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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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April 9, 2025

Charter School Board
Matchbook Learning Schools of Indiana, Inc.
Marion County, Indiana

We have reviewed the audit report of the Matchbook Learning Schools of Indiana, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditors' Report*, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023, and the results of operations, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We call your attention to the Basis for Qualified Opinion paragraph in the Independent Auditor's Report.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 4.

We call your attention to the findings in the report on pages 23 through 26. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 28 through 30.

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 Matchbook Learning Schools of Indiana, 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

Matchbook Learning Schools of Indiana, Inc.

Financial Statements
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



Matchbook Learning Schools of Indiana, Inc.

Table of Contents

	Page
Independent Auditor’s Report	1 - 3
Financial Statements	
Statements of Financial Position	4
Statements of Activities and Change in Net Assets.....	5
Statements of Functional Expenses	6
Statements of Cash Flows.....	7
Notes to the Financial Statements.....	8 - 14
Supplementary Information	
Schedule of Expenditures of Federal Awards	15
Notes to the Schedule of Expenditures of Federal Awards.....	16
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 <i>Government Auditing Standards</i>	17 - 18
Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	19 - 21
Schedule of Findings and Questioned Costs	22 - 26
Summary Schedule of Prior Audit Findings	27
Corrective Action Plan	28 - 30
Other Report	31
Schedule of Lead Auditor	32



Donovan CPAs

Independent Auditor's Report

The Board of Directors
Matchbook Learning Schools of Indiana, Inc.
Indianapolis, Indiana

Opinion

We audited the financial statements of Matchbook Learning Schools of Indiana, Inc. (the School) which comprise the statements of financial position as of June 30, 2024 and 2023 and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023 and the results of operations, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Note 13 to the financial statements, the Schedule of Expenditures of Federal Awards (SEFA) was prepared using unreliable expenditure detail. During our audit, the School was unable to provide sufficient expenditure detail and supporting documentation to allow for an unmodified audit opinion. An unreliable SEFA is not in compliance with the required presentation of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because we were unable to obtain sufficient, appropriate audit evidence regarding the accuracy and completeness of the expenditures reported for certain federal awards, we are unable to express an unmodified opinion on the SEFA.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 qualified audit opinion.

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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.

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 audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations 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. We expressed a qualified opinion on the Schedule of Expenditures of Federal Awards.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also issued our report dated March 21, 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.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the School recorded in-kind contributions and offsetting expenses from Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools (IPS), a related party, totaling \$2,678,678 and \$2,450,212 during the years ended June 30, 2024 and 2023, respectively. These in-kind transactions represent approximately 15% of total revenue and support and 20% of total expenses for the year ended June 30, 2024 (21% of both total revenue and support and total expenses in 2023). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented. Our opinion is not modified with respect to this matter.



Donovan CPAs
Indianapolis, Indiana
March 21, 2025

Matchbook Learning Schools of Indiana, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash	\$ 2,307,730	\$ 2,248,310
Restricted cash	13,846,336	-
Grants receivable	1,836,467	750,238
Prepaid expenses	173,877	76,436
Total current assets	<u>18,164,410</u>	<u>3,074,984</u>
Fixed Assets		
Building	4,650,950	4,650,950
Furniture and equipment	108,245	75,639
Software	149,629	149,629
Construction in progress	6,441,695	-
Less: accumulated depreciation	(376,155)	(218,113)
Fixed assets, net	<u>10,974,364</u>	<u>4,658,105</u>
Total Assets	<u>\$ 29,138,774</u>	<u>\$ 7,733,089</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of bonds and notes payable	\$ 190,000	\$ 4,500,000
Accounts payable	1,677,670	258,207
Accrued expenses	763,173	587,753
Retainage payable	150,000	-
Refundable advances	728,511	-
Total current liabilities	<u>3,509,354</u>	<u>5,345,960</u>
Long-Term Liabilities		
Bonds payable, less current maturities and unamortized debt issuance costs and bond discount	<u>18,896,363</u>	<u>-</u>
Total Liabilities	<u>22,405,717</u>	<u>5,345,960</u>
Net Assets, Without Donor Restrictions		
Board-designated	1,912,500	1,912,500
Undesignated	4,820,557	474,629
Total net assets, without donor restrictions	<u>6,733,057</u>	<u>2,387,129</u>
Total Liabilities and Net Assets	<u>\$ 29,138,774</u>	<u>\$ 7,733,089</u>

