



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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March 8, 2024

Charter School Board
Believe Schools, Inc.
Marion County, Indiana

We have reviewed the audit report of Believe Schools, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Believe Schools, Inc. as of June 30, 2023 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 finding in the report on page 22. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 23.

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

In addition to the report presented herein, a Supplemental Audit Report for Believe Schools, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

BELIEVE SCHOOLS, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Believe Schools, Inc.

Opinion

We audited the consolidated financial statements of Believe Schools, Inc. and Affiliate (the "School"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022 and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the School as of June 30, 2023 and 2022 and the changes in its consolidated net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements free from material misstatement, whether due to fraud or error.

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS 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, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidated Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also issued our report dated February 16, 2024 on our consideration of the School’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 School’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 School’s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana
February 16, 2024

BELIEVE SCHOOLS, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,039,753	\$ 472,522
Grants receivable	134,363	203,127
Prepaid expenses	<u>7,345</u>	<u>9,258</u>
<i>Total current assets</i>	<u>1,181,461</u>	<u>684,907</u>
PROPERTY AND EQUIPMENT		
Building	2,900,000	2,900,000
Building improvements	376,214	99,680
Equipment and technology	49,717	37,487
Vehicles	84,545	70,345
Less: accumulated depreciation	<u>(236,051)</u>	<u>(84,259)</u>
<i>Property and equipment, net</i>	<u>3,174,425</u>	<u>3,023,253</u>
TOTAL ASSETS	<u><u>\$ 4,355,886</u></u>	<u><u>\$ 3,708,160</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 24,368	\$ -
Accounts payable and accrued expenses	329,576	195,094
Due to affiliate	188,632	-
Refundable advances	<u>5,251</u>	<u>-</u>
<i>Total current liabilities</i>	<u>547,827</u>	<u>195,094</u>
LONG-TERM LIABILITIES		
Notes payable	3,255,655	3,003,703
Less: unamortized debt issuance costs	<u>(42,881)</u>	<u>(91,889)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>3,212,774</u>	<u>2,911,814</u>
<i>Total liabilities</i>	3,760,601	3,106,908
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>595,285</u>	<u>601,252</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,355,886</u></u>	<u><u>\$ 3,708,160</u></u>

See independent auditors' report and accompanying notes to the consolidated financial statements

BELIEVE SCHOOLS, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT		
State education support	\$ 1,795,048	\$ 1,015,769
Federal and state grant revenue	2,664,880	1,849,829
Other income	23,101	4,620
	<u>4,483,029</u>	<u>2,870,218</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	3,669,054	2,184,416
Management and general	819,942	617,880
	<u>4,488,996</u>	<u>2,802,296</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	(5,967)	67,922
NET ASSETS, BEGINNING OF YEAR	<u>601,252</u>	<u>533,330</u>
NET ASSETS, END OF YEAR	<u>\$ 595,285</u>	<u>\$ 601,252</u>

See independent auditors' report and accompanying notes to the consolidated financial statements

BELIEVE SCHOOLS, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,283,300	\$ 491,971	\$ 1,775,271	\$ 787,838	\$ 337,011	\$ 1,124,849
Professional services	630,153	143,679	773,832	225,524	159,509	385,033
Employee benefits	192,730	111,270	304,000	93,203	55,399	148,602
Classroom and office supplies	231,465	29,637	261,102	207,212	23,866	231,078
Transportation	223,906	-	223,906	58,185	-	58,185
Food costs	209,167	-	209,167	115,334	-	115,334
Interest	182,040	-	182,040	69,694	-	69,694
Depreciation	151,792	-	151,792	77,424	-	77,424
Occupancy	130,962	-	130,962	177,818	-	177,818
Equipment	114,528	-	114,528	140,034	-	140,034
Information technology	94,966	1,223	96,189	88,098	4,534	92,632
Repairs and maintenance	89,093	-	89,093	70,885	-	70,885
Travel	69,557	4,749	74,306	34,688	6,563	41,251
Professional development	32,964	-	32,964	10,211	-	10,211
Insurance	28,904	-	28,904	27,049	-	27,049
Advertising	-	25,346	25,346	-	21,883	21,883
Authorizer oversight fees	-	1,500	1,500	-	-	-
Other	3,527	10,567	14,094	1,219	9,115	10,334
<i>Total functional expenses</i>	<u>\$ 3,669,054</u>	<u>\$ 819,942</u>	<u>\$ 4,488,996</u>	<u>\$ 2,184,416</u>	<u>\$ 617,880</u>	<u>\$ 2,802,296</u>

