



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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April 2, 2025

Charter School Board  
The Phalen Leadership Academy - Indiana, Inc.  
Marion County, Indiana

We have reviewed the audit report of The Phalen Leadership Academy - Indiana, Inc. which was opined upon by CliftonLarsonAllen LLP, 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 Phalen Leadership Academy - Indiana, 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 findings included in the report on pages 38 through 40. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears at the end of the report.

In our opinion, CliftonLarsonAllen LLP 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 Phalen Leadership Academy - 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

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2024**



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**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Phalen Leadership Academy – Indiana, Inc.  
Indianapolis, Indiana

### Report on the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of The Phalen Leadership Academy – Indiana, Inc. (PLA), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PLA, as of June 30, 2024, and the changes in its net assets and its 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PLA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PLA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PLA's ability to continue as a going concern for a reasonable period of time.

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


### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The supplementary information included in the schedules of financial position, activities, and functional by school are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025, on our consideration of PLA’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 PLA’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 PLA’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 27, 2025

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2024**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	2,819,251
Grants and Operator Receivables		2,662,181
Related Party Accounts Receivable		16,225,399
Total Current Assets		21,706,831

**PROPERTY AND EQUIPMENT**

Land		300,000
Building and Improvements		7,064,542
Leasehold Improvements		4,429,706
Furniture and Equipment		1,012,146
Books and Educational Materials		830,556
Computer Software		169,352
Computer Equipment		476,360
Vehicles		139,685
Total, at Cost		14,422,347
Less: Accumulated Amortization		4,800,686
Total Property and Equipment		9,621,661

**OTHER ASSETS**

Right-of-Use Lease Asset, Net		1,134,201
Security Deposit		1,000,000
Total Assets		\$ 33,462,693

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	2,648,936
Related Party Payables		8,531,737
Current Portion of Notes Payable		172,245
Current Portion of Notes Payable - Affiliate		70,338
Accrued Liabilities		1,906,312
Current Portion of Right-of-Use Lease Liability		152,116
Total Current Liabilities		13,481,684

**LONG-TERM LIABILITIES**

Notes Payable, Net of Current Portion		2,602,930
Notes Payable, Net of Current Portion - Affiliate		2,815,930
Right-of-Use Lease Liability, Net of Current Portion		1,008,084
Total Long-Term Liabilities		6,426,944
Total Liabilities		19,908,628

**NET ASSETS**

Without Donor Restrictions:		
Undesignated		12,851,035
With Donor Restrictions:		
Purpose Restrictions		703,030
Total Net Assets		13,554,065
Total Liabilities and Net Assets		\$ 33,462,693

See accompanying Notes to Financial Statements.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>			
<b>REVENUE</b>			
Contributions and Donations	\$ 7,696,173	\$ 225,480	\$ 7,921,653
Grant Revenue	19,129,771	-	19,129,771
Operator Revenue	643,150	-	643,150
In-Kind Revenue	5,977,745	-	5,977,745
Other Revenue	18,422,162	-	18,422,162
Total Revenue and Contributed Support	51,869,001	225,480	52,094,481
 <b>EXPENSES</b>			
Program Services:			
Academics	41,162,139	-	41,162,139
Supporting Services:			
General and Administrative	9,158,897	-	9,158,897
Total Expenses	50,321,036	-	50,321,036
 <b>CHANGE IN NET ASSETS</b>	1,547,965	225,480	1,773,445
 Net Assets - Beginning of Year	11,303,070	477,550	11,780,620
 <b>NET ASSETS - END OF YEAR</b>	\$ 12,851,035	\$ 703,030	\$ 13,554,065

See accompanying Notes to Financial Statements.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2024**

	Program Services	Supporting Services	Total
	Academics	General and Administrative	Expenses
Salaries and Benefits	\$ 23,418,699	\$ 4,611,205	\$ 28,029,904
Professional Services	2,552,470	229,082	2,781,552
Information Technology	815,968	3,422,271	4,238,239
Legal and Accounting	-	173,705	173,705
Professional Development	43,088	208,860	251,948
Cleaning Services	491,232	-	491,232
Security Services	226,796	-	226,796
Utilities	403,108	8,051	411,159
Materials and Supplies	4,618,151	229,891	4,848,042
Nutritional Support	1,769,442	-	1,769,442
Sales, Marketing, and Community Relations	64,448	-	64,448
Travel and Entertainment	2,695,678	36,709	2,732,387
Interest Expense	-	214,615	214,615
Rent and Facilities	3,207,142	-	3,207,142
Depreciation and Amortization	467,227	-	467,227
Insurance	385,742	-	385,742
Repairs and Maintenance	1,080	-	1,080
Miscellaneous	1,868	24,508	26,376
	<u>\$ 41,162,139</u>	<u>\$ 9,158,897</u>	<u>\$ 50,321,036</u>
Total			