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

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

	<u>2024</u>	<u>2023</u>
Revenue and Support		
Student-based allocation funding from Indianapolis Public Schools	\$ 7,444,516	\$ 5,693,798
Grants	7,057,406	3,350,928
In-kind contributions from Indianapolis Public Schools	2,678,678	2,450,212
Contributions	43,754	17,591
Interest	342,079	34,688
Rental income	117,675	12,544
Other	14,058	3,028
Total revenue and support	<u>17,698,166</u>	<u>11,562,789</u>
Expenses		
Program services	11,181,661	9,998,587
Management and general	2,170,577	1,610,977
Total expenses	<u>13,352,238</u>	<u>11,609,564</u>
Change in Net Assets	4,345,928	(46,775)
Net Assets, Beginning of Year	<u>2,387,129</u>	<u>2,433,904</u>
Net Assets, End of Year	<u>\$ 6,733,057</u>	<u>\$ 2,387,129</u>

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

Matchbook Learning Schools of Indiana, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Program Services	Management and General	Total	Program Services	Management and General	Total
In-kind expenses:						
Occupancy	\$ 1,251,814	\$ -	\$ 1,251,814	\$ 1,039,751	\$ -	\$ 1,039,751
Student transportation	741,538	-	741,538	545,154	-	545,154
Repairs and maintenance	564,441	-	564,441	629,183	-	629,183
Security services	-	103,616	103,616	-	105,309	105,309
Public engagement	17,269	-	17,269	88,916	-	88,916
Food service	-	-	-	41,899	-	41,899
Total in-kind expenses	<u>2,575,062</u>	<u>103,616</u>	<u>2,678,678</u>	<u>2,344,903</u>	<u>105,309</u>	<u>2,450,212</u>
Direct expenses:						
Salaries and wages	4,030,835	1,234,677	5,265,512	3,938,685	1,024,772	4,963,457
Employee benefits	1,125,531	282,674	1,408,205	1,059,470	241,125	1,300,595
Professional services	1,118,849	117,011	1,235,860	792,033	30,872	822,905
Food costs	460,256	-	460,256	450,180	-	450,180
Curriculum	435,760	-	435,760	503,327	-	503,327
Classroom and office supplies	377,145	11,369	388,514	253,371	3,580	256,951
Travel and meetings	14,302	338,912	353,214	98,466	121,102	219,568
Information technology	225,327	23,213	248,540	144,795	30,645	175,440
Staff development	166,708	19,770	186,478	28,741	11,882	40,623
Interest	168,000	-	168,000	46,500	-	46,500
Depreciation	158,042	-	158,042	7,940	1,707	9,647
Repairs and maintenance	152,104	-	152,104	137,740	-	137,740
Occupancy	71,545	26,572	98,117	25,500	25,271	50,771
Insurance	47,104	-	47,104	76,219	217	76,436
Field trips	17,874	-	17,874	56,808	-	56,808
Other	37,217	12,763	49,980	33,909	14,495	48,404
Total direct expenses	<u>8,606,599</u>	<u>2,066,961</u>	<u>10,673,560</u>	<u>7,653,684</u>	<u>1,505,668</u>	<u>9,159,352</u>
Total functional expenses	<u>\$ 11,181,661</u>	<u>\$ 2,170,577</u>	<u>\$ 13,352,238</u>	<u>\$ 9,998,587</u>	<u>\$ 1,610,977</u>	<u>\$ 11,609,564</u>

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

Matchbook Learning Schools of Indiana, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 4,345,928	\$ (46,775)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	158,042	9,647
Changes in certain assets and liabilities:		
Grants receivable	(1,086,229)	(195,995)
Prepaid expense	(97,441)	(62,200)
Accounts payable	883,307	203,998
Accrued expenses	175,420	40,036
Retainage payable	150,000	-
Refundable advances	728,511	-
Net change in cash from operating activities	<u>5,257,538</u>	<u>(51,289)</u>
Investing Activities		
Purchases of fixed assets	(5,198,118)	(150,950)
Financing Activities		
Proceeds from bond payable to establish restricted cash account	<u>13,846,336</u>	<u>-</u>
Net Change in Cash and Restricted Cash	13,905,756	(202,239)
Cash and Restricted Cash, Beginning of Year	<u>2,248,310</u>	<u>2,450,549</u>
Cash and Restricted Cash, End of Year	<u>\$ 16,154,066</u>	<u>\$ 2,248,310</u>
Supplemental Information		
Cash paid for interest	<u>\$ 168,000</u>	<u>\$ 46,500</u>
Uses of proceeds from bonds payable:		
Repayment of note payable	4,500,000	-
Financing of discount on bond payable	517,900	-
Financing of deferred costs on bond payable	900,737	-
Financing of restricted cash	13,846,336	-
Purchases of fixed assets	740,027	-
Total uses of proceeds from bonds payable	<u>\$ 20,505,000</u>	<u>\$ -</u>
Purchase of fixed assets in accounts payable	<u>\$ 536,156</u>	<u>\$ -</u>
Purchase of building financed through note payable	<u>\$ -</u>	<u>\$ 4,500,000</u>

