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July 23, 2024

Charter School Board
Tindley Accelerated Schools, Inc.
Marion County, Indiana

We have reviewed the audit report of Tindley Accelerated Schools, Inc., which was opined upon by Crowe LLP, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Tindley Accelerated Schools, Inc. as of June 30, 2022, 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 findings included in the report on pages 28 and 29. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 30 to 39.

In our opinion, Crowe LLP prepared the audit report in accordance with 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.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

TINDLEY ACCELERATED SCHOOLS, INC.

FINANCIAL STATEMENTS

June 30, 2022 and 2021

TINDLEY ACCELERATED SCHOOLS, INC.
Indianapolis, Indiana

FINANCIAL STATEMENTS
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tindley Accelerated Schools, Inc.
Indianapolis, Indiana

Report on the Financial Statements

Opinion

We have audited the financial statements of Tindley Accelerated Schools, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, 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 Organization as of June 30, 2022 and 2021 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the 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 the Organization'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 Organization'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 accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, schedules of financial position – school level, and schedules of activities – school level are presented for purposes of additional analysis and are 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 other 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
July 15, 2024

TINDLEY ACCELERATED SCHOOLS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|--------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 3,378,291 | \$ 3,120,896 |
| Restricted cash (Note 1) | 116,575 | 72,569 |
| Grants receivable (Note 1) | 648,441 | 722,224 |
| Prepaid expenses | 14,178 | 13,416 |
| Land, buildings, and equipment, net (Note 2) | <u>13,000,051</u> | <u>13,464,464</u> |
| Total assets | <u>\$ 17,157,536</u> | <u>\$ 17,393,569</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 389,974 | \$ 332,693 |
| Capital leases payable (Note 4) | 12,692,756 | 12,878,445 |
| Note payable, net (Note 5) | <u>6,095,623</u> | <u>6,393,742</u> |
| Total liabilities | <u>19,178,353</u> | <u>19,604,880</u> |
| Net assets | | |
| Without donor restrictions - undesignated | 2,655,794 | 2,489,570 |
| Without donor restrictions – charter school reorganizations (Note 5) | <u>(4,754,081)</u> | <u>(4,754,081)</u> |
| Total without donor restrictions | <u>(2,098,287)</u> | <u>(2,264,511)</u> |
| With donor restrictions (Note 6) | <u>77,470</u> | <u>53,200</u> |
| Total net assets | <u>(2,020,817)</u> | <u>(2,211,311)</u> |
| Total liabilities and net assets | <u>\$ 17,157,536</u> | <u>\$ 17,393,569</u> |

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|------------------------------|
| Public support and revenues | | | |
| Federal and state grants | \$ 15,148,225 | \$ - | \$ 15,148,225 |
| Contributions | 518,209 | 65,000 | 583,209 |
| Program service fees and other revenue | 143,018 | 25,000 | 168,018 |
| Investment income | 2,521 | - | 2,521 |
| Net assets released from restrictions (Note 6) | <u>65,730</u> | <u>(65,730)</u> | <u>-</u> |
| Total public support and revenues | <u>15,877,703</u> | <u>24,270</u> | <u>15,901,973</u> |
| Expenses | | | |
| Elementary school | 7,544,100 | - | 7,544,100 |
| Middle school | 1,233,265 | - | 1,233,265 |
| High school | 3,521,942 | - | 3,521,942 |
| General and administrative | 3,327,578 | - | 3,327,578 |
| Fundraising | <u>84,594</u> | <u>-</u> | <u>84,594</u> |
| Total expenses | <u>15,711,479</u> | <u>-</u> | <u>15,711,479</u> |
| Change in net assets | 166,224 | 24,270 | 190,494 |
| Net assets, beginning of year | <u>(2,264,511)</u> | <u>53,200</u> | <u>(2,211,311)</u> |
| Net assets, end of year | <u>\$ (2,098,287)</u> | <u>\$ 77,470</u> | <u>\$ (2,020,817)</u> |

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|
| Public support and revenues | | | |
| Federal and state grants | \$ 13,984,619 | \$ - | \$ 13,984,619 |
| Contributions | 453,558 | 15,000 | 468,558 |
| Program service fees and other revenue | 262,518 | - | 262,518 |
| Investment income | 1,939 | - | 1,939 |
| Net assets released from restrictions (Note 6) | <u>11,622</u> | <u>(11,622)</u> | <u>-</u> |
| Total public support and revenues | <u>14,714,256</u> | <u>3,378</u> | <u>14,717,634</u> |
| Expenses | | | |
| Elementary school | 5,689,550 | - | 5,689,550 |
| Middle school | 1,193,454 | - | 1,193,454 |
| High school | 2,959,903 | - | 2,959,903 |
| General and administrative | 3,200,289 | - | 3,200,289 |
| Fundraising | <u>59,175</u> | <u>-</u> | <u>59,175</u> |
| Total expenses | <u>13,102,371</u> | <u>-</u> | <u>13,102,371</u> |
| Change in net assets | 1,611,885 | 3,378 | 1,615,263 |
| Net assets, beginning of year | <u>(3,876,396)</u> | <u>49,822</u> | <u>(3,826,574)</u> |
| Net assets, end of year | <u>\$ (2,264,511)</u> | <u>\$ 53,200</u> | <u>\$ (2,211,311)</u> |

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 190,494 | \$ 1,615,263 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and amortization | 639,492 | 673,503 |
| PPP loan forgiveness | - | (1,355,700) |
| Change in assets and liabilities | | |
| Grants receivable | 73,783 | (594,003) |
| Prepaid expenses | (762) | 82,699 |
| Accounts payable and accrued expenses | <u>57,281</u> | <u>72,823</u> |
| Net cash from operating activities | <u>960,288</u> | <u>494,585</u> |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (175,079) | (99,376) |
| Net cash from investing activities | <u>(175,079)</u> | <u>(99,376)</u> |
| Cash flows from financing activities | | |
| Repayment on capital lease obligation | (185,689) | (138,393) |
| Repayment on notes payable | (298,119) | (298,121) |
| Net cash from financing activities | <u>(483,808)</u> | <u>(436,514)</u> |
| Net change in cash and cash equivalents | 301,401 | (41,305) |
| Cash and cash equivalents, beginning of year | <u>3,193,465</u> | <u>3,234,770</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 3,494,866</u></u> | <u><u>\$ 3,193,465</u></u> |
| Reconciliation of cash to the Statements of Financial Position: | | |
| Cash and cash equivalents | \$ 3,378,291 | \$ 3,120,896 |
| Restricted cash | <u>116,575</u> | <u>72,569</u> |
| Total cash and cash equivalents | <u><u>\$ 3,494,866</u></u> | <u><u>\$ 3,193,465</u></u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | \$ 724,993 | \$ 733,074 |

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: Tindley Accelerated Schools, Inc. ("Organization") began operations in 2002 as the Charter For Accelerated Learning, Inc. to provide educational services including charter school management, turnaround school services, and education consulting. During fiscal year 2014, the Organization changed its name to Tindley Accelerated Schools, Inc.

In 2004, Tindley Accelerated Schools, Inc. launched the Charles A. Tindley Accelerated School as an open-enrollment charter school serving grades 6-12. From the beginning, the Organization's vision has been to ensure 100% of its students gain acceptance to a fully-accredited four-year college or university. With this in mind, every student is required to complete a rigorous high school program culminating in authentic courses.