See accompanying Notes to Financial Statements.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2024**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 1,773,445
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	467,227
Noncash Operating Lease Activities	9,998
Changes in Operating Assets and Liabilities:	
Grants Receivable	3,012,109
Related Party Accounts Receivable	(5,462,752)
Accounts Payable - Trade	(583,171)
Accounts Payable - Related Party	2,562,233
Accrued Liabilities	438,458
Net Cash Provided by Operating Activities	2,217,547

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property and Equipment	(316,553)
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal Payments on Long-Term Debt	(165,459)
Principal Payments on Long-Term Debt - Affiliate	(224,593)
Net Cash Used by Financing Activities	(390,052)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

1,510,942

Cash and Cash Equivalents - Beginning of Year

1,308,309

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 2,819,251

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES**

Interest Paid	\$ 214,615
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See accompanying Notes to Financial Statements.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

George and Veronica Phalen Leadership Academies (PLA) is a nonprofit network of tuition-free public schools that help children excel in their academics and grow as well-rounded individuals. The PLA instructional model is evidence-based, designed by highly successful educators, and focuses on instruction that is personalized and data-driven. The model utilizes best practices including daily differentiated, data-driven instruction and intervention, frequent assessments, and regular progress feedback. This creates a uniquely rigorous and personalized learning experience for every child. At PLA, scholars have a safe and caring learning environment. Educators experience continued professional development and growth opportunities to best meet their scholars' needs. Scholars grow socially, emotionally, and physically through art, music, physical fitness, college- and career-focused visits, scholar-led community service projects, and more. Embedded throughout our program is an emphasis on helping our scholars develop a strong sense of self and character; build connections to their community and futures; and thrive as leaders at home, in their communities, and in the world.

To achieve these goals, PLA employs three distinct business models to operate its schools:

The Direct Model

Under this model, new charter schools are opened and operated under a charter created, activated, and owned by PLA. Our approach builds on the success of Founder and CEO Earl Martin Phalen's 25-year pioneering track record in education.

PLA's first school, the George and Veronica Phalen Leadership Academy (GVPLA), opened in 2013. PLA also opened the James and Rosemary Phalen Leadership Academy (JRPLA) as a Middle School in July 2017. In July 2019, PLA converted the Phalen Leadership Academy at George Fisher (PLA93) into the turnaround model. In July 2022, PLA acquired Promise Prep.

All Direct Model schools are located in Indianapolis, Indiana.

The Turnaround Model

Under this model, PLA helps to transform chronically low-performing public schools into the high-quality schools children need and deserve. PLA started turnaround work when it partnered with Indianapolis Public School (IPS) to operate PLA 103, an Innovation Network School. In July 2019, PLA was selected to operate PLA 48 starting in the 2020-2021 school year.

Expenses incurred by PLA on behalf of the schools are reimbursed by IPS. All revenues received from IPS for the operation of PLA 103 are captured as Operator Revenue in the statements of activities. PLA also recognizes in-kind revenue and expense for services provided directly to the schools including transportation, building use, and other services (see Note 10).

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The CMO

PLA utilizes the Central Management Office (CMO) to expand its turnaround model to help more children attending chronically low-performing schools excel. The CMO provides crucial support to partner schools to ensure school leadership can focus fully on high-quality education. Functional areas of support include human resources, financial management, facilities, food services, performance management, policy development, legal counsel, grants management, on-site quality assurance monitoring and support.

PLA enters into management agreements with these schools to leverage the Turnaround Model. Under these agreements, PLA is paid a management fee for services related to operating the school; however, the school is responsible for acceptance and payment of all expenses.

Management fees received under these CMO agreements are recorded as Operator Revenue in the statements of activities.