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

Matchbook Learning Schools of Indiana, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Nature of Activities

Matchbook Learning Schools of Indiana, 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 the name Matchbook Learning at Wendell Phillips 63, under Indiana Code 20-24 and is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. The School served approximately 690 students in grades kindergarten through eighth during the 2023-2024 school year (660 students during the 2022-2023 school year).

The School operates under an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools (IPS), to operate a charter school within an IPS building. The agreement is for a term of five years, ending June 30, 2028, and renews automatically for an additional five-year term unless either party provides written notice at least 180 days prior to the expiration of the agreement. Under the agreement, IPS will pay to the School the amount the School would receive from the State of Indiana for state basic tuition support and complexity grant funding as if the School were a traditional charter school. The agreement can be terminated by either party within 30 days of written notice for material breach of the agreement, by IPS at the end of the school year for poor academic performance given written notice to the school 180 days prior, or by both parties by mutual consent effective as of a mutually agreeable date.

Starting with the 2024-2025 school year, the School will operate another school location under the name The Match High School. The Match High School is sponsored by Education One, LLC. The charter is effective through June 30, 2039 and is renewable thereafter by mutual consent.

The School has a wholly-owned subsidiary, Matchbook Tech Campus Owner, LLC (Campus Owner). Campus Owner was formed to hold the land and the building for The Match High School. Campus Owner is a single-member LLC and a disregarded entity for tax purposes.

The School received valuable in-kind services from IPS during the years ended June 30, 2024 and 2023. The values of these services were estimated and have been reflected as in-kind contributions and expenses. See Note 4.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

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

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

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

Matchbook Learning Schools of Indiana, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Included in net assets without donor restrictions are Board-designated net assets of \$1,912,500 as of both June 30, 2024 and 2023 to establish a Future Needs Fund. These funds include \$30,000 for a required dissolution escrow account and may also be used at the Board’s discretion to further the strategic objectives of the School or to finance unanticipated or unbudgeted future expenses.

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 (U.S. GAAP), which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from 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. The School utilizes a sweep account to invest excess cash in short-term investments which earn interest income. These short-term investments meet the definition of cash equivalents and totaled \$1,211,902 and \$310,790 as of June 30, 2024 and 2023, respectively.

Restricted Cash and Restricted Certificates of Deposit

The terms of the bonds payable require the School to establish cash accounts restricted for the purposes of debt service, construction, and repairs and replacement, which consisted of the following as of June 30:

	2024	2023
Construction fund	\$ 12,259,848	\$ -
Repair and replacement fund	21,000	-
Debt service reserve fund	1,565,488	-
Total restricted cash	\$ 13,846,336	\$ -

Grants Receivable

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

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

Fixed Assets

Purchases of assets and expenditures over \$1,000 that 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.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The building is depreciated over thirty years. Furniture and equipment is depreciated over three to five years. Software is depreciated over three years.

Matchbook Learning Schools of Indiana, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Bond Issuance Costs and Discount

The School incurred \$900,737 in debt issuance costs with the issuance of its Series 2024 bonds. The bond also included a discount of \$517,900. In accordance with U.S. GAAP, the School classified the debt issuance costs and bond discount as a contra-liability netted against the related bond debt. The amortization of the debt issuance costs and discount are provided over the life of the bond debt and is classified as interest expense on the statements of activities and change in net assets.

Taxes on Income

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

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

Subsequent Events – The School evaluated subsequent events through March 21, 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.