In August 2012, the Organization opened the Tindley Preparatory Academy, which is an extension of the Charles A. Tindley Accelerated School, serving as an all-male middle school designed to spark higher levels of academic achievement in males.

In August 2013, the Organization opened the Tindley Renaissance Elementary School, an open enrollment charter elementary school, and Tindley Collegiate Academy, serving as an all-female middle school designed to help young girls become successful scholars regardless of their past academic performance.

In August 2014, the Organization opened a new school, Tindley Summit Elementary School, which is an extension of the Charles A. Tindley Accelerated School. The Tindley Summit Elementary School is serving as an open enrollment charter elementary school designed for children in kindergarten through third grade.

In August 2015, the Organization opened a new school, Tindley Genesis Elementary School, which is an extension of the Charles A. Tindley Accelerated School. The Tindley Genesis Elementary School is serving as an open enrollment charter elementary school designed for children in kindergarten through third grade. Students at Genesis engage in concentrated music instruction throughout the school day which includes classes in instrumental music, singing, piano, and general music.

At June 30, 2018, the local education agency (LEA) license for Tindley Preparatory Academy expired and was not renewed. At June 30, 2019, the local education agency (LEA) licenses for Tindley Collegiate Academy and Tindley Renaissance Academy expired and were not renewed. The organization now operates two K-6 schools, Tindley Summit Elementary School and Tindley Genesis Elementary School, and a Grade 7-12 school, Charles A. Tindley Accelerated School.

The financial statements include the activity of all schools. All material inter-organizational accounts and transactions have been eliminated.

The Organization was established under the laws of the State of Indiana and operates under a Board of School Trustees.

Method of Accounting: The Organization maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The Organization is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit will be recorded.

The Organization does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The Organization recognizes interest and/or penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties at June 30, 2022 and 2021.

Use of Estimates: The preparation of financial statements in conformity with GAAP 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 and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Restricted Cash: The Organization is required to hold proceeds under the terms of a capital lease agreement that are to be restricted for unexpected capital expenses or if a need is found during a capital need assessment. The Organization is required to set aside within their capital investment escrow account at a minimum 5 percent of annual rent payments in any year when enrollment drops below 1,200 students. As of June 30, 2022 and 2021, the Organization held \$116,575 and \$72,569, respectively, within the capital improvement escrow account.

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted. The Organization does not accrue interest on any of its grants receivables. At June 30, 2022 and 2021, the grants receivable balance relates to federal support due within one year totaling \$648,441 and \$722,224, respectively.

Property and Equipment: Expenditures for property and equipment and items in excess of \$1,500 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

| | |
|----------------------------|-----------|
| Buildings and improvements | 40 years |
| Machinery and equipment | 3-5 years |
| Textbooks | 3-5 years |

Impairment of Long-Lived Assets: In accordance with GAAP, the Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2022 and 2021, management believes that no impairment exists.

(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation: The Organization follows GAAP and reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – The net asset without donor restrictions class includes general assets and liabilities of the Organization. The net asset without donor restrictions of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Net Assets With Donor Restrictions – The net asset class with donor restrictions includes assets of the Organization related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Net assets with donor restrictions class also includes assets of the Organization for which the donor has stipulated that the contribution be maintained in perpetuity. Donor-imposed restriction limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no net assets with donor restrictions required to be kept in perpetuity as of June 30, 2022 and 2021.

Revenue Recognition: The Organization recognizes revenue either as performance obligations are materially satisfied, contracts expire or are invalidated, and/or as applicable policy terms warrant. Program service fee revenue is recognized as services are provided and obligations are satisfied.

Federal and State Grants: Support funded by grants is recognized as the Organization satisfies the related conditions under various grant agreements. Grant revenue is typically recognized as allowable expenses are incurred. Government grants and contracts are generally subject to conditions that have a barrier and a right of return that must be met before the Organization is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. Some of the Organization's grant agreements are not on a cost reimbursement basis, and support is recognized when earned. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions: Contributions are recognized in the period that the promise to give is received. Unless specifically restricted by the donor, all contributions are considered available for use. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions of a temporary nature support.

Functional and Allocated Expenses: Expenses are charged directly to activities when specifically identifiable. All other costs are allocated to the activities based upon various actual statistical bases. Salaries and related expenses are charged based on the relative amount of time historically spent by personnel.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2022, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2022. Management has performed their analysis through July 15, 2024, the date the financial statements were available to be issued.

(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 2 - LAND, BUILDINGS AND EQUIPMENT

At June 30, the carrying value of land, buildings and equipment consists of the following:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|----------------------|----------------------|
| Construction in process | \$ 3,000 | \$ - |
| Land, building and improvements | 14,408,120 | 14,347,987 |
| Machinery and equipment | 4,713,333 | 4,601,387 |
| Textbooks | <u>150,296</u> | <u>150,296</u> |
| | 19,274,749 | 19,099,670 |
| Less accumulated depreciation | <u>(6,274,698)</u> | <u>(5,635,206)</u> |
| | <u>\$ 13,000,051</u> | <u>\$ 13,464,464</u> |

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was \$639,492 and \$673,503, respectively.

NOTE 3 - OPERATING LEASES

The Organization leases certain equipment under various non-cancelable operating leases which expire at various dates through fiscal year 2026. The future maturities lease payments under operating leases are as follows:

| | |
|------|-------------------|
| 2023 | \$ 82,520 |
| 2024 | 77,639 |
| 2025 | 77,639 |
| 2026 | <u>23,939</u> |
| | <u>\$ 261,737</u> |

Operating lease expense for the year ended June 30, 2022 and 2021 was \$97,446 and \$112,651, respectively.

NOTE 4 - CAPITAL LEASE PAYABLE

The Organization has entered into various capital lease agreements for building leases, security systems and furniture which expire at various dates through October 2049. Principal and interest payments are due monthly. The gross amount of buildings and equipment and related amortization recorded under the capital lease is as follows:

| | <u>2022</u> | <u>2021</u> |
|--------------------------|----------------------|----------------------|
| Buildings and equipment | \$ 14,213,304 | \$ 14,213,304 |
| Accumulated amortization | <u>(2,317,171)</u> | <u>(1,857,990)</u> |
| | <u>\$ 11,896,133</u> | <u>\$ 12,355,314</u> |

Amortization of assets held under capital leases is included with depreciation expense.

(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 4 - CAPITAL LEASE PAYABLE (Continued)

In September 2019, the Organization reached an agreement with a third party, CIES Tindley I, LLC (CIES Tindley), to refinance the bond and note payable held by the Organization through the issuance of Educational Facilities Revenue Bonds, Series 2019A, with the Indiana Finance Authority. Under the arrangement, CIES Tindley became the obligator of bonds and used the \$11,725,000 bond proceeds for the following items: i.) for the acquisition and renovation of the Charles A. Tindley Accelerated School facility which was previously financed with the 2013 Bonds; ii.) to pay off the term loan payable that was held by the organization; iii.) exercise the purchase option on the lease agreement for Tindley Summit Elementary School; iv.) to fund the purchase of Tindley Genesis Elementary School building from the lessor for \$4.5 million. Upon the execution of this agreement, the Organization wrote off the net book value of the Charles A. Tindley Accelerated School facility and the corresponding bond and note payable amounts which resulted in a loss on disposal of assets of approximately \$362,000 recognized on the prior period's statement of activities. The Organization entered into a capital lease agreement with CIES Tindley effective September 30, 2019, to lease the three premises. The lease agreement requires monthly payments necessary to meet the debt service requirements of the landlord. The lease matures on October 1, 2049 and includes a purchase option which may not be exercised prior to December 1, 2024 at the price equal the remaining principal balance on the bonds including any related premium.