Our ultimate goal is that scholars gain academic mastery, and demonstrate strong character, as exhibited by: honesty, service to others, a superior work ethic, and a strong vision for and belief in their futures. We believe that with the right education, all children can fulfill their tremendous innate potential.

**Use of Estimates in Preparing Financial Statements**

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

**Cash and Cash Equivalents**

PLA considers all demand accounts to be cash. PLA had no cash equivalents at June 30, 2024.

**Grants Receivable**

Grants receivable represent the uncollected portion of funds from grants awarded to PLA. Management has deemed these amounts to be fully collectible within one year.

**Property and Equipment**

Property and equipment are reported at cost, less accumulated depreciation. Improvements and replacements greater than \$5,000 of major property additions are capitalized. Repairs, maintenance, and minor replacements are expensed.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

Depreciation is provided on the straight-line method over the estimated useful lives of the assets which are as follows:

Building and Improvements	30 Years
Leasehold Improvements	30 Years
Furniture and Equipment	7 to 15 Years
Books and Educational Materials	5 Years
Computer Software and Equipment	3 Years

**Impairment of Long-Lived Assets**

On an ongoing basis, PLA reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. PLA recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows.

**Security Deposit**

Upon closing of the lease of the building for JRPLA, PLA was obligated to make a one-time cash deposit that would be applied to the PLA's future purchase of the property. This deposit is not refundable.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Support and Revenue**

Revenues generally 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 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. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2024 and 2023, the School had \$118,224 and \$12,528, respectively, of deferred revenue for grant funds received in advance of related reimbursable expenses.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

*Contributions and Donations* – PLA reports gifts of cash and other assets from various organizations and private donors as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as Net Assets Released from Restrictions.

Volunteers provide program services through the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria. Such services include volunteering at events, in classrooms and clerical assistance.

*Grant Revenue* – PLA receives monies from federal and state organizations, primarily under the Direct Model in which PLA is the direct recipient of the related grant.

*Operator Revenue* – Operator revenue is reported at the amount that reflects the consideration to which PLA expects to be entitled in exchange for providing services under the terms of the agreements with the Turnaround and CMO Model schools. Operator revenue consists of the monies received under the agreements under Turnaround and CMO Model schools. This represents fees related to those management services, as well as any reimbursement for expenses incurred by PLA on the individual school's behalf. Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by PLA included in the agreements. Revenue for performance obligations satisfied over time is recognized based on actual services provided. PLA believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Contract assets included in operator receivables and related party receivables was \$263,714 and \$154,547 as of June 30, 2024 and 2023, respectively.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Support and Revenue (Continued)**

*In-Kind Support* – Contributions of services received are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. See Note 10 for further details.

**Advertising**

PLA expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2024 totaled \$54,194.

**Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited using a direct expense allocation method.

**Income Taxes**

PLA has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2024, 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 be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is 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 has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2021 are open to audit for both federal and state purposes.

**Leases**

PLA determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the balance sheet.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

ROU assets represent PLA's right to use an underlying asset for the lease term and lease liabilities represent PLA's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that PLA will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. PLA has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, PLA has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

PLA has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

As a result of adoption of this standard, PLA recognized a ROU asset of \$1,435,480 and liability of \$1,435,480 as of the July 1, 2022 date of adoption. Additional detail regarding leases is provided in Note 5, Leases. At June 30, 2024, the School had a right-of-use asset – operating, net, of \$1,245,126 and a right-of-use liability – operating of \$1,166,067.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

**Adoption of New Accounting Standard**

During the year ended June 30, 2024, the School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended*, which modifies the measurement of expected credit losses. The School adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the School's financial statements but did change how the allowance for credit losses is determined.

**Subsequent Events**

Management evaluated subsequent events through February 27, 2025, the date the financial statements were available to be issued. Management has determined that no subsequent events exist.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

PLA has \$21,706,831 of assets available within one year of the statement of financial position date consisting of cash, grants receivable, and related party accounts receivable at June 30, 2024. This includes \$703,750 which is subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial statement date at June 30, 2024. PLA does not currently have any liquidity management policies in place.

