



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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April 2, 2025

Charter School Board
Timothy L. Johnson Academy, Inc.
Allen County, Indiana

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

We call your attention to the finding in the report on page 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 22.

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

In addition to the report presented herein, a supplemental report for the Timothy L. Johnson Academy, Inc. was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

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

Tammy R. White, CPA
Deputy State Examiner

Timothy L. Johnson Academy, Inc.

Financial Statements
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



Timothy L. Johnson Academy, Inc.

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Donovan CPAs

Independent Auditor's Report

The Board of Directors
Timothy L. Johnson Academy, Inc.
Fort Wayne, Indiana

Opinion

We audited the financial statements of Timothy L. Johnson Academy, Inc. (the School) which comprise the statement of financial position as of June 30, 2024 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2024 and the results of its operations, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the School as of and for the year ended June 30, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 22, 2024.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS 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 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, 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 audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also issued our report dated March 13, 2025 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.

A handwritten signature in black ink that reads "DONOVAN". The letters are slightly slanted and connected, with a prominent loop on the 'D'.

Donovan CPAs
Indianapolis, Indiana
March 13, 2025

Timothy L. Johnson Academy, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash	\$ 494,966	\$ 193,352
Restricted cash	50,000	50,000
Grants receivable	207,376	294,441
Due from affiliated entity	156,993	65,880
Prepaid expenses	3,519	3,519
Total current assets	912,854	607,192
Fixed Assets		
Building and improvements	1,243,837	1,215,873
Furniture and equipment	453,762	441,436
Vehicles	304,772	304,772
Textbooks	30,737	30,737
Less: accumulated depreciation	(1,155,146)	(913,324)
Fixed assets, net	877,962	1,079,494
Other Asset		
Lease right-of-use assets, net	110,794	155,616
Total Assets	\$ 1,901,610	\$ 1,842,302
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of lease obligations	\$ 46,134	\$ 44,184
Accounts payable and accrued expenses	191,611	282,344
Refundable advance	262,981	-
Total current liabilities	500,726	326,528
Long-Term Liabilities		
Lease obligations, net of current portion	69,601	115,735
Total Liabilities	570,327	442,263
Net Assets, Without Donor Restrictions	1,331,283	1,400,039
Total Liabilities and Net Assets	\$ 1,901,610	\$ 1,842,302

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

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

	2024	2023
Revenue and Support		
State education support	\$ 3,676,276	\$ 3,362,623
Grant revenue	1,996,906	2,339,001
Interest income	22,996	-
Contributions	2,110	375
Other income	27,298	7,923
Total revenue and support	5,725,586	5,709,922
Expenses		
Program services	4,518,355	4,174,262
Management and general	1,275,987	1,280,929
Total expenses	5,794,342	5,455,191
Change in Net Assets	(68,756)	254,731
Net Assets, Beginning of Year	1,400,039	1,145,308
Net Assets, End of Year	\$ 1,331,283	\$ 1,400,039

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

Timothy L. Johnson Academy, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	\$ 2,220,901	\$ 286,463	\$ 2,507,364	\$ 1,918,687	\$ 297,586	\$ 2,216,273
Professional services	126,252	683,452	809,704	265,889	674,593	940,482
Employee benefits and taxes	584,428	108,155	692,583	550,506	107,202	657,708
Supplies	431,789	28,381	460,170	352,644	24,389	377,033
Food costs	315,509	-	315,509	334,575	-	334,575
Depreciation	241,822	-	241,822	206,657	-	206,657
Repairs and maintenance	184,712	-	184,712	98,869	-	98,869
Information technology	166,099	-	166,099	148,523	-	148,523
Authorizer oversight fees	-	104,905	104,905	-	99,515	99,515
Transportation	87,206	-	87,206	124,173	-	124,173
Occupancy	78,068	-	78,068	91,647	-	91,647
Insurance	-	46,923	46,923	-	42,136	42,136
Amortization	37,889	-	37,889	66,306	-	66,306
Equipment	35,358	-	35,358	9,235	-	9,235
Telephone	-	7,263	7,263	-	25,292	25,292
Interest	-	4,821	4,821	-	6,909	6,909
Other	8,322	5,624	13,946	6,551	3,307	9,858
Total functional expenses	<u>\$ 4,518,355</u>	<u>\$ 1,275,987</u>	<u>\$ 5,794,342</u>	<u>\$ 4,174,262</u>	<u>\$ 1,280,929</u>	<u>\$ 5,455,191</u>