As of June 30, 2022 and 2021 the capital lease obligation balance is \$12,692,756 and \$12,878,445, respectively.

Future minimum lease payments under the capital lease at June 30, 2022, are as follows:

| | |
|--------------|-----------------------------|
| 2023 | \$ 908,525 |
| 2024 | 906,948 |
| 2025 | 905,356 |
| 2026 | 908,921 |
| 2027 | 904,708 |
| Thereafter | <u>19,873,877</u> |
| Total | <u>24,408,335</u> |
| Interest due | <u>(11,715,579)</u> |
| Total | <u><u>\$ 12,692,756</u></u> |

Interest expense related to capital leases for the years ended June 30, 2022 and 2021 was \$709,342 and \$718,147, respectively.

(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 5 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|----------------------------|----------------------------|
| Note payable to State of Indiana to support charter school operations of Tindley Preparatory Academy, payable in semi-annual installments of \$69,067, plus interest computed at 1.00%, through maturity in July 2026.* | \$ 1,174,654 | \$ 1,174,654 |
| Note payable to State of Indiana to support charter school operations of Tindley Collegiate Academy, payable in semi-annual installments of \$98,553, plus interest computed at 1.00%, through maturity in July 2026.* | 1,576,534 | 1,576,534 |
| Note payable to State of Indiana to support charter school operations of Tindley Renaissance Academy, payable in semi-annual installments of \$125,181, plus interest computed at 1.00%, through maturity in July 2026.* | 2,002,893 | 2,002,893 |
| Note payable to State of Indiana to support charter school operations of Tindley Summit Academy, payable in semi-annual installments of \$98,162, plus interest computed at 1.00%, through maturity in July 2026.* | 883,455 | 1,079,777 |
| Note payable to State of Indiana to support charter school operations of Tindley Genesis Academy, payable in semi-annual installments of \$50,899, plus interest computed at 1.00%, through maturity in July 2026.* | <u>458,087</u> | <u>559,884</u> |
| Total outstanding bonds and notes payable | <u>\$ 6,095,623</u> | <u>\$ 6,393,742</u> |

* Note: Beginning in January 2017, the Indiana Department of Education (IDOE) began withholding payments due on the notes payable to the State of Indiana from basic grant monthly distributions made to the schools. During fiscal year 2019, the Organization received a deferment from the IDOE which halted payments related to the notes payable from January 2019 through September 2019. During October 2019, the IDOE resumed withholding payments due on the notes payable to the State of Indiana from basic grant monthly distributions for Tindley Genesis Academy and Tindley Summit Academy.

Due to the expiration of the LEA licenses related to Tindley Preparatory Academy, Tindley Collegiate Academy, and Tindley Renaissance Academy as disclosed in Note 1, there has been no repayment of notes payable to the State of Indiana related to these schools in fiscal year 2022 and 2021. The total of these three notes payable is \$4,754,081 at June 30, 2022 and 2021. The Organization awaits instruction from IDOE on the repayment of these notes payable, but believes they don't owe the outstanding payable balances noted above as the LEA licenses for the corresponding schools have expired. The organization has designated the portion of net assets allocable to the impact of these loans, as shown on the statement of financial position.

(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 5 - NOTES PAYABLE (Continued)

As of June 30, 2022, estimated future principal payments are due on long term debt as follows:

| | |
|------------|----------------------------|
| 2023 | \$ 298,120 |
| 2024 | 298,120 |
| 2025 | 298,120 |
| 2026 | 298,120 |
| 2027 | 149,060 |
| Thereafter | <u>4,754,083</u> |
| | <u><u>\$ 6,095,623</u></u> |

As a result of the restructuring of the Organization to three schools as disclosed Note 1, repayment on the notes payable to the State of Indiana for Tindley Preparatory Academy, Tindley Renaissance Academy, and Tindley Collegiate Academy have been halted until further clarification is provided through state legislation. The outstanding balances as of June 30, 2022 for these notes are included with thereafter in the schedule above.

Interest expense for the years ended June 30, 2022 and 2021 was \$15,651 and \$18,633, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of a temporary nature are available for the following purposes or periods:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------------------|-------------------------|
| High school science laboratories | \$ 40,314 | \$ 33,626 |
| Scholarships | 20,650 | 10,650 |
| STEM activities | 593 | 1,669 |
| Other | <u>15,913</u> | <u>7,255</u> |
| | <u><u>\$ 77,470</u></u> | <u><u>\$ 53,200</u></u> |

Net assets are released from donor restrictions by incurring expenditures satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets released from restrictions during the years ended June 30, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------------------|-------------------------|
| High school science laboratories | \$ 30,812 | \$ - |
| Scholarship | - | 2,750 |
| STEM activities | 1,076 | 2,727 |
| Teacher recruitment | 22,623 | - |
| Other | <u>11,219</u> | <u>6,145</u> |
| | <u><u>\$ 65,730</u></u> | <u><u>\$ 11,622</u></u> |

(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 7 - PENSION PLAN

The Organization elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teacher's Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The Organization employees are required to contribute 3% of their annual covered salary. The Organization is required to contribute an actuarially determined rate determined annually for PERF and TRF. Retirement plan expense related to PERF and TRF for the years ended June 30, 2022 and 2021 was \$26,054 and \$24,232, respectively.

Full-time employees may also elect to participate in a 403(b) retirement plan. The Organization will match employee contributions up to 5% of salary and employees are fully vested after four years. Plan expense was \$65,087 and \$66,826 respectively, for the years ended June 30, 2022 and 2021.

NOTE 8 – FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of the Organization. Activities include elementary school, middle school, high school, general and administration, and fundraising. The table below presents these functional expenses by their natural classification for the years ended June 30, 2022 and 2021, respectively.