**NOTE 3 NOTES PAYABLE**

PLA notes payable consist of the following at June 30:

<u>Description</u>	<u>Amount</u>
6.375% note payable, principal and unpaid accrued interest due at April 1, 2021, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	\$ 510,917
3.27% note payable at the federal tax exempt rate set to re-price every five years (next re-price in March 2026), principal and unpaid accrued interest due at March 1, 2041, secured by the property located at 2323 North Illinois Street, Indianapolis, IN 46208.	<u>2,264,258</u>
Total	2,775,175
Less: Current Portion	<u>172,245</u>
Notes Payable Less Current Portion	<u><u>\$ 2,602,930</u></u>

PLA is subject to financial reporting loan covenants associated with the above notes payable. As of June 30, 2024, management is not in compliance with these covenants. PLA has received waivers regarding these covenants from the lenders.

Future maturities of all notes payable, including related party notes payable (see Note 9), are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 242,583
2026	804,881
2027	369,398
2028	382,607
2029	396,573
Thereafter	<u>3,465,401</u>
Total	<u><u>\$ 5,661,443</u></u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 4 CONCENTRATION OF CREDIT RISK**

PLA maintains its cash in bank accounts at a single financial institution. At June 30, 2024, balances in PLA's deposit accounts were insured by the FDIC up to \$250,000 per depositor bank. As of June 30, 2024 and from time-to-time throughout the year, PLA has cash balances on deposit in excess of insured limits.

Credit risk related to grants receivable is limited due to PLA's ability to accomplish the terms of the grants. No credit losses related to grants receivable were incurred during the year ended June 30, 2024.

PLA receives operating funds from the Indiana Department of Education which amounted to over 63% of the total revenue and contributed support for the year ended June 30, 2024. Operating revenues are determined under a state funding formula based on the number of students enrolled during the school year.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

**NOTE 5 LEASES**

PLA leases operating facilities under from third parties under long-term, noncancelable lease agreements. The leases expires in at various dates from 2024 through 2031. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Lease expense associated with all third-party leases was \$204,181 for the year ended June 30, 2024.

Lease Cost:

Operating Lease Cost	<u>\$ 204,181</u>
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Other Information:

Operating Cash Flows from Operating Leases	\$ 204,181
Weighted-Average Remaining Lease Term - Operating Leases	6.9 Years
Weighted-Average Discount Rate - Operating Leases	3.01%

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 5 LEASES (CONTINUED)**

A maturity analysis of annual discounted cash flows for lease liabilities as of June 30, 2024 is as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>
2025	\$ 188,472
2026	180,618
2027	178,000
2028	178,000
2029	178,000
Thereafter	356,000
Undiscounted Cash Flows	1,259,090
(Less) Imputed Interest	(98,890)
Total Present Value	<u>\$ 1,160,200</u>
Short-term lease liabilities	\$ 152,116
Long-term lease liabilities	1,008,084
Total	<u>\$ 1,160,200</u>

**NOTE 6 RETIREMENT PLANS**

PLA has a 403(b) retirement plan. The plan is contributory only and requires no contribution by PLA. PLA does contribute 7.5% of the salary for all teaching staff. The plan is qualified under Section 403(b)(9) of the IRC. Total contributions to the plan for the year ended June 30, 2024 was \$877,218.

**NOTE 7 PENSION PLANS**

PLA provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF), which is a cost-sharing multiemployer defined benefit retirement plan governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2024, the School contributed 6.5%, of compensation for eligible teaching personnel to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. PLA's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2023 (the latest year reported), TRF was approximately 85% funded.

Retirement plan expense under TRF was \$360,250 for the year ended June 30, 2024.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 8 RELATED PARTY TRANSACTIONS**

PLA paid Entrepreneurial Ventures in Education (EVE), its parent company, \$3,090,691 in the year ended June 30, 2024 for reimbursement of management related functions. Amounts due from EVE at June 30, 2024 was \$16,321,776. Amounts due to EVE at June 30, 2024 was \$8,195,287.

PLA and TLJ, MECC, TBLA, and HIAT are considered to be entities under common management by virtue of management service agreements with EVE or PLA. For the year ended June 30, 2024, PLA had receivables from TLJ for \$109,167. There were no receivables for MECC, TBLA and HIAT at June 30, 2024. For the year ended June 30, 2024, PLA had revenues from TLJ and TBLA of \$643,150 and \$0, respectively.

