	33,145	499,252	-0-	667,491
Total net assets without donor restrictions	2,948,681	4,665,553	366,395	138,375	2,615,588	1,132,049	8,386,539	-0-	20,253,180
Total liabilities and net assets	\$ 13,056,228	\$ 10,871,599	\$ 3,211,704	\$ 4,044,746	\$ 6,141,702	\$ 1,245,860	\$ 8,987,225	\$ (5,323,637)	\$ 42,235,427

See report of independent auditors on pages 1 through 3.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – BY LOCATION
YEAR ENDED JUNE 30, 2023

	Cottage		Englewood	Lafayette	South Bend	Online		Eliminations	Total
	Brookside	Home				Academy	Navigation		
Revenues and support									
State support	\$ 7,169,889	\$ 2,644,290	\$ 2,050,581	\$ -0-	\$ -0-	\$ 1,553,324	\$ -0-	\$ -0-	\$ 13,418,084
Federal support	3,525,261	1,060,007	1,116,593	87,498	86,292	832,595	655,368	-0-	7,363,614
Contributions	34,460	12,266	500	-0-	50,000	1,000	3,872,034	-0-	3,970,260
Other revenues and support	31,014	430	1,594	-0-	-0-	11,374	34,085	-0-	78,497
Investment return, net	15,086	5,872	4,480	4,038	4,192	3,708	100,980	-0-	138,356
Total revenues and support	10,775,710	3,722,865	3,173,748	91,536	140,484	2,402,001	4,662,467	-0-	24,968,811
Program and supporting service expenses									
Salaries and wages	4,284,578	1,714,966	1,681,903	19,921	26,701	716,940	1,908,769	-0-	10,353,778
Employee benefits	914,258	386,060	368,109	210	220	212,237	458,642	-0-	2,339,736
Professional services	543,275	292,999	212,784	2,591	32,322	215,655	594,398	-0-	1,894,024
Advertising	11,944	10,727	10,803	1,629	10,098	30,931	328,913	-0-	405,045
Depreciation	323,693	375,361	24,481	-0-	4,010	100	53,855	-0-	781,500
Occupancy	279,257	181,089	169,110	14,459	27,960	55,442	611,051	-0-	1,338,368
Supplies and miscellaneous equipment	1,008,624	277,129	513,494	180,315	186,781	346,385	109,224	-0-	2,621,952
Insurance	44,206	24,361	14,623	-0-	1,235	7,384	26,732	-0-	118,541
Interest	238,009	259,802	-0-	-0-	-0-	-0-	-0-	-0-	497,811
Other	158,249	25,308	41,124	6,015	7,946	35,218	107,807	-0-	381,667
Total program and supporting service expenses	7,806,093	3,547,802	3,036,431	225,140	297,273	1,620,292	4,199,391	-0-	20,732,422
Revenues and support over (under) expenses	2,969,617	175,063	137,317	(133,604)	(156,789)	781,709	463,076	-0-	4,236,389
Transfers	(1,894,458)	(74,853)	(374,538)	271,979	2,772,377	(1,027,794)	327,287	-0-	-0-
Change in net assets without donor restrictions	1,075,159	100,210	(237,221)	138,375	2,615,588	(246,085)	790,363	-0-	4,236,389
Net assets									
Beginning of year	1,873,522	4,565,343	603,616	-0-	-0-	1,378,134	7,596,176	-0-	16,016,791
End of year	\$ 2,948,681	\$ 4,665,553	\$ 366,395	\$ 138,375	\$ 2,615,588	\$ 1,132,049	\$ 8,386,539	\$ -0-	\$ 20,253,180

See report of independent auditors on pages 1 through 3.