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

Timothy L. Johnson Academy, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ (68,756)	\$ 254,731
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	241,822	206,657
Change in certain assets and liabilities:		
Grants receivable	87,065	(170,032)
Due from affiliated entity	(91,113)	(212,378)
Prepaid expenses	-	(3,519)
Deposits	-	5,452
Accounts payable and accrued expenses	(90,733)	(56,980)
Refundable advances	262,981	-
Operating lease accounts	638	-
Net change in cash from operating activities	341,904	23,931
Investing Activities		
Purchases of fixed assets	(40,290)	(352,558)
Financing Activities		
Principal payment on notes payable	-	(2,564)
Net Change in Cash	301,614	(331,191)
Cash, Beginning of Year	193,352	524,543
Cash, End of Year	\$ 494,966	\$ 193,352
Supplemental Information		
Cash paid for interest	\$ 4,821	\$ 6,909

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

Timothy L. Johnson Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Nature of Activities

Timothy L. Johnson Academy, Inc. (the School) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates as a public charter school under Indiana Code 20-24 and is sponsored by Education One, LLC through Trine University (Education One). The charter agreement remains in effect until June 2039 and is renewable thereafter by mutual consent.

The School served approximately 400 students in grades kindergarten through fifth during the 2023-2024 school year (390 during the 2022-2023 school year).

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

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

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

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

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. As of June 30, 2024 and 2023, there were no cash equivalents.

Restricted Cash

Restricted cash represents escrowed funds required by Education One in the event of the School's dissolution.

Grants Receivable

The School adopted Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* during the year ended June 30, 2024 which introduced a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including grants receivable. The adoption of this accounting standards update did not have a material impact on the School's financial position or the result of its operations and cash flows.

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

Timothy L. Johnson Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Due from Affiliated Entity

The balance in due from affiliated entity represents reimbursement due from another school operated under common leadership in a shared building. The School pays shared expenses for both schools, and the affiliated entity reimburses it for its share of expenses.

Fixed Assets

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

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

Building and improvements	5 – 39 years
Furniture and equipment	6 – 8 years
Vehicles	8 years
Textbooks	4 years

Taxes on Income

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

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

Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform to the presentation of the 2024 financial statements. There was no change to net assets previously reported as a result of the reclassifications.

Subsequent Events

The School evaluated subsequent events through March 13, 2025, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

Timothy L. Johnson Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 3 – Revenue Recognition

Revenue Recognition Policy

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and 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 amounts of costs and expenses at the time they are incurred. Incurring approved costs under the grants is considered satisfaction of the performance obligation.

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

Disaggregation of Revenue

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

Note 4 – Refundable Advance

The School was awarded grants from the Indiana Department of Education to provide for facility costs. The grants are considered exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Refundable advance totaled \$262,981 as of June 30, 2024. There were no refundable advances as of June 30, 2023.

Note 5 – Management Services Agreement

The School executed a management agreement with Entrepreneurial Ventures in Education, Inc. (EVE), whereby EVE provided management, administrative, and educational programming services. This agreement was in effect through June 30, 2024, after which it was terminated. Under terms of the agreement, the School agreed to pay an amount equal to 10% of revenues, as defined, for such services. Aggregate payments to EVE under this agreement were \$576,414 and \$541,407 for the years ended June 30, 2024 and 2023, respectively, and are included in professional services on the statements of functional expenses.