In February 2016, the GVPLA entered into a 25-year agreement for \$2,100,000 for its school facility with a member of the board. That organization is controlled by a separate and independent board of directors. PLA is required to make monthly rental payments in the amount of \$11,085 and an interest rate of 4%. For the year ended June 30 2024, principal payments of \$66,910 were made.

In December 2019, JRPLA entered into a loan with James Phalen for \$750,000. The loan requires monthly interest only payments at an interest rate of 3%. The principal balance of the loan was due on January 1, 2025. During the year-ended June 30, 2021, JRPLA entered into an agreement with a member of the board. As part of the agreement, the \$750,000 balance of the James Phalen loan was transferred to a renovations loan with the board member and an additional \$1,000,000 was obtained as well for a total loan balance of \$1,750,000. PLA is required to make monthly payments in the amount of \$17,718 and an interest rate of 4%. For the year ended June 30, 2024 principal payments of \$158,386 and were made.

Related party notes payable consists of the following at June 30:

<u>Description</u>	<u>Amount</u>
4% note payable, principal and unpaid accrued interest due at April 1, 2041, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	\$ 1,616,878
4% note payable, due in monthly installments of \$17,717.90, remaining principal and accrued interest due at April 1, 2031, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	<u>1,269,390</u>
Total	2,886,268
Less: Current Portion	<u>70,338</u>
Related Party Notes Payable Less Current Portion	<u><u>\$ 2,815,930</u></u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 9 NET ASSETS WITH DONOR RESTRICTION**

During the year ended June 30, 2024, PLA had \$703,030 of net assets with donor restriction restricted for future use associated with a construction project. There were no net assets released from donor restrictions by incurring expenses satisfying the purpose of the agreement for the year ended June 30, 2024.

**NOTE 10 DONATED PROFESSIONAL SERVICES AND MATERIALS**

IPS contributes significant amounts of resources to the School's program services at PLA 103, PLA 93, PLA 48, and PLA Virtual. In-kind contributions for the year ended June 30, 2024 were as follows: building and facilities usage, utilities and building maintenance, security, SPED personnel, other personnel, transportation, and food service were recognized in the amount of \$5,977,745 for the period. The in-kind contributions are recorded as revenue on the statement of activities based upon the market value provided by IPS. The expenses are included in their natural classification on the statement of functional expenses based upon the break-out provided by IPS.

Donated professional services and materials are as follows for the year ended June 30, 2024:

	<u>PLA 103</u>	<u>PLA 93</u>	<u>PLA 48</u>	<u>Total</u>
Building and Facilities Usage	\$ 1,197,070	\$ 734,497	\$ 1,052,877	\$ 2,984,444
Maintenance of Buildings and Equipment	511,689	248,690	461,289	1,221,668
Grounds Maintenance	97,796	19,453	5,538	122,787
Security	101,518	66,656	41,640	209,814
Transportation	565,055	498,623	359,136	1,422,814
Food Service	-	-	-	-
Financial Consideration	(6,250)	(6,250)	(6,250)	(18,750)
Public Engagement	16,919	11,110	6,939	34,968
Total	<u>\$ 2,483,797</u>	<u>\$ 1,572,779</u>	<u>\$ 1,921,169</u>	<u>\$ 5,977,745</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.  
OTHER REPORT  
YEAR ENDED JUNE 30, 2024**

The report presented herein was prepared in addition to another official report prepared for The Phalen Leadership Academy – Indiana, Inc. as listed below:

Supplemental Audit Report of Phalen Leadership Academy – 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*.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**  
**JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b>ASSETS</b>	<u>GVPLA</u>	<u>PLA 103</u>	<u>PLA 93</u>	<u>CMO</u>	<u>JRPLA</u>	<u>JRPHS</u>
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 288,951	\$ 109,335	\$ 297,817	\$ 10,368	\$ 395,742	\$ 371,118
Grants and Operator Receivables	356,556	359,746	715,494	-	123,233	245,942
Related Party Accounts Receivable	<u>4,581,586</u>	<u>12,578,432</u>	<u>5,838,470</u>	<u>263,714</u>	<u>3,080,817</u>	<u>4,503,452</u>
Total Current Assets	5,227,093	13,047,513	6,851,781	274,082	3,599,792	5,120,512
<b>PROPERTY AND EQUIPMENT</b>						
Land	300,000	-	-	-	-	-
Building and Improvements	6,775,248	-	-	-	-	289,294
Leasehold Improvements	10,657	-	108,213	-	4,301,636	9,200
Furniture and Equipment	508,832	236,812	-	-	233,871	28,000
Books and Educational Materials	164,966	383,435	201,804	-	80,351	-
Computer Software	49,977	-	54,775	-	64,600	-
Computer Equipment	155,188	87,684	26,500	-	206,988	-
Vehicles	-	-	-	-	-	74,185
Total, at Cost	<u>7,964,868</u>	<u>707,931</u>	<u>391,292</u>	<u>-</u>	<u>4,887,446</u>	<u>400,679</u>
Less: Accumulated Depreciation	<u>2,797,773</u>	<u>680,356</u>	<u>310,763</u>	<u>-</u>	<u>934,897</u>	<u>67,072</u>
Total Property and Equipment	5,167,095	27,575	80,529	-	3,952,549	333,607
<b>OTHER ASSETS</b>						
Right-of-Use Lease Asset, Net	-	-	-	-	12,772	-
Security Deposit	-	-	-	-	1,000,000	-
Total Assets	<u>\$ 10,394,188</u>	<u>\$ 13,075,088</u>	<u>\$ 6,932,310</u>	<u>\$ 274,082</u>	<u>\$ 8,565,113</u>	<u>\$ 5,454,119</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$ 391,405	\$ 459,114	\$ 348,099	\$ -	\$ 310,455	\$ 576,734
Related Party Payables	5,360,348	2,947,211	2,200,910	-	7,729,259	5,006,649
Current Portion of Notes Payable	172,245	-	-	-	-	-
Current Portion of Notes Payable - Affiliate	69,635	-	-	-	-	-
Accrued Liabilities	217,133	317,537	257,170	-	295,452	310,985
Current Portion of Right-of-Use Lease Liability	-	-	-	-	10,163	-
Total Current Liabilities	<u>6,210,766</u>	<u>3,723,862</u>	<u>2,806,179</u>	<u>-</u>	<u>8,345,329</u>	<u>5,894,368</u>
<b>LONG-TERM LIABILITIES</b>						
Notes Payable, Net of Current Portion	2,602,930	-	-	-	-	-
Notes Payable, Net of Current Portion - Affiliate	1,546,540	-	-	-	1,269,390	-
Right-of-Use Lease Liability, Net of Current Portion	-	-	-	-	2,609	-
Total Long-Term Liabilities	<u>4,149,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,271,999</u>	<u>-</u>
Total Liabilities	10,360,236	3,723,862	2,806,179	-	9,617,328	5,894,368
<b>NET ASSETS (DEFICIT)</b>						
Without Donor Restrictions	33,952	9,351,226	4,126,131	274,082	(1,052,215)	(1,143,279)
With Donor Restrictions	-	-	-	-	-	703,030