Note 3 – Revenue Recognition

Revenue Recognition Policy

As discussed in Note 1, the majority of the School's revenue and support is provided by IPS as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School receives monthly funding from IPS in accordance with a student-based allocation formula. Funding includes both fixed and variable components. The variable funding depends upon certain attributes including the number of students, student grades, poverty status, and other factors. Revenue is recognized in the year in which the services are rendered.

A significant portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grant is considered satisfaction of the performance obligations. The School also receives contributions and other income from other agencies and individuals, which are recorded in accordance with the terms of the underlying agreements.

Disaggregation of Revenue

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

Matchbook Learning Schools of Indiana, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 4 – Valuation of In-Kind Services

The School recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$2,678,678 and \$2,450,212 during the years ended June 30, 2024 and 2023, respectively. These in-kind transactions represent approximately 15% of total revenue and support and 20% total expenses for the year ended June 30, 2024 (21% of both total revenue and support and total expenses in 2023). The values of these in-kind services are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented.

The only in-kind contributions received by the School are from IPS and are disaggregated on the statements of activities and change in net assets and there are no restrictions set on these amounts.

Note 5 – Refundable Advances

The School was awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Refundable grant advances totaled \$728,511 as of June 30, 2024. There were no refundable grant advances as of June 30, 2023.

Note 6 – Note Payable

In March 2023, the School entered into a note payable agreement with BlueHub Loan Fund with an initial principal balance of \$4,500,000 for the purchase of a building for The Match High School. The loan required payments of interest only at a fixed rate of 6% through March 1, 2024, with a balloon principal payment due March 31, 2024. The School repaid the note payable with proceeds from Educational Facilities Revenue Bonds. Debt issuance costs incurred in the procurement of the note payable were expensed during the year ended June 30, 2023 given the note's short-term maturity.

Note 7 – Bonds Payable

Bonds payable consisted of the following as of June 30, 2024:

Education Facilities Revenue Bonds, Series 2024, payable in semi-annual installments, including interest computed at rates ranging from 5.50% to 7.00%, through maturities in June 2033 to June 2058 (a)	\$ 20,505,000
Less: current portion	(190,000)
Less: unamortized debt issuance costs and bond discount	<u>(1,418,637)</u>
Long-term portion	<u>\$ 18,896,363</u>

Matchbook Learning Schools of Indiana, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 7 – Bonds Payable (Continued)

The bond agreement contains covenants requiring the maintenance of required reserves, establishing a minimum debt service coverage ratio, and establishing a minimum days cash on hand. These covenants go into effect with the fiscal year ending June 30, 2025.

Principal maturities of bonds payable are as follows for the years ending June 30:

2025	\$	190,000
2026		200,000
2027		210,000
2028		225,000
2029		235,000
Thereafter		19,445,000
Total principal maturities on bonds payable	\$	<u>20,505,000</u>

Note 8 – Retirement Plans

The School maintains a defined contribution Section 401(k) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides the School will make matching contributions on the first 5% of elective contributions. Retirement plan expense was \$69,964 and \$67,641 for the years ended June 30, 2024 and 2023, respectively.

Note 9 – Risks and Uncertainties

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

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. The School also receives substantial financial assistance from IPS in the form of in-kind contributions covering occupancy, student transportation, security services, repairs and maintenance, food services, and public engagement. Changes to the Innovation Network Charter School Agreement with IPS could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2024 and 2023, all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at The National Bank of Indianapolis and UMB are insured up to the FDIC insurance limit of \$250,000. Uninsured cash totaled approximately \$15,665,000 as of June 30, 2024.

Matchbook Learning Schools of Indiana, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 10 – Commitments

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

Construction in progress as of June 30, 2024 relates to the construction of The Match High School’s building. The contract sum stated in the construction agreement totaled approximately \$20,000,000, including all change orders. As of June 30, 2024, the School’s remaining commitment on the contract totaled approximately \$16,180,000.

Note 11 – Liquidity

The School’s financial assets include cash, restricted cash, and grants receivable. Financial assets available to meet general expenditures within one year are as follows as of June 30:

	2024	2023
Financial assets	\$ 17,990,533	\$ 2,998,548
Less: dissolution cash escrow	(30,000)	(30,000)
Less: restricted cash	(13,846,336)	-
Less: Board-designated net assets	(1,912,500)	(1,912,500)
Financial assets available to meet general expenditures	\$ 2,201,697	\$ 1,056,048

The School has Board-designated net assets of \$1,912,500 as of both June 30, 2024 and 2023 for the purpose of establishing a Future Needs Fund. While these funds are not immediately available to meet general expenditures within one year, they may be released from designation at the Board’s discretion.