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**REPORT OF INDEPENDENT AUDITORS 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**

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

We have 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 Paramount Schools of Excellence, Inc. (Paramount), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paramount's internal control over financial reporting (internal control) as a basis for designing audit procedures that are 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 Paramount's internal control. Accordingly, we do not express an opinion on the effectiveness of Paramount'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 Paramount'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 or significant deficiencies may exist that have not been identified.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paramount'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 financial statements. 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 Paramount's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paramount's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
January 17, 2025



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
 AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL
 AWARDS REQUIRED BY THE *UNIFORM GUIDANCE***

Board of Directors
 Paramount Schools of Excellence, Inc.
 Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Paramount Schools of Excellence, Inc.'s (Paramount) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Paramount's major federal programs for the year ended June 30, 2024. Paramount'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, Paramount complied, in all material respects, with the compliance requirements referred to above that 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 Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Paramount and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Paramount's compliance with the compliance requirements referred to above.

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 Paramount'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 Paramount'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 that an audit conducted in accordance with generally accepted auditing standards, *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 that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Paramount's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance*, we:

- Exercise professional judgement 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 Paramount'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 Paramount's internal control over compliance relevant to the audit in order to design audit procedures that are 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 Paramount's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

We have audited the financial statements of Paramount as of and for the year ended June 30, 2024 and have issued our report thereon dated January 17, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the *Uniform Guidance*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
January 17, 2025

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing #	Grant ID Number(s)	Expenditures
U.S. Department of Agriculture (USDA)			
through Indiana Department of Education (IDOE)			
Child Nutrition Cluster			
School Breakfast Program	10.553	Not Available	\$ 470,034
National School Lunch Program	10.555	Not Available	1,207,642
Total for cluster			<u>1,677,676</u>
U.S. Department of Education (DOE) - through IDOE			
Title I Grants to Local Educational Agencies	84.010	S010A230014	1,264,883
Special Education Cluster			
Special Education - Grants to States	84.027	H027A220084	303,663
Special Education - Preschool Grants	84.173	H173A210104	3,102
Total for cluster			<u>306,765</u>
Expanding Opportunity through			
Quality Charter Schools Program	84.282	U282A220017	993,757
Twenty-First Century Community Learning Centers	84.287	S287C220014	202,237
English Language Acquisition State Grants	84.365	Not Available	14,934
Improving Teacher Quality State Grants	84.367	S367A230013	42,361
Student Support and Academic Enrichment Program	84.424	S424A230015	54,745
COVID-19 - Education Stabilization Fund	84.425	S425D200013	3,495,094
Total federal expenditures			<u>\$ 8,052,452</u>
Total USDA through IDOE			\$ 1,677,676
Total DOE through IDOE			<u>6,374,776</u>
Total federal expenditures			<u>\$ 8,052,452</u>

See Report of Independent Auditors on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance* on page 27.

See notes to schedule of expenditures of federal awards.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Paramount Schools of Excellence, Inc. (Paramount) for the year ended June 30, 2024, and is presented on the accrual basis of accounting. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some of the amounts presented in this SEFA may differ from amounts presented in or used in the preparation of the basic financial statements. The basic financial statement classifications may include other financial activity for reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the SEFA 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. Paramount has elected not to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

3. AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

Paramount did not pass through any federal awards to subrecipients during 2024. In addition, there were no federal awards expended in the form of non-cash assistance and there were no loan guarantees outstanding or extended during 2024.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024

Section I – Summary of Audit Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es) noted? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es) noted? yes 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 section 200.516(a)? yes no

Identification of major program:

Assistance Listing Number 84.010 - Title I Grants to Local Educational Agencies
Assistance Listing Number 84.282 - Expanding Opportunity Through Quality Charter Schools Program

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Findings Related to Financial Statements Reported in Accordance With Government Auditing Standards:

No matters reported

Section III - Findings and Questioned Costs Relating to Federal Awards:

No matters reported

Section IV - Summary Schedule of Prior Audit Findings:

Not applicable

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

OTHER REPORT
JUNE 30, 2024

The report presented herein was prepared in addition to another official report prepared for Paramount Schools of Excellence, Inc. as listed below:

Supplemental Audit Report of Paramount Schools of Excellence, 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*.