Total Net Assets (Deficit)	<u>33,952</u>	<u>9,351,226</u>	<u>4,126,131</u>	<u>274,082</u>	<u>(1,052,215)</u>	<u>(440,249)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 10,394,188</u>	<u>\$ 13,075,088</u>	<u>\$ 6,932,310</u>	<u>\$ 274,082</u>	<u>\$ 8,565,113</u>	<u>\$ 5,454,119</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FINANCIAL POSITION BY SCHOOL (CONTINUED)**  
**JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	PLAVS	PLA48	Jacquet	Promise Prep	Eliminations	Total
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 588,811	\$ 424,525	\$ 7,745	\$ 324,839	\$ -	\$ 2,819,251
Grants and Operator Receivables	238,709	529,569	-	92,932	-	2,662,181
Related Party Accounts Receivable	2,935,314	2,780,201	425,631	142,549	(20,904,767)	16,225,399
Total Current Assets	3,762,834	3,734,295	433,376	560,320	(20,904,767)	21,706,831
<b>PROPERTY AND EQUIPMENT</b>						
Land	-	-	-	-	-	300,000
Building and Improvements	-	-	-	-	-	7,064,542
Leasehold Improvements	-	-	-	-	-	4,429,706
Furniture and Equipment	-	-	-	4,631	-	1,012,146
Books and Educational Materials	-	-	-	-	-	830,556
Computer Software	-	-	-	-	-	169,352
Computer Equipment	-	-	-	-	-	476,360
Vehicles	-	-	-	65,500	-	139,685
Total, at Cost	-	-	-	70,131	-	14,422,347
Less: Accumulated Depreciation	-	-	-	9,825	-	4,800,686
Total Property and Equipment	-	-	-	60,306	-	9,621,661
<b>OTHER ASSETS</b>						
Right-of-Use Lease Asset, Net	-	-	-	1,121,429	-	1,134,201
Security Deposit	-	-	-	-	-	1,000,000
Total Assets	\$ 3,762,834	\$ 3,734,295	\$ 433,376	\$ 1,742,055	\$ (20,904,767)	\$ 33,462,693
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$ 190,632	\$ 218,497	\$ -	\$ 154,000	\$ -	\$ 2,648,936
Related Party Payables	1,887,483	2,957,023	350,098	997,523	(20,904,767)	8,531,737
Current Portion of Notes Payable	-	-	-	-	-	172,245
Current Portion of Notes Payable - Affiliate	-	-	-	703	-	70,338
Accrued Liabilities	207,815	208,648	-	91,572	-	1,906,312
Current Portion of Right-of-Use Lease Liability	-	-	-	141,953	-	152,116
Total Current Liabilities	2,285,930	3,384,168	350,098	1,385,751	(20,904,767)	13,481,684
<b>LONG-TERM LIABILITIES</b>						
Notes Payable, Net of Current Portion	-	-	-	-	-	2,602,930
Notes Payable, Net of Current Portion - Affiliate	-	-	-	-	-	2,815,930
Right-of-Use Lease Liability, Net of Current Portion	-	-	-	1,005,475	-	1,008,084
Total Long-Term Liabilities	-	-	-	1,005,475	-	6,426,944
Total Liabilities	2,285,930	3,384,168	350,098	2,391,226	(20,904,767)	19,908,628
<b>NET ASSETS (DEFICIT)</b>						
Without Donor Restrictions	1,476,904	350,127	83,278	(649,171)	-	12,851,035
With Donor Restrictions	-	-	-	-	-	703,030
Total Net Assets (Deficit)	1,476,904	350,127	83,278	(649,171)	-	13,554,065
Total Liabilities and Net Assets (Deficit)	\$ 3,762,834	\$ 3,734,295	\$ 433,376	\$ 1,742,055	\$ (20,904,767)	\$ 33,462,693