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 12 – Functional Expense Reporting

The costs of providing the 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.

Matchbook Learning Schools of Indiana, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 13 – Qualification on Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards (SEFA) was prepared using unreliable expenditure detail. The School was unable to provide sufficient expenditure detail and supporting documentation to allow for an unmodified audit opinion. An unreliable SEFA is not in compliance with the required presentation of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. This matter resulted in a qualified opinion on the independent auditor's report.

Supplementary Information

Matchbook Learning Schools of Indiana, 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		\$ 146,811
National School Lunch Program	10.555		441,103
Total U.S Department of Agriculture			587,914
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A: Grants to Local Educational Agencies	84.010A	S010A220014	275,923
Title I, Part A: Grants to Local Educational Agencies	84.010A	S010A230014	828,147
Title II, Supporting Effective Instruction State Grants	84.367A	S367A210013	78,525
Title II, Supporting Effective Instruction State Grants	84.367A	S367A220013	116,924
Title III, English Language Acquisition State Grants	84.365A	S365A200014	6,700
Title III, English Language Acquisition State Grants	84.365A	S365A210014	31,784
Title III, English Language Acquisition State Grants	84.365A	S365A220014	33,966
Title III, English Language Acquisition State Grants	84.365A	S365A230014	11,964
Title IV, Student Support and Academic Enrichment	84.424A	S424A220015	41,153
Title IV, Student Support and Academic Enrichment	84.424A	S424A230015	47,085
Special Education Cluster			
Special Education - Grants to States	84.027A	H027A210084	22,554
Special Education - Grants to States	84.027A	H027A220084	172,537
Special Education - Grants to States	84.027A	H027A230084	166,986
Special Education - Grants to States	84.027A		7,682
Special Education - Grants to States	84.027X	H027X210084	41,195
Special Education - Preschool Grants	84.173X	H173X210104	3,077
Special Education - Preschool Grants	84.173A	H173A210104	4,412
Special Education - Preschool Grants	84.173A	H173A220104	4,646
Charter Schools Program	84.282		378,327
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	158,049
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	3,028,365
Elementary and Secondary School Emergency Relief Fund	84.425W		20,604
Total U.S. Department of Education			5,480,605
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-through Indiana Department of Education			
Substance Abuse and Mental Health Services Projects and National Significance	93.243	7002279SM085313	94,817
<u>U.S. DEPARTMENT OF ENERGY</u>			
Conservation Research and Development	81.086		315,597
Total federal awards expended			\$ 6,478,933

See independent auditor's report and notes to this schedule

Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, 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 present the financial position, change in net assets, 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 has 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
Matchbook Learning Schools of Indiana, Inc.
Indianapolis, 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 Matchbook Learning Schools of Indiana, 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 issued our report thereon dated March 21, 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. The results of our tests disclosed instances of material weaknesses in internal control required to be reported under *Government Auditing Standards* and described in the accompanying schedule of findings and questioned costs as Findings No. 2024-001, 2024-002, and 2024-03. Additional 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*.

The School's Response to Finding

The School's response to the findings identified in our audit is described in the accompanying Corrective Action Plan on pages 28 and 30. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 21, 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
Matchbook Learning Schools of Indiana, Inc.
Indianapolis, Indiana

Opinion on Each Major Federal Program

We audited Matchbook Learning Schools of Indiana, 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is described in the accompanying schedule of findings and questioned costs as Finding No. 2024-004. Our opinion on the major federal programs is not modified with respect to this matter.

The School's responses to the noncompliance finding identified in our audit is described in the Corrective Action Plan on page 28 and 30. 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 Auditor's 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.

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.

Report on Internal Control Over Compliance

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

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. We did not identify and deficiencies in internal control over compliance we consider to be material weaknesses.

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. 2024-004 to be a significant deficiency.

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

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

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



Donovan CPAs
Indianapolis, Indiana
March 21, 2025

Matchbook Learning Schools of Indiana, 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:	Qualified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• 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>
84.425	Education Stabilization Fund

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

Matchbook Learning Schools of Indiana, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

II. Financial Statement Findings

FINDING 2024-001 LACK OF FINANCIAL OVERSIGHT
MATERIAL WEAKNESS

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2023-001.