See independent auditors' report and accompanying notes to the consolidated financial statements

BELIEVE SCHOOLS, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (5,967)	\$ 67,922
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	151,792	77,424
Amortization of debt issuance costs	49,008	20,420
Changes in certain assets and liabilities:		
Grants receivable	68,764	(126,873)
Prepaid expenses	1,913	9,867
Accounts payable and accrued expenses	134,482	110,309
Refundable advances	5,251	-
Deferred rent payable	-	(68,108)
	405,243	90,961
 <i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Purchases of property and equipment	(26,644)	(145,923)
FINANCING ACTIVITIES		
Due to affiliate	188,632	-
NET CHANGE IN CASH	567,231	(54,962)
CASH, BEGINNING OF YEAR	472,522	527,484
CASH, END OF YEAR	\$ 1,039,753	\$ 472,522
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 126,807	\$ 44,222
Building and improvements financed with notes payable	276,320	2,891,394
Debt issuance costs funded with notes payable	-	112,309

See independent auditors' report and accompanying notes to the consolidated financial statements

BELIEVE SCHOOLS, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Believe Schools, Inc. is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. Believe Schools, Inc. operates a public charter school under Indiana Code 20-24 and is sponsored by the Office of Education Innovation (“OEI”) of the Mayor of the City of Indianapolis. Believe Schools, Inc. served approximately 210 students in grades nine through twelve during the 2022-2023 school year (approximately 120 students in grades nine through eleven during the 2021-2022 school year).

Build Believe Properties, LLC, a wholly-owned subsidiary of Believe Schools, Inc., was formed in January 2022 to purchase the school facility.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of both Believe Schools, Inc. and Build Believe Properties, LLC, collectively referred to as the “School”. All intercompany transactions and balances have been eliminated in consolidation.

Consolidated Financial Statement Presentation – The School reports its consolidated financial position and activities according to two classes of net assets:

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

As of June 30, 2023 and 2022, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. As of June 30, 2023 and 2022, there were no cash equivalents.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of assets and expenditures over \$500 for equipment and \$15,000 for non-equipment which materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

BELIEVE SCHOOLS, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Building	40 years
Building improvements	3 years
Equipment and technology	5 years
Vehicles	5 years

Debt Issuance Costs – During the year ended June 30, 2022, the School incurred costs totaling \$112,309 associated with securing financing to purchase the school facility. Amortization is provided on a straight-line basis over the term of the underlying notes payable (66 months). Amortization expense was \$49,008 and \$20,420 for the years ended June 30, 2023 and 2022, respectively, and was included in interest expense. Accumulated amortization was \$69,428 and \$20,420 as of June 30, 2023 and 2022, respectively. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

Reclassifications – Certain reclassifications have been made to the consolidated statements of activities and change in net assets and functional expenses for the year ended June 30, 2022 to conform to the year ended June 30, 2023 presentation. There is no effect to previously reported net assets as of June 30, 2022.

Taxes on Income – Believe Schools, Inc. received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, Believe Schools, Inc. would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2023 and 2022, no accounting for federal and state income taxes was required to be included in the accompanying consolidated financial statements.

As a wholly-owned subsidiary of Believe Schools, Inc., the accounts and balances of Build Believe Properties, LLC are reported on Believe Schools, Inc.’s tax filings.

Professional accounting standards require Believe Schools, Inc. to recognize a tax liability only if it is more likely than not 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 liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. Believe Schools, Inc. examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2019 are currently open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 16, 2024, the date these consolidated financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the consolidated financial statements or related disclosures would be required.

BELIEVE SCHOOLS, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 2 - REVENUE RECOGNITION

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

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

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

NOTE 3 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Note payable to BlueHub Loan Fund, Inc. Loan amount available up to \$2,600,000 to be used for building purchase and improvements. Interest only due through January 2024 at 5.25%, followed thereafter by principal and interest amortized over 20 years, maturity at June 30, 2027	\$ 2,577,523	\$ 2,301,203
Note payable to CSGF Facility Fund III, LLC. Loan amount of \$500,000 to be used for building purchase and improvements. Interest only due through maturity at 2.50%, maturity at June 30, 2027	500,000	500,000
Note payable to Center for Innovative Education Solutions, Inc. Loan amount of \$202,500 to be used for building purchase and improvements. No interest due or accrued through maturity, maturity at June 30, 2027	<u>202,500</u>	<u>202,500</u>
	<u>\$ 3,280,023</u>	<u>\$ 3,003,703</u>