Timothy L. Johnson Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 5 – Leases

Operating Lease

The School leases office equipment under the terms of a non-cancellable operating lease through February 1, 2027. The lease requires monthly payments of \$659.

Finance Lease

The School leased to purchase two buses for a total of \$188,694. The lease is payable in monthly installments of \$3,519 including interest at 4.66% per annum.

Using an imputed interest rate of 3.40% (the approximate risk-free borrowing rate as of the inception of the lease) for the operating lease, and the actual interest rate of 4.66% for the financing lease, the School recorded right-of-use assets for \$227,522 and corresponding lease liabilities for same amount. Lease expense totaled \$50,136 for both years ended June 30, 2024 and 2023, respectively.

Future minimum payments under non-cancellable leases are as follows for the years ending June 30:

2025	\$ 50,136
2026	50,136
2027	18,465
2028	3,295
	<u>122,032</u>
Less: imputed interest	<u>(9,592)</u>
Total lease liability	115,735
Less: current portion	<u>(46,134)</u>
Long-term portion	<u>\$ 69,601</u>

Note 6 – Retirement Plan

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 provides the School will make contributions at its discretion. For the years ended June 30, 2024 and 2023, the School contributed 2% of defined compensation to eligible employees. Total employer contributions were \$16,689 and \$18,906 during the years ended June 30, 2024 and 2023, respectively.

Note 7 – Commitments

As the sponsoring organization, Education One exercises certain oversight responsibilities. Education One assesses an authorizer oversight fee of no more than 3% of the basic tuition amount received by the School. The authorizer oversight fees were \$104,905 and \$99,515 for the years ended June 30, 2024 and 2023, respectively. In addition, the charter agreement requires the School to establish an escrow account of \$50,000 should a dissolution occur. The escrow was established as of June 30, 2024 and is included in the balance of restricted cash on the statements of financial position.

Timothy L. Johnson Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 8 – Risks and Uncertainties

The School provides educational instruction services to families residing in Allen 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 PNC Bank and are insured up to the FDIC insurance limit which is regularly exceeded. As of June 30, 2024, approximately \$295,000 in cash was uninsured.

Note 9 – Liquidity

Financial assets held by the School include cash, restricted cash, grants receivable, and the balance due from affiliate totaling \$909,335 and \$603,673 as of June 30, 2024 and 2023, respectively. Except for the \$50,000 dissolution escrow account (Note 7), the entire balance of financial assets is available to meet cash needs for general expenditures within one year.

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

Note 10 – Functional Expense Reporting

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

Supplementary Information

Timothy L. Johnson Academy, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<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		\$ 77,189
National School Lunch Program	10.555		240,734
Fresh Fruit and Vegetables	10.582		19,773
Total U.S Department of Agriculture			<u>337,696</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Grants to Local Educational Agencies	84.010A	S010A230014	173,542
Title I, Grants to Local Educational Agencies	84.010A	S010A220014	223,542
Title II, Part A;			
Supporting Effective Instruction State Grants	84.367	S367A230013	1,488
Title III, Part A;			
English Language Acquisition State Grants	84.365A	S365A210014	24,423
Title IV, Part A;			
Student Support and Academic Enrichment	84.424A	S424A230015	9,697
Special Education Cluster			
Special Education - Grants to States	84.027A	H027A230084	81,825
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	461,664
Total U.S. Department of Education			<u>976,181</u>
Total federal awards expended			<u>\$ 1,313,877</u>

See independent auditor's report and notes to this schedule

Timothy L. Johnson Academy, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Timothy L. Johnson Academy, Inc. (the School) under programs of the federal government for the year ended June 30, 2024. 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 the School, it is not intended to and does not represent the financial position, results of its operations, functional expenses, or cash flows of the School.