2022

| | <u>Elementary School</u> | <u>Middle School</u> | <u>High School</u> | <u>General and Administration</u> | <u>Fund Raising</u> | <u>2022 Total</u> |
|------------------------------------|--------------------------|----------------------|---------------------|-----------------------------------|---------------------|----------------------|
| Salaries and benefits | \$ 4,810,302 | \$ 785,215 | \$ 2,615,245 | \$ 2,301,799 | \$ 1,250 | \$ 10,513,811 |
| Occupancy and maintenance | 746,805 | 140,497 | 281,914 | 141,650 | 2,830 | 1,313,696 |
| Depreciation and amortization | 414,310 | 53,744 | 107,489 | 63,949 | - | 639,492 |
| Interest | 461,775 | 63,573 | 127,146 | 72,499 | - | 724,993 |
| Insurance | 74,525 | 10,752 | 21,504 | 17,221 | - | 124,002 |
| Professional and contract services | 343,908 | 84,421 | 171,400 | 411,826 | 6,250 | 1,017,805 |
| Food service | 583,802 | 76,818 | 160,201 | 4,676 | 26,269 | 851,766 |
| Network services | 105,486 | 17,903 | 36,348 | 262,337 | 25,011 | 447,085 |
| Other | 3,187 | 342 | 695 | 51,621 | 22,984 | 78,829 |
| Total Expense | \$ 7,544,100 | \$ 1,233,265 | \$ 3,521,942 | \$ 3,327,578 | \$ 84,594 | \$ 15,711,479 |

2021

| | <u>Elementary School</u> | <u>Middle School</u> | <u>High School</u> | <u>General and Administration</u> | <u>Fund Raising</u> | <u>2021 Total</u> |
|------------------------------------|--------------------------|----------------------|---------------------|-----------------------------------|---------------------|----------------------|
| Salaries and benefits | \$ 3,411,509 | \$ 827,252 | \$ 2,201,172 | \$ 2,125,412 | \$ 18,243 | \$ 8,583,588 |
| Occupancy and maintenance | 785,862 | 145,058 | 303,781 | 157,022 | 5,435 | 1,397,158 |
| Depreciation and amortization | 434,646 | 57,169 | 114,337 | 67,351 | - | 673,503 |
| Interest | 470,203 | 64,300 | 128,600 | 73,677 | - | 736,780 |
| Insurance | 68,651 | 9,807 | 19,614 | 13,237 | - | 111,309 |
| Professional and contract services | 160,696 | 29,044 | 58,968 | 428,078 | 1,856 | 678,642 |
| Food service | 318,436 | 42,461 | 88,649 | 1,397 | 5,383 | 456,326 |
| Network services | 33,905 | 18,086 | 36,719 | 204,811 | 25,076 | 318,597 |
| Other | 5,642 | 277 | 8,063 | 129,304 | 3,182 | 146,468 |
| Total Expense | \$ 5,689,550 | \$ 1,193,454 | \$ 2,959,903 | \$ 3,200,289 | \$ 59,175 | \$ 13,102,371 |

(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 9 - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ 3,378,291 | \$ 3,120,896 |
| Restricted cash and cash equivalents | 116,575 | 72,569 |
| Grants receivable | <u>648,441</u> | <u>722,224</u> |
| | 4,143,307 | 3,915,689 |
| Less amounts not available to be used within one year: | | |
| Restricted cash | <u>116,575</u> | <u>72,569</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 4,026,732</u> | <u>\$ 3,843,120</u> |

As part of the Organization's liquidity management, the Organization invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 – COVID-19 IMPACT AND PAYCHECK PROTECTION PROGRAM (PPP)

As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, in April 2020, the Organization received a Paycheck Protection Program (PPP) Loan in the principal amount of \$1,355,700 from the United States Small Business Administration (SBA).

Under the terms of the Paycheck Protection Program, a PPP loan provides for conditional forgiveness if the Organization utilizes the loan proceeds on admissible expenses, including qualifying payroll, rent, and utility expenses, and maintains employment and compensation levels over a 24-week period.

The Organization is accounting for the PPP Loan as a conditional contribution under ASC 958-605. Under Subtopic 958-605, the PPP loan proceeds are initially recorded as a grant advance liability on the statement of financial position and subsequently recognized as grant revenue when the Organization has substantially met all conditions for forgiveness. The Organization substantially met all conditions of the PPP loan and received formal forgiveness of the loan by the lender on November 21, 2020. The entire balance of the loan has been reported as a grant advance liability as of June 30, 2020 and Federal and state grant revenue in the statement of activities for the year ended June 30, 2021.

The Organization was also awarded an allocation of Education Stabilization Fund - Elementary and Secondary School Emergency Relief Funding through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Coronavirus Response and Relief Supplemental Appropriations Act (CRSSA Act), and American Rescue Plan Act (ARP) totaling \$9,860,400 of which \$2,447,806 and \$733,774 was spent on eligible costs and recognized as revenue during the years ended June 30, 2022 and 2021, respectively. The remaining revenue amount will be recognized when allowable expenses are incurred.

SUPPLEMENTARY INFORMATION

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF FINANCIAL POSITION- SCHOOL LEVEL
June 30, 2022

| | Charles A. Tindley Accelerated School | Tindley Preparatory Academy | Tindley Collegiate Academy | Tindley Renaissance Academy | Tindley Summit Academy | Tindley Genesis Academy | Eliminations | Total |
|---|---|-----------------------------------|----------------------------------|-----------------------------------|------------------------------|-------------------------------|------------------------------|-----------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 2,228,110 | \$ - | \$ - | \$ - | \$ 46,590 | \$ 1,103,591 | \$ - | \$ 3,378,291 |
| Restricted cash and cash equivalents | 34,972 | - | - | - | 34,973 | 46,630 | - | 116,575 |
| Grants receivable | 231,459 | - | - | - | 143,903 | 273,079 | - | 648,441 |
| Due from related parties | 6,953,635 | - | - | - | - | - | (6,953,635) | - |
| Prepaid expenses | 1,651 | - | - | - | 5,140 | 7,387 | - | 14,178 |
| Land, buildings, and equipment, net | <u>3,667,419</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>4,456,110</u> | <u>4,876,522</u> | <u>—</u> | <u>13,000,051</u> |
| Total assets | <u>\$ 13,117,246</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 4,686,716</u> | <u>\$ 6,307,209</u> | <u>\$ (6,953,635)</u> | <u>\$ 17,157,536</u> |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable and accrued expenses | \$ 180,070 | \$ - | \$ - | \$ - | \$ 72,911 | \$ 136,993 | \$ - | \$ 389,974 |
| Due to related parties | 71,207 | 273,446 | 737,192 | 1,104,501 | 2,106,749 | 2,660,540 | (6,953,635) | - |
| Capital leases payable | 3,807,827 | - | - | - | 3,807,827 | 5,077,102 | - | 12,692,756 |
| Notes payable, net | <u>-</u> | <u>1,174,654</u> | <u>1,576,534</u> | <u>2,002,893</u> | <u>883,454</u> | <u>458,088</u> | <u>—</u> | <u>6,095,623</u> |
| Total liabilities | <u>4,059,104</u> | <u>1,448,100</u> | <u>2,313,726</u> | <u>3,107,394</u> | <u>6,870,941</u> | <u>8,332,723</u> | <u>(6,953,635)</u> | <u>19,178,353</u> |
| Net Assets | | | | | | | | |
| Without donor restrictions – undesignated | 8,983,642 | (273,446) | (737,192) | (1,104,501) | (2,187,195) | (2,025,514) | - | 2,655,794 |
| Without donor restrictions – charter school loans | <u>-</u> | <u>(1,174,654)</u> | <u>(1,576,534)</u> | <u>(2,002,893)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(4,754,081)</u> |
| Total without donor restrictions | <u>8,983,642</u> | <u>(1,448,100)</u> | <u>(2,313,726)</u> | <u>(3,107,394)</u> | <u>(2,187,195)</u> | <u>(2,025,514)</u> | <u>—</u> | <u>(2,098,287)</u> |
| With donor restrictions | 74,500 | <u>-</u> | <u>-</u> | <u>-</u> | 2,970 | <u>-</u> | <u>-</u> | 77,470 |
| Total net assets | <u>9,058,142</u> | <u>(1,448,100)</u> | <u>(2,313,726)</u> | <u>(3,107,394)</u> | <u>(2,184,225)</u> | <u>(2,025,514)</u> | <u>—</u> | <u>(2,020,817)</u> |
| Total liabilities and net assets | <u>\$ 13,117,246</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 4,686,716</u> | <u>\$ 6,307,209</u> | <u>\$ (6,953,635)</u> | <u>\$ 17,157,536</u> |