BELIEVE SCHOOLS, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 3 - NOTES PAYABLE, Continued

Annual principal maturities of the notes payable are as follows for the years ending June 30:

2024	\$	24,368
2025		74,943
2026		79,031
2027		<u>2,399,182</u>
	\$	<u>2,577,524</u>

The notes payable are secured by a mortgage on the building and lien on substantially all School assets. The note agreements with BlueHub Loan Fund, Inc. contain certain covenants limiting the School's ability to create additional indebtedness. The agreements also contain covenants requiring 1) Believe Schools, Inc. to maintain at least 30 days cash on hand, 2) Build Believe Properties, LLC to maintain a debt service coverage ratio of 1.0 to 1.0 through the term of the loan, and 3) Believe Schools, Inc. to maintain a debt service coverage ratio according to the following schedule:

- Year ending June 30, 2023 1.05 to 1.00
- Years ending June 30, 2024 and 2025 1.15 to 1.00
- Years ending June 30, 2026 and 2027 1.20 to 1.00

As of June 30, 2023, both Believe Schools, Inc. and Build Believe Properties, LLC were in compliance with the financial covenants.

NOTE 4 - DUE TO AFFILIATE

The School plans to open a new location in St. Louis, Missouri for the 2024-2025 school year. A separate legal entity called BELIEVE Schools has been established to facilitate the pre-opening procedures and eventually serve as the operating entity for the St. Louis school. The School was the recipient of a New School Venture grant of \$200,000 which was paid to the School and due to BELIEVE Schools as of June 30, 2023. This balance owed is partially offset by a receivable to the School of \$11,368 for cost incurred on behalf of BELIEVE Schools. As of June 30, 2023, the School had a net payable to this affiliate entity of \$188,632.

NOTE 5 - REFUNDABLE ADVANCES

The School was awarded an early intervention grant and a non-English speaking grant to provide educational instruction. The grants are considered exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The School had refundable grant advances in excess of expenditures of \$5,251 as of June 30, 2023.

BELIEVE SCHOOLS, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 6 - RETIREMENT PLANS

The School maintains a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and the School to make contributions at its discretion. For both years ended June 30, 2023 and 2022, the School contributed 3% of defined compensation to eligible employees. Retirement plan expense was \$38,794 and \$30,676 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 - COMMITMENT

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. Beginning on July 1st of the School's fourth school year, OEI will assess a fee equal to 1% of the basic tuition support received by the School, which will begin for the year ended June 30, 2024. For the year ended June 30, 2023, the School paid unrelated fees to OEI of \$1,500. No authorizer oversight fees were paid during the years ended June 30, 2023 and 2022.

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

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Marion and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

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

Bank deposits are maintained at JPMorgan Chase Bank, N.A. and are insured up to the FDIC insurance limit. As of June 30, 2023 and 2022, and at times during the years then ended, cash balances exceeded the FDIC insured limit.

BELIEVE SCHOOLS, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 9 - LIQUIDITY

Financial assets held by the School include cash and grants receivable totaling \$1,174,116 and \$675,649 as of June 30, 2023 and 2022, respectively. Financial assets are entirely available to meet cash needs for general expenditures within one year with the exception of the \$30,000 escrow account required by OEI.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

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

SUPPLEMENTARY INFORMATION

BELIEVE SCHOOLS, INC. AND AFFILIATE
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 33,243
National School Lunch Program	10.555		<u>143,405</u>
<i>Total U.S. Department of Agriculture</i>			<u>176,648</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-through Indiana Department of Education			
STOP School Violence Training and Technical Assistance	16.839		<u>7,813</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Educational Agencies	84.010	S010A210014	38,717
Title I, Part A; Grants to Local Educational Agencies	84.010	S010A220014	105,706
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A210013	3,057
Title IV, Part A; Student Support and Academic Enrichment	84.424	S424210015	10,000
Special Education Cluster			
Special Education - Grants to States	84.027A	21611-642,DY01	528
Special Education - Grants to States	84.027A	22611-642-PN01	15,045
Special Education - Grants to States	84.027A	22611-642-ARP	2,012
Charter School Facilities Incentive Program	84.282A	73561	182,490
Charter School Facilities Incentive Program	84.282D	S282D190002	29,247
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	71,118
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	127,985
Explore, Engage, Experience (3E)	84.425		<u>51,414</u>
<i>Total U.S. Department of Education</i>			<u>637,319</u>
<i>Total federal awards expended</i>			<u>\$ 821,780</u>

See independent auditors' report and accompanying notes to this consolidated schedule

BELIEVE SCHOOLS, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated schedule of expenditures of federal awards includes the federal award activity of Believe Schools, Inc. and Affiliate (the “School”) under programs of the federal government for the year ended June 30, 2023. The information in this consolidated 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 consolidated schedule presents only a selected portion of the consolidated operations of the School, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the consolidated schedule 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.