Criteria

2 CFR part 200.510(a) requires that “the auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.”

Condition

Several material adjustments were required to be proposed and recorded during the audit for the financial statements. Those adjustments resulted in the following changes to the financial statements:

Assets	\$	765,136
Liabilities		686,156
Revenue		(632,553)
Expenses		(711,533)

Cause

Matchbook Learning Schools of Indiana, Inc. (the School) did not have sufficient financial oversight to ensure all transactions were substantiated, grant revenues were recorded in the proper period, all accounts were reconciled timely and accurately, and grant claims were processed timely.

Effect

Material misstatements existed in the unadjusted financial records prior to the audit.

Recommendation

We recommend the School develop internal controls to ensure proper financial oversight is provided.

Views of Responsible Officials

The School’s Corrective Action Plan is included on page 28 and 30.

Matchbook Learning Schools of Indiana, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

II. Financial Statement Findings (Continued)

FINDING 2024-002 PREPARATION OF SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS MATERIAL WEAKNESS

Criteria

Management of the School is responsible for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). Controls should be in place to ensure complete and accurate reporting of information.

Condition

Management was not able to prepare the SEFA without assistance of the auditors.

Cause

Controls surrounding the preparation of the SEFA are inadequate.

Effect

The SEFA was prepared with auditor assistance.

Recommendations

We recommend management gain an understanding of the SEFA reporting requirements and develop procedures to ensure all federal spending is identified for proper reporting and aggregated into a compliant SEFA.

Views of Responsible Officials

The School's Corrective Action Plan is included on page 28 and 30.

Matchbook Learning Schools of Indiana, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

II. Financial Statement Findings (Continued)

FINDING 2024-003 MAINTENANCE OF DOCUMENTATION
MATERIAL WEAKNESS

Federal Programs: Title I (84.010), Title II (84.367), Education Stabilization Fund (84.425), Substance Abuse and Mental Health Services Projects and National Significance (93,243), Special Education Grants to States (84.027)

Criteria

Per 7 CFR 200.334, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

Condition

The School did not maintain expense detail for several federal grants. Amounts claimed under the following Assistance Listing numbers were not able to be clearly agreed to expense details.

84.010	\$	200,965
84.367		78,525
84.425		158,049
93.243		94,817
84.027		63,749

Cause

The School did not maintain documentation for each individual grant claim.

Effect

Reconciliation of expense detail to individual claims was not possible. The independent auditor’s report was qualified due to this matter.

Recommendation

We recommend the School develop internal controls to ensure expenses are properly documented and retained.

Views of Responsible Officials

The School’s Corrective Action Plan is included on page 28 and 30.

Matchbook Learning Schools of Indiana, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

III. Federal Award Findings and Questioned Costs

FINDING 2024-004 MAINTENANCE OF EFFORT
SIGNIFICANT DEFICIENCY

Federal Program: Title I, Part A (84.010)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2023-002.

Criteria

2 CFR part 200, Appendix XI, Compliance Supplement 2020, Section 4-84.000-13, states “An LEA may receive funds under an applicable program only if the SEA finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from state and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waved.”

Condition

The Indiana Department of Education completes the maintenance of effort calculation using the Form 9 report issued by the School, which is a cash-basis report. Review of the School’s Form 9 found the report to be unreliable. Expenditures per the Form 9 totaled approximately \$12,565,000 for the period of July 1, 2023 to June 30, 2024. Cash basis expenses per the School’s financial records totaled approximately \$10,430,000.

Cause

The School did not report expenses in line with the guidelines set by the Indiana Department of Education.

Effect

Maintenance of effort calculations prepared by the Indiana Department of Education could be impacted by incorrect reporting of expense transactions.

Recommendation

We recommend the School develop internal controls to ensure expenses are properly reported on the Form 9 report in line with guidelines.

Views of Responsible Officials

The School’s Corrective Action Plan is included on page 28 and 30.

Matchbook Learning Schools of Indiana, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

FINDING 2023-001 LACK OF FINANCIAL OVERSIGHT
MATERIAL WEAKNESS

Criteria

2 CFR part 200.510(a) requires that “the auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.”

Condition

Several material adjustments were required to be proposed and recorded during the audit for the financial statements to be free of material misstatement.

Current Status

Repeat finding issued (Finding 2024-001).