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF FINANCIAL POSITION- SCHOOL LEVEL
June 30, 2021

| | Charles A. Tindley Accelerated <u>School</u> | Tindley Preparatory <u>Academy</u> | Tindley Collegiate <u>Academy</u> | Tindley Renaissance <u>Academy</u> | Tindley Summit <u>Academy</u> | Tindley Genesis <u>Academy</u> | <u>Eliminations</u> | <u>Total</u> |
|---|--|--|---|--|-------------------------------------|--------------------------------------|-----------------------|----------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 1,892,176 | \$ - | \$ - | \$ - | \$ 197,571 | \$ 1,031,149 | \$ - | \$ 3,120,896 |
| Restricted cash and cash equivalents | 21,771 | - | - | - | 21,771 | 29,027 | - | 72,569 |
| Grants receivable | 297,211 | - | - | - | 180,847 | 244,166 | - | 722,224 |
| Due from related parties | 5,713,797 | - | - | - | - | - | (5,713,797) | - |
| Prepaid expenses | 888 | - | - | - | 5,141 | 7,387 | - | 13,416 |
| Land, buildings, and equipment, net | <u>3,819,239</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,625,143</u> | <u>5,020,082</u> | <u>-</u> | <u>13,464,464</u> |
| Total assets | <u>\$ 11,745,082</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,030,473</u> | <u>\$ 6,331,811</u> | <u>\$ (5,713,797)</u> | <u>\$ 17,393,569</u> |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable and accrued expenses | \$ 159,907 | \$ - | \$ - | \$ - | \$ 74,220 | \$ 98,566 | \$ - | \$ 332,693 |
| Due to related parties | 71,207 | 273,446 | 737,192 | 1,104,501 | 1,588,705 | 1,938,746 | (5,713,797) | - |
| Capital leases payable | 3,859,494 | - | - | - | 3,872,960 | 5,145,991 | - | 12,878,445 |
| Notes payable, net | <u>-</u> | <u>1,174,654</u> | <u>1,576,534</u> | <u>2,002,893</u> | <u>1,079,777</u> | <u>559,884</u> | <u>-</u> | <u>6,393,742</u> |
| Total liabilities | <u>4,090,608</u> | <u>1,448,100</u> | <u>2,313,726</u> | <u>3,107,394</u> | <u>6,615,662</u> | <u>7,743,187</u> | <u>(5,713,797)</u> | <u>19,604,880</u> |
| Net Assets | | | | | | | | |
| Without donor restrictions – undesignated | 7,607,698 | (273,446) | (737,192) | (1,104,501) | (1,591,613) | (1,411,376) | - | 2,489,570 |
| Without donor restrictions – charter school loans | <u>-</u> | <u>(1,174,654)</u> | <u>(1,576,534)</u> | <u>(2,002,893)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,754,081)</u> |
| Total without donor restrictions | <u>7,607,698</u> | <u>(1,448,100)</u> | <u>(2,313,726)</u> | <u>(3,107,394)</u> | <u>(1,591,613)</u> | <u>(1,411,376)</u> | <u>-</u> | <u>(2,264,511)</u> |
| With donor restrictions | <u>46,776</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,424</u> | <u>-</u> | <u>-</u> | <u>53,200</u> |
| Total net assets | <u>7,654,474</u> | <u>(1,448,100)</u> | <u>(2,313,726)</u> | <u>(3,107,394)</u> | <u>(1,585,189)</u> | <u>(1,411,376)</u> | <u>-</u> | <u>(2,211,311)</u> |
| Total liabilities and net assets | <u>\$ 11,745,082</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,030,473</u> | <u>\$ 6,331,811</u> | <u>\$ (5,713,797)</u> | <u>\$ 17,393,569</u> |

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF ACTIVITIES - SCHOOL LEVEL
Year ended June 30, 2022

| | <u>Charles A. Tindley Accelerated School</u> | <u>Tindley Preparatory Academy</u> | <u>Tindley Collegiate Academy</u> | <u>Tindley Renaissance Academy</u> | <u>Tindley Summit Academy</u> | <u>Tindley Genesis Academy</u> | <u>Eliminations</u> | <u>Total</u> |
|---|--|--|---|--|---------------------------------------|--|---------------------|-----------------------|
| Public support and revenues | | | | | | | | |
| Federal and state grants | \$ 5,157,836 | \$ - | \$ - | \$ - | \$ 3,891,603 | \$ 6,098,786 | \$ - | \$ 15,148,225 |
| Contributions | 573,959 | - | - | - | 9,250 | - | - | 583,209 |
| Program service fees and other revenue | 70,790 | - | - | - | 72,124 | 25,104 | - | 168,018 |
| Investment income | 1,883 | - | - | - | 106 | 532 | - | 2,521 |
| Gain (loss) on intercompany loan forgiveness | <u>1,297,359</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(287,740)</u> | <u>(1,009,619)</u> | <u>-</u> | <u>-</u> |
| Total public support and revenues | <u>7,101,827</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,685,343</u> | <u>5,114,803</u> | <u>-</u> | <u>15,901,973</u> |
| Expenses | | | | | | | | |
| Elementary school | - | - | - | - | 3,152,167 | 4,391,933 | - | 7,544,100 |
| Middle school | 1,233,265 | - | - | - | - | - | - | 1,233,265 |
| High school | 3,521,942 | - | - | - | - | - | - | 3,521,942 |
| General and administrative | 910,246 | - | - | - | 1,110,531 | 1,306,801 | - | 3,327,578 |
| Fundraising | 32,706 | - | - | - | 21,681 | 30,207 | - | 84,594 |
| Total expenses | <u>5,698,159</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,284,379</u> | <u>5,728,941</u> | <u>-</u> | <u>15,711,479</u> |
| Change in net assets | 1,403,668 | - | - | - | (599,036) | (614,138) | - | 190,494 |
| Net assets, beginning of year | <u>7,654,474</u> | <u>(1,448,100)</u> | <u>(2,313,726)</u> | <u>(3,107,394)</u> | <u>(1,585,189)</u> | <u>(1,411,376)</u> | <u>-</u> | <u>(2,211,311)</u> |
| Net assets, end of year | <u>\$ 9,058,142</u> | <u>\$ (1,448,100)</u> | <u>\$ (2,313,726)</u> | <u>\$ (3,107,394)</u> | <u>\$ (2,184,225)</u> | <u>\$ (2,025,514)</u> | <u>\$ -</u> | <u>\$ (2,020,817)</u> |