NOTE 3 - INDIRECT COST RATE

The School elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

INDEPENDENT AUDITORS' 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

The Board of Directors
Believe Schools, Inc.

We 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 consolidated financial statements of Believe Schools, Inc. and Affiliate (the "School"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 16, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 a material misstatement of the entity's consolidated 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 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 which might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's consolidated 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 determination of financial statement amounts. 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 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 the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized initial "D".

Indianapolis, Indiana
February 16, 2024



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors
Believe Schools, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited Believe Schools, Inc. and Affiliate's (the "School") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* which could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above which could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2023-001. Our opinion on the major federal programs is not modified with respect to these matters.

The School's response to the noncompliance finding identified in our audit is described in the Corrective Action Plan on page 23. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Basis for Opinion on Each Major Federal Program

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 the Uniform Guidance. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the School and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we 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 School'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 the School's federal programs.

Auditors' 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 School'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 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, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School'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 School'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 School's internal control over compliance relevant to the audit in order to design audit procedures 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 School'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 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 which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2023-001 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance which 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 we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist which 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.

DONOVAN



Indianapolis, Indiana
February 16, 2024

**BELIEVE SCHOOLS, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	Yes
Type of auditors' 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
Identification of major programs:	

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund
84.282	Charter School Facilities Incentive Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

No matters were reportable.

BELIEVE SCHOOLS, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

III. Federal Award Findings and Questioned Costs

FINDING 2023-001 PROCUREMENT
SIGNIFICANT DEFICIENCY

Federal Program: Charter School Facilities Incentive Program

Assistance Listing Numbers: 84.282

Criteria

Per 2 CFR 200.318, “The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §200.317 through 200.327.”

Per 2 CFR 200.320(a)(2)(i) Small Purchase Procedures, “The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity.”

Condition

The School was unable to provide documentation to support that price comparisons were obtained from vendors for costs falling in the category of small purchases (between \$10,000 and \$249,999).

Cause

Documentation was not maintained to support that this step in the procurement process was completed.

Effect

Not documenting these procedures could result in the School completing procurement transactions not in compliance with Federal regulations.

Recommendation

We recommend the School develop procedures to ensure price comparisons are obtained and documented.

Views of Responsible Officials and Planned Corrective Actions

The School's Corrective Action Plan is included on page 23.



BELIEVE Circle City High School

Acceleration. Agency. Autonomy.

This document serves as the response to the 2022-2023 **Financial Audit** on behalf of BELIEVE Schools, Inc. We've identified and reviewed the finding outlined below:

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2023- 001. Our opinion on the major federal programs is not modified with respect to these matters.

In an effort to address the finding and to ensure the school's alignment with federal compliance standards, the following corrective action plan has been implemented for all purchases made with federal and state program funds:

1. For any procurement or contract ranging from \$10,000-\$250,000, The responsible party should seek to acquire as many quotes as possible, aiming for up to five. Prior to finalizing any purchase order, invoice, or commencement of production, the school is mandated to receive and assess three price comparisons from different businesses or organizations. These price comparisons must be logged in the [BCCHS Quote Comparison Template](#) and reviewed by the following parties:
 - a. The individual conducting the price comparison
 - b. Building level leadership: Principal
2. For any purchase or contract exceeding \$250,000, a formal bidding process is required. BELIEVE Schools has adopted resources provided by the Indiana Department of Education:
 - a. [Procurement Checklist](#)
 - b. [Procurement Plan Template](#) (accessible through DOE)

This protocol has been incorporated into the Standard Operating Procedures and School Handbooks, with all relevant stakeholders duly informed on February 16th, 2024.

BELIEVE SCHOOLS, INC. AND AFFILIATE
OTHER REPORT
For the Year Ended June 30, 2023

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

Supplemental Audit Report of Believe Schools, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.