FINDING 2023-002 MAINTENANCE OF EFFORT
SIGNIFICANT DEFICIENCY

Federal Program: Title I, Part A: Grants to Local Educational Agencies
Assistance Listing Number: 84.010

Criteria

2 CFR part 200, Appendix XI, Compliance Supplement 2020, Section 4-84.000-13, states “An LEA may receive funds under an applicable program only if the SEA finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from state and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waved.”

Condition

The Indiana Department of Education completes the maintenance of effort calculation using the Form 9 report issued by the School, which is a cash-basis report. Review of the School’s Form 9 found the report to be unreliable. Expenditures per the Form 9 totaled approximately \$9,078,000 for the period of July 1, 2022 to June 30, 2023. Cash basis expenses per the School’s financial records totaled approximately \$9,009,000.

Current Status

Repeat finding issued (Finding 2024-004).



March 20, 2025

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

Response to Finding 2024-001 & Finding 2023-001 – Lack of Financial Oversight (Repeat Finding)

The audit identified **material weaknesses in financial oversight**, with several material adjustments required to correct financial statements. This **repeat finding** indicates an urgent need for stronger financial controls and improved governance.

Corrective Action Plan for Financial Oversight (Timeline: 6-9 months)

1. **Strengthening Financial Oversight and Governance (Completion: Within 6 months)**
 - **Establishing an independent Finance Committee** within the Board to provide additional oversight.
 - Hiring a **Chief Financial Officer (CFO) or financial consultant** to oversee financial operations and compliance.
 2. **Improving Financial Reporting and Reconciliation Processes (Completion: Within 9 months)**
 - Implementing **monthly financial reviews** to ensure all transactions are properly recorded.
 - Requiring **quarterly financial reconciliations** to prevent material misstatements before external audits.
 - Developing and enforcing **grant compliance policies** to ensure revenue and expenses are recorded in the appropriate periods.
 3. **Increasing Staff Training and Support (Ongoing, with initial training within 5 months)**
 - Conducting **regular financial training** for finance personnel on compliance, reconciliation, and grant management.
 - Assigning an **internal compliance officer** to oversee financial accuracy and grant tracking.
-

Response to Finding 2024-002 – Preparation of SEFA

The audit found that **management was unable to prepare the SEFA without auditor assistance**, highlighting a **material weakness in internal controls** over SEFA reporting.

Corrective Action Plan for SEFA Preparation (Timeline: 3-6 months)

1. **Building Internal SEFA Reporting Capabilities (Completion: Within 3 months)**
 - Providing **formal training for finance staff** on SEFA preparation requirements.
 - Establishing **internal SEFA review procedures** to ensure completeness and accuracy before submission.
 2. **Implementing a SEFA Preparation and Review Process (Completion: Within 6 months)**
 - Assigning a **designated grants accountant** to oversee SEFA preparation and compliance.
 - Conducting **internal pre-audit reviews** of the SEFA before submission to auditors.
 - Engaging a **third-party financial consultant** to assist with SEFA reporting during the transition period.
-

Response to Finding 2024-003 – Maintenance of Documentation

The audit found that the **School did not maintain expense detail for several federal grants**, preventing reconciliation of expense details to individual claims.

Corrective Action Plan for Documentation Maintenance (Timeline: 3-6 months)

1. **Enhancing Documentation Procedures (Completion: Within 3 months)**
 - Implementing a **document retention policy** requiring proper storage and organization of all grant-related financial records.
 - Transitioning to **electronic record-keeping systems** to track and store grant expenditure documentation.
 2. **Internal Controls and Monitoring (Completion: Within 6 months)**
 - Assigning a **compliance officer** to review and approve all federal grant transactions.
 - Conducting **quarterly documentation audits** to ensure all federal spending is properly recorded and retained.
-

Response to Finding 2024-004 – Maintenance of Effort

1. **Improving Accuracy of the Form 9 Report (Completion: Within 6 months)**
 - Implementing **monthly reconciliations** to ensure Form 9 expenditures match financial records.
 - Assigning a **dedicated financial officer** to oversee and verify Form 9 compliance.
2. **Strengthening Reporting and Internal Controls (Completion: Within 9 months)**
 - Conducting **regular audits of Form 9 data** before submission to the Indiana Department of Education.

- Developing a **standardized reporting checklist** to ensure compliance with state and federal MOE requirements.

Don Stewart
Chief Operations Officer
Matchbook Learning

Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, 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*.

Matchbook Learning Schools of Indiana, Inc.
Schedule of Lead Auditor
For the Years Ended June 30, 2024 and 2023

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