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF ACTIVITIES - SCHOOL LEVEL
Year ended June 30, 2021

| | <u>Charles A. Tindley Accelerated School</u> | <u>Tindley Preparatory Academy</u> | <u>Tindley Collegiate Academy</u> | <u>Tindley Renaissance Academy</u> | <u>Tindley Summit Academy</u> | <u>Tindley Genesis Academy</u> | <u>Eliminations</u> | <u>Total</u> |
|---|--|--|---|--|---------------------------------------|--|---------------------|-----------------------|
| Public support and revenues | | | | | | | | |
| Federal and state grants | \$ 5,145,366 | \$ - | \$ - | \$ - | \$ 3,398,575 | \$ 5,440,678 | \$ - | \$ 13,984,619 |
| Contributions | 463,410 | - | - | - | 4,823 | 325 | - | 468,558 |
| Program service fees and other revenue | 119,805 | - | - | - | 62,130 | 80,583 | - | 262,518 |
| Investment income | 1,586 | - | - | - | 88 | 265 | - | 1,939 |
| Gain (loss) on intercompany loan forgiveness | <u>3,192,746</u> | <u>(64,747)</u> | <u>(232,553)</u> | <u>(529,345)</u> | <u>(1,204,329)</u> | <u>(1,161,772)</u> | <u>-</u> | <u>-</u> |
| Total public support and revenues | <u>8,922,913</u> | <u>(64,747)</u> | <u>(232,553)</u> | <u>(529,345)</u> | <u>2,261,287</u> | <u>4,360,079</u> | <u>-</u> | <u>14,717,634</u> |
| Expenses | | | | | | | | |
| Elementary school | - | - | - | - | 2,349,510 | 3,340,040 | - | 5,689,550 |
| Middle school | 1,193,454 | - | - | - | - | - | - | 1,193,454 |
| High school | 2,959,903 | - | - | - | - | - | - | 2,959,903 |
| General and administrative | 987,326 | - | 48 | - | 1,058,315 | 1,154,600 | - | 3,200,289 |
| Fundraising | 24,970 | - | - | - | 14,125 | 20,080 | - | 59,175 |
| Total expenses | <u>5,165,653</u> | <u>-</u> | <u>48</u> | <u>-</u> | <u>3,421,950</u> | <u>4,514,720</u> | <u>-</u> | <u>13,102,371</u> |
| Change in net assets | 3,757,260 | (64,747) | (232,601) | (529,345) | (1,160,663) | (154,641) | - | 1,615,263 |
| Net assets, beginning of year | <u>3,897,214</u> | <u>(1,383,353)</u> | <u>(2,081,125)</u> | <u>(2,578,049)</u> | <u>(424,526)</u> | <u>(1,256,735)</u> | <u>-</u> | <u>(3,826,574)</u> |
| Net assets, end of year | <u>\$ 7,654,474</u> | <u>\$ (1,448,100)</u> | <u>\$ (2,313,726)</u> | <u>\$ (3,107,394)</u> | <u>\$ (1,585,189)</u> | <u>\$ (1,411,376)</u> | <u>\$ -</u> | <u>\$ (2,211,311)</u> |

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

| <u>Federal Grantor/Pass-through Grantor/ Program Title</u> | <u>Assistance Listing Number</u> | <u>Pass-through Number</u> | <u>Amount</u> |
|---|--|--------------------------------|----------------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Pass-Through Indiana Department of Education: | | | |
| Child Nutrition Cluster | | | |
| COVID-19 – School Breakfast Program | 10.553 | K376 | \$ 260,331 |
| COVID-19 - National School Lunch Program | 10.555 | K376 | <u>745,437</u> |
| Total Child Nutrition Cluster U.S. Department of Agriculture | | | 1,005,768 |
| <u>U.S. Department of Education</u> | | | |
| Pass-Through Indiana Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | S010A150014 | 828,514 |
| Special Education Cluster | | | |
| Special Education - Grants to States | 84.027 | 19611 | 3,976 |
| Special Education - Grants to States | 84.027 | 20611 | 42,872 |
| Special Education - Grants to States | 84.027 | 21611 | 188,470 |
| COVID-19 – Special Education – Grants to States | 84.027 | 22611 | 27,984 |
| Special Education – Preschool Grants | 84.173A | 20619 | <u>2,975</u> |
| Total Special Education Cluster | | | 266,277 |
| Supporting Effective Instruction State Grants | 84.367 | S367A190013 | 3,500 |
| Supporting Effective Instruction State Grants | 84.367 | S367A200013 | 68,108 |
| Supporting Effective Instruction State Grants | 84.367 | S367A210013 | <u>29,142</u> |
| | | | 100,750 |
| Student Support and Academic Enrichment | 84.424A | S424A190015 | 48,738 |
| COVID-19 – Education Stabilization Fund | | | |
| Elementary and Secondary School Emergency Relief (ESSER I and II) Fund | 84.425D | S425D200013 | 847,087 |
| American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund | 84.425U | S425U200013 | <u>1,600,719</u> |
| Total Education Stabilization Fund | | | 2,447,806 |
| Charter Schools | | | |
| Facilities Incentive Program | 84.282D | S282D190002 | <u>327,838</u> |
| Total U.S. Department of Education | | | <u>4,019,923</u> |
| Total expenditures of federal awards | | | <u>\$ 5,025,691</u> |

See accompanying note to Schedule of Expenditures of Federal Awards

TINDLEY ACCELERATED SCHOOLS, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Organization under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Organization.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Tindley Accelerated Schools, 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 Tindley Accelerated Schools, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned cost as item 2022-001.

Organization's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
July 15, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Tindley Accelerated Schools, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Tindley Accelerated Schools, Inc. (the Organization)'s 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 the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the COVID-19 - Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the *COVID-19 - Education Stabilization Fund* for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*). Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

(Continued)

Matter Giving Rise to Qualified Opinion on the COVID-19 - Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding *Assistance Listing No. 84.425D and 84.425U COVID-19 - Education Stabilization Fund as described in finding number 2022-001 for Allowable Cost*. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization'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 the Organization'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.

Other Matter

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

(Continued)

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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.

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

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

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

Crowe LLP

Crowe LLP

Indianapolis, Indiana
July 15, 2024

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

| | | |
|---|---|---|
| Material weakness(es) identified? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Significant deficiencies identified not considered to be material weaknesses? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None Reported |
| Noncompliance material to financial statements noted? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

Federal Awards

Internal Control over major programs:

| | | |
|---|---|---|
| Material weakness(es) identified? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Significant deficiencies identified not considered to be material weaknesses? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None Reported |

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

| | |
|---------------------|--|
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553/10.555 | Child Nutrition Cluster U.S. Department of Agriculture |
| 84.425D/84.425U | COVID-19 - Education Stabilization Fund |

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

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

See Finding 2022-001

(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022

Section III –Federal Award Findings and Questioned Costs

Finding 2022-001 – Unallowable Expenditures

Federal Programs: U.S. Department of Education

- ALN 84.425D and 84.425U - COVID-19 - Education Stabilization Fund (ESF)
- ALN 84.010 - Title I Grants to Local Educational Agencies (Title I)

Criteria: Section 18003(d) of the CARES Act, section 313(3) of the CRRSA Act and section 2001 (e) of the ARP act provide guidance on allowable uses of ESF funds. The applicable compliance supplement section for ALN 84.010 provides guidance on allowable uses of Title I funds.

Condition: During the audit of allowable cost related to the ESF program, it was noted that management improperly assessed the allowability of four expenditures that occurred during 2022. Portions of these expenses were also funded by Title I. These expenditures were deemed to be unallowable due to the fact that the billed services were not actually delivered to the Organization.