Note 2 – Summary of significant Accounting Policies

Expenditures reported on the 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 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

The Board of Directors
Timothy L. Johnson Academy, Inc.
Fort Wayne, Indiana

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 financial statements of Timothy L. Johnson Academy, Inc. (the School), which comprise the statement of financial position as of June 30, 2024 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon March 13, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 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 which 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 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 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 CPAs
Indianapolis, Indiana
March 13, 2025



Donovan CPAs

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

The Board of Directors
Timothy L. Johnson Academy, Inc.
Fort Wayne, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited Timothy L. Johnson Academy, Inc.'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, 2024. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2024.

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 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 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.

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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.

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 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance required to be reported in accordance with the Uniform Guidance which is described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our compliance 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.

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 that 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 item 2024-001 to be a significant deficiency.

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 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 CPAs
Indianapolis, Indiana
March 13, 2025

Timothy L. Johnson Academy, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

I. Summary of Auditor's Results

Financial Statements

Type of auditor's 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 programs:	
• Material weakness identified?	No
• Significant deficiency identified?	Yes
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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
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84.425U	Education Stabilization Fund
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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II. Financial Statement Findings

No matters are reportable.

Timothy L. Johnson Academy, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

III. Federal Award Findings and Questioned Costs

FINDING 2024-001 REPORTING
SIGNIFICANT DEFICIENCY

Federal Program: Education Stabilization Fund
Assistance Listing Number: 84.425D

Condition

The United States Department of Education required the submission of a report covering the period of July 1, 2022 to June 30, 2023 outlining the various uses of Elementary and Secondary School Emergency Relief Funds. The report was issued during the fiscal year ended June 30, 2024. The School was unable to provide support for how the amounts submitted in this report were calculated. Totals reported for expenses were not in line with totals expended during the period as reported on the prior year audited financial statements.

Criteria

2 CFR part 200, Appendix XI, Compliance Supplement, Section 3-L-1, states “Non-federal entities may be required to submit performance reports at least annually but not more frequently than quarterly, except in unusual circumstances, using a form or format authorized by OMB (2 CFR section 200.329). They also may be required to submit special reports as required by the terms and conditions of the federal award.”

Cause

The School did not report activity related to the use of Elementary and Secondary School Emergency Relief Funds in line with actual activity. The School did not have controls in place to ensure accurate reporting.

Effect

Information on the use of funds from the Education Stabilization Fund were not accurately presented.

Recommendation

We recommend the School develop internal controls to ensure accurate reporting in line with guidelines.

Views of Responsible Officials and Planned Corrective Actions

The School’s Corrective Action Plan is included on page 22.



Timothy L Johnson Academy
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March 13, 2025

Donovan CPAs
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

Timothy L Johnson Academy Elementary school has already taken the following actions to address the FY2024 finding of noncompliance with Federal grant awards:

1. We transitioned to a new business services provider in FY2025, and part of that transition included a complete overhaul of our grants management.
2. As part of this transition, we created procedures that better integrated our grants management processes with our financial accounting processes. This already allows us to better track the differences in our reimbursement-based grants, cash-basis state reporting, and GAAP-based accounting principles.
3. We also now have a more transparent school-level view of all our grants, which adds a level of control while working with an outsourced business and grants service provider.
4. Dawn Starks and Brad Yoder were responsible on the school side for these procedure changes. Brian Anderson and Kim Tarin from the Center for Innovative Education Solutions were responsible for this as the new business and grants services provider.

Best regards,

A handwritten signature in black ink that reads "Dawn Starks".

Dawn Starks
Superintendent

Timothy L. Johnson Academy, Inc.
Other Report
For the Year Ended June 30, 2024

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

Supplemental Audit Report of Timothy L. Johnson Academy, Inc.

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

Timothy L. Johnson Academy, Inc.
Schedule of Lead Auditor
For the Year Ended June 30, 2024

Auditor Information:	Donovan CPAs 9292 N Meridian Street, Suite 150 Indianapolis, IN 46260
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