Context: During our testing of allowable costs related to the ESF Program, we selected a sample of 60 expenditures in which 4 expenditures were noted to be unallowable per the grant guidance. We further evaluated the remaining population, along with the results of an investigation performed by an external consultant at management's request, which identified the total of unallowable expenditures to be \$939,800. This total amount falls into the following categories:

- \$630,000 was related to ESF funding expenditures incurred prior to June 30, 2022
- \$210,000 was related to ESF funding expenditures incurred subsequent to June 30, 2022.
- \$49,800 was related to Title I funding expenditures incurred prior to June 30, 2022
- \$50,000 was related non-federal funding sources

Effect: The improper assessment of unallowable expenditures lead to an improper recording and claiming of federal funding.

Cause: The above condition appears to be a result of a lack of internal controls surrounding the assessment of vendors and ensuring that services identified on invoices were being provided and received.

Questioned Cost: \$840,000 - ALN 84.425D and 84.425U
\$49,800 - ALN 84.010

Repeat Finding: N/A

Recommendation: We recommend that management modify their internal control procedures surrounding the process of selecting and adding new vendors, as well as the processing of invoices for payment. Steps should be in place to verify that the services included on invoices were actually received by the Organization.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.



TINDLEY ACTION PLAN

- 1. Develop and implement Procurement Policy**
(completed and on-going by CFO/Accounting Manager/Accountant/Grants Manager/Network President/Department Heads)
 - a. Enhance written procedures for procurement and accounts payable.
 - i. Purchases between \$15,000-\$25,000 will require two quotes for all new vendors; purchases between \$25,000-\$75,000 will require three quotes for all vendors; and purchases over \$75,000 will require a competitive bid process for all vendors.
 - ii. Establish a Master Vendor list.
 1. Master Vendors may be used for up to \$20,000 for regular services and products in the normal course of business with dual approval by the Network President and CFO.
 - b. Require vendor bids/quotes for services.
 - c. Segregate purchasing duties.
- 2. Research new vendors prior to utilization**
(implemented and ongoing by CFO/Accountant)
 - a. Are these vendors commonly known in the industry or the community?
 - b. Does the vendor have a valid website, phone number, address and email address?
- 3. Conduct Periodic/Continuous Fraud-Detection Monitoring**
(CFO – at every fiscal year end)
 - a. Annually identify (1) Tindley's top 20 vendors, (2) all Tindley vendors receiving annual payments totaling more than \$10,000, and (3) any new vendors receiving annual payments totaling more than \$5,000.
 - i. Ensure there are valid and updated contracts for these vendors.
 - ii. Ensure the description for services on the corresponding invoices are detailed and complete.
 - iii. Assess multiple corresponding invoices that have the same total amounts.
- 4. Refine and codify job descriptions/job duties for Network President, CFO, Grants & Compliance Manager, and Director of Development**
(HR/Board to be completed by 9/30/24)
 - a. Keep these job descriptions in a database to ensure a smooth transition in the event of a departure or retirement.
 - b. The job descriptions should highlight the financial compliance aspects of each position.

5. **Change reporting structure for CFO**
(to be implemented by HR/Board 9/30/24)
 - a. CFO will report directly to the Board with a dotted line to the Network President.
6. **Provide anti-fraud training for Network President, CFO, Director of Development, Grants & Compliance Manager, and in-house accounting professionals**
(to be implemented by Network President/CFO and completed by 11/30/24)
7. **Establish a Whistleblower/Ethics hotline to report suspected fraud**
(to be implemented by HR 9/30/24)
 - a. Ensure employees understand that it is available to report suspected fraud.
 - b. Develop procedures for responding to whistleblower allegations.

PROCUREMENT POLICIES AND PROCEDURES

I. INTRODUCTION AND PURPOSE

Tindley should adhere to strict ethical and legal standards to prevent fraud and ensure accountability. This procurement policy should be cross-referenced with current local, state, and federal laws.

II. CODE OF CONDUCT

A. Conflict of Interest

Tindley purchasers shall not participate in the selection, award, or administration of a contract if they have a real or apparent conflict of interest.

Such a conflict arises when the Tindley purchaser; any immediate family member (spouse, child, parent, parent in law, sibling, or sibling in law); partner; or an organization that employs, or is about to employ, any of the above has a direct or indirect financial or other interest in, or will receive a tangible personal benefit from, a firm or individual considered for the contract award.

An “organizational conflict of interest” is created because of a relationship that a Tindley employee has with a parent, affiliate, or subsidiary organization that is involved in the transaction such that the Tindley employee is or appears to be unable to be impartial in conducting a procurement action involving the related organization.

B. Gifts, Money, Gratuities

Tindley employees involved in the purchasing process shall not solicit or accept gifts, money, gratuities, favors, or anything of monetary value, except unsolicited items or services of nominal value from vendors, prospective vendors, parties to subcontracts, or any other person or entity that receives, or may receive compensation for providing goods or performing services to Tindley. All Tindley purchasers shall review and comply with Tindley’s procedures for disclosing, reviewing, and addressing actual and potential conflicts of interest.

III. PROCUREMENT PROCEDURES

A. Procurement Procedure

See chart at the end of document

B. Bid Procedures

All procurement shall be conducted in a manner that provides, to the maximum extent practical, a full and open competition. Tindley bid procedures should always follow local, state, and federal requirements.

Procurement Processes should include the following:

1. Assemble a Procurement Committee consisting of the Network President, CFO, Grant Manager, and the requestor of the product or service.
 - i. In the event that the requestor of the product or service is the Network President, a Tindley Board member of the applicable committee that corresponds to the request will be asked to participate.
2. Pre-Bid Phase.
 - i. If an outside vendor is needed to develop the bid specifications for a bid project, the vendor, or related parties to the vendor cannot participate in the bid.
 - ii. The procurement committee should have specific criteria of the bid specifications including how bids will be judged based on price, quality, experience of vendors, etc.
 - iii. All solicitations shall incorporate a clear and accurate description of the technical requirements for products or services to be procured.
 - iv. Identify all requirements which offerors must fulfill and all other factors to be used in evaluating bids and proposals.
 - v. If required by local, state, and or federal laws, Tindley should publicly announce in advance of projects that require a competitive bid process.
 - vi. Vendors should not be allowed to interface with Tindley procurement committee members before any public bids are announced, and post-bid announcement, interactions should occur only as part of the formal bid process (questions and answers in writing, face-to-face walk-throughs, proposal phases, and actual bid submissions).

3. Bid Phase.

- i. All bidders should have adequate time to respond to a bid, including Q&A sessions, and a face-to-face walk-through if necessary.
- ii. The Tindley employee sending out bid packages including specifications, should not be the same person receiving the vendor bid submissions.
- iii. The Tindley employee receiving the bid submissions should time and date stamp each bid received and the committee should exclude any bids submitted after the bid deadline.
- iv. Tindley employees are forbidden to disclose to vendors information about other bidders, including bid proposal contents such as pricing.

4. Bid Selection Phase.

- i. The procurement committee should develop a bid template and checklist that ranks bids based on criteria developed by the committee and ensures bid procedures are followed.
- ii. If the procurement committee chooses the winning bid on criteria other than what is stated in the original specifications, the committee must document the reasons why. For example, if the winning bid was not the lowest price, the committee must justify in writing why the vendor was selected.

C. Competition

All procurement shall be conducted in a manner that provides, to the maximum extent practical, a full and open competition.

1. Procurements shall avoid noncompetitive practices that may restrict or eliminate competition, including but not limited to:
 - a. Unreasonable qualification requirements.
 - b. Unnecessary experience and excessive bonding requirements.
 - c. Non-competitive pricing practices between firms or affiliated companies.
 - d. Non-competitive contracts to consultants on retainer contracts
 - e. Organizational conflicts of interest.
 - f. Specifying “brand name” only instead of allowing “an equal to product.”
2. Procurements shall not intentionally split a single purchase into two or more separate purchases to avoid dollar thresholds that require more formal procurement methods.

3. Procurements shall include in any pre-qualified list an adequate number of current qualified vendors firms or products.
4. Procurements shall not preclude potential bidders from qualifying during the solicitation period.
5. Procurements shall not use any geographic preferences (state local or tribal) in the evaluation of bid proposals except where expressly mandated or encouraged by applicable federal statutes.
6. The procurement team must find, when possible, bidders to compete that were not provided by the Tindley requester.
7. The procurement committee must use independent judgment and notify the Board of Directors and ethics hotline if the requester of products or services is attempting to use undue influence for the team to select specific vendors.

D. Considerations

Tindley purchasers should take the following actions when procuring goods and services.

1. Conduct a lease versus purchase analysis when appropriate, including for property and large equipment.
2. Consolidate or break out procurements to obtain a more economical purchase if possible.
3. Use state and local intergovernmental or inter-entity agreements, or common or shared goods and services, where appropriate.
4. Use federal excess and surplus property in lieu of purchasing new equipment and property if it is feasible and reduces project costs.
5. Use time and materials contracts only if no other contract is suitable and the contract includes a ceiling price that the contractor exceeds at their own risk. If such a contract is negotiated and awarded, Tindley must assert a high degree of oversight to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

IV. PROCUREMENT METHODS

- A. All procurements made under this policy shall:
 1. Be necessary, at a reasonable cost, documented, not prohibited by law or the applicable funding source, and made in accordance with this policy.
 2. Avoid acquiring unnecessary or duplicative items.

3. Engage responsible vendors who possess the ability to perform successfully under the terms and conditions of a proposed procurement.
4. Tindley purchasers shall consider vendor integrity, public policy compliance, past performance record, and financial and technical resources.

B. Procurement Parameters

For all transactions, Tindley shall follow the applicable procurement method set forth in Appendix 1

C. Exceptions to Standards Methods

Solicitation of a proposal from a single source may only be used if the following apply and are documented:

1. The item is only available from single source.
2. Public exigency or emergency will not permit any delay.
3. The Federal awarding agency or pass-through expressly authorizes the sole source in response to a Tindley request.
4. After soliciting a number of sources, competition is determined inadequate.

V. DOCUMENTATION

A. Records

Tindley shall maintain records sufficient to detail the history of each procurement transaction. These records must include, but are not limited to:

1. A description and supporting documentation showing the rationale for the procurement method (e.g., cost estimates).
2. Selection of contract type.
3. Written price or rate quotations (such as catalog price, online price, e-mail or written quote), if applicable.
4. Copies of advertisements, requests for proposals, bid sheets or bid proposal packets.
5. Reasons for vendor selection or rejection, including Finance Committee and Board Minutes, rejection letters, and award letters.
6. And the basis for the contract price.

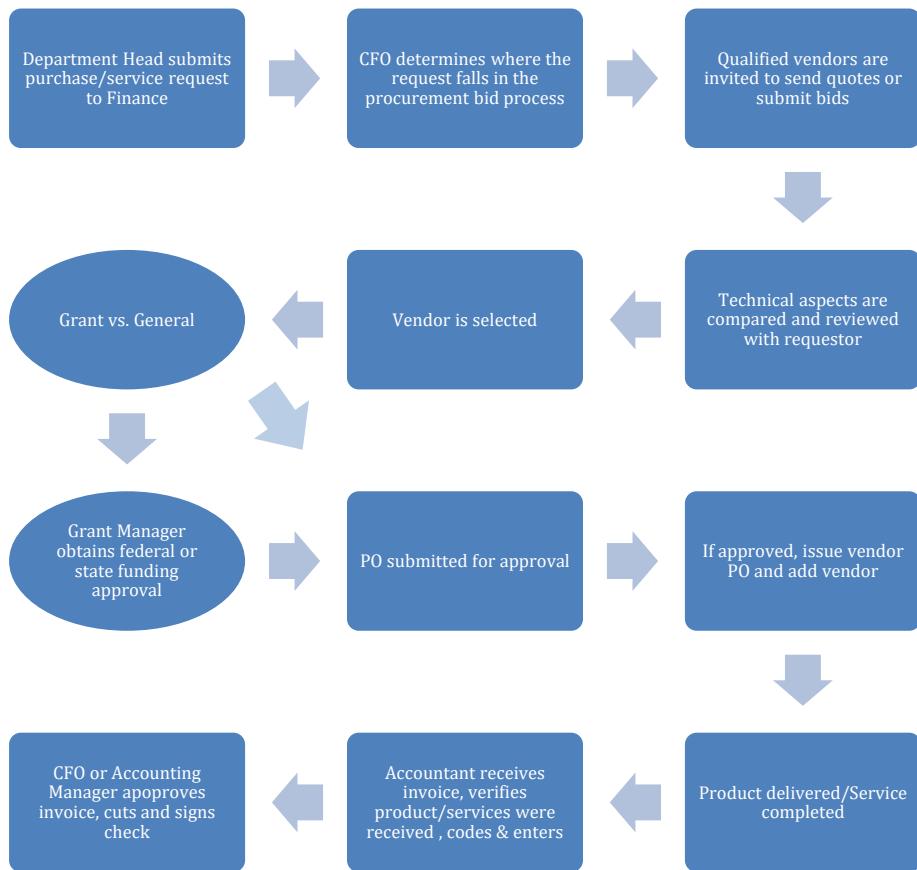
VI. COMPLIANCE WITH THIS POLICY

Program directors and, where applicable, the purchasing committee, shall maintain oversight to ensure that contractors and vendors perform in accordance with the terms, conditions, and specifications of contracts or purchase orders. Violations of this policy may result in disciplinary action, up to and including termination.

VII. VENDOR SELECTION CRITERIA

For vendors that have been selected in a competitive bid or that will provide critical services to the school, Tindley should evaluate them based on cost, quality, past performance, experience, and financial stability. Before providing services or products, the selected vendor can be asked to provide references, allow for background checks, and provide documentation such as certificate of insurance, certificate standing, adherence to anti-fraud policies, and contracts with right-to-audit clauses.

PROCUREMENT PROCEDURE



Appendix 1: Tindley Purchasing Requirements

| Type of Purchase | Limits |
|---------------------------------|---------------------------------------|
| Small Purchase Threshold | Less than \$15,000 for new vendors |
| Small Purchase Threshold | Less than \$20,000 for Master Vendors |
| Purchases Requiring 2 Quotes | \$15,000-\$25,000 for all new vendors |
| Purchase Requiring 3 Quotes | \$25,000-\$75,000 for all vendors |
| Purchases Requiring Bid Process | Greater than \$75,000 for all vendors |