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF ACTIVITIES BY SCHOOL**  
**YEAR ENDED JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	GVPLA			PLA 103			PLA93		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>									
<b>REVENUE</b>									
Contributions and Donations	\$ 18,545	\$ -	\$ 18,545	\$ 1,519,857	\$ -	\$ 1,519,857	\$ 1,519,398	\$ -	\$ 1,519,398
Grant Revenue	1,717,217	-	1,717,217	2,151,673	-	2,151,673	1,635,791	-	1,635,791
Operator Revenue	-	-	-	-	-	-	-	-	-
In-Kind Contributions	-	-	-	2,483,797	-	2,483,797	1,572,779	-	1,572,779
Other Revenue	1,658,851	-	1,658,851	6,287,949	-	6,287,949	4,079,112	-	4,079,112
Total Revenue and Contributed Support	3,394,613	-	3,394,613	12,443,276	-	12,443,276	8,807,080	-	8,807,080
<b>EXPENSES</b>									
Program Services:									
Academics	3,321,690	-	3,321,690	8,363,835	-	8,363,835	6,803,188	-	6,803,188
Supporting Services:									
General and Administrative	1,061,501	-	1,061,501	1,781,077	-	1,781,077	1,385,490	-	1,385,490
Total Expenses	4,383,191	-	4,383,191	10,144,912	-	10,144,912	8,188,678	-	8,188,678
<b>CHANGE IN NET ASSETS</b>	(988,578)	-	(988,578)	2,298,364	-	2,298,364	618,402	-	618,402
Net Assets (Deficit) - Beginning of Year	1,022,530	-	1,022,530	7,052,862	-	7,052,862	3,507,729	-	3,507,729
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ 33,952</u>	<u>\$ -</u>	<u>\$ 33,952</u>	<u>\$ 9,351,226</u>	<u>\$ -</u>	<u>\$ 9,351,226</u>	<u>\$ 4,126,131</u>	<u>\$ -</u>	<u>\$ 4,126,131</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	CMO			JRPLA			JRPHS		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>									
<b>REVENUE</b>									
Contributions and Donations	\$ -	\$ -	\$ -	1,155,169	\$ -	\$ 1,155,169	\$ 204,266	\$ 225,480	\$ 429,746
Grant Revenue	-	-	-	3,463,227	-	3,463,227	7,091,216	-	7,091,216
Operator Revenue	643,150	-	643,150	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	116,424	-	116,424	225,194	-	225,194
Total Revenue and Contributed Support	643,150	-	643,150	4,734,820	-	4,734,820	7,520,676	225,480	7,746,156
<b>EXPENSES</b>									
Program Services:									
Academics	-	-	-	4,178,837	-	4,178,837	6,369,394	-	6,369,394
Supporting Services:									
General and Administrative	533,983	-	533,983	915,711	-	915,711	1,541,178	-	1,541,178
Total Expenses	533,983	-	533,983	5,094,548	-	5,094,548	7,910,572	-	7,910,572
<b>CHANGE IN NET ASSETS</b>	109,167	-	109,167	(359,728)	-	(359,728)	(389,896)	225,480	(164,416)
Net Assets (Deficit) - Beginning of Year	164,915	-	164,915	(692,487)	-	(692,487)	(753,383)	477,550	(275,833)
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ 274,082</u>	<u>\$ -</u>	<u>\$ 274,082</u>	<u>\$ (1,052,215)</u>	<u>\$ -</u>	<u>\$ (1,052,215)</u>	<u>\$ (1,143,279)</u>	<u>\$ 703,030</u>	<u>\$ (440,249)</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	PLAVS			PLA48			Jacquet		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>									
<b>REVENUE</b>									
Contributions and Donations	\$ 2,136,748	\$ -	\$ 2,136,748	\$ 1,121,575	\$ -	\$ 1,121,575	\$ -	\$ -	\$ -
Grant Revenue	638,806	-	638,806	1,546,748	-	1,546,748	-	-	-
Operator Revenue	-	-	-	-	-	-	-	-	-
In-Kind Contributions	-	-	-	1,921,169	-	1,921,169	-	-	-
Other Revenue	2,720,249	-	2,720,249	2,581,046	-	2,581,046	-	-	-
Total Revenue and Contributed Support	5,495,803	-	5,495,803	7,170,538	-	7,170,538	-	-	-
<b>EXPENSES</b>									
Program Services:									
Academics	3,439,150	-	3,439,150	6,254,153	-	6,254,153	-	-	-
Supporting Services:									
General and Administrative	1,131,053	-	1,131,053	770,091	-	770,091	-	-	-
Total Expenses	4,570,203	-	4,570,203	7,024,244	-	7,024,244	-	-	-
<b>CHANGE IN NET ASSETS</b>	925,600	-	925,600	146,294	-	146,294	-	-	-
Net Assets (Deficit) - Beginning of Year	551,304	-	551,304	203,833	-	203,833	83,278	-	83,278
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ 1,476,904</u>	<u>\$ -</u>	<u>\$ 1,476,904</u>	<u>\$ 350,127</u>	<u>\$ -</u>	<u>\$ 350,127</u>	<u>\$ 83,278</u>	<u>\$ -</u>	<u>\$ 83,278</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Promise Prep			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>						
<b>REVENUE</b>						
Contributions and Donations	\$ 20,615	\$ -	\$ 20,615	\$ 7,696,173	\$ 225,480	\$ 7,921,653
Grant Revenue	885,093	-	885,093	19,129,771	-	19,129,771
Operator Revenue	-	-	-	643,150	-	643,150
In-Kind Contributions	-	-	-	5,977,745	-	5,977,745
Other Revenue	753,337	-	753,337	18,422,162	-	18,422,162
Total Revenue and Contributed Support	<u>1,659,045</u>	<u>-</u>	<u>1,659,045</u>	<u>51,869,001</u>	<u>225,480</u>	<u>52,094,481</u>
<b>EXPENSES</b>						
Program Services:						
Academics	2,431,892	-	2,431,892	41,162,139	-	41,162,139
Supporting Services:						
General and Administrative	38,813	-	38,813	9,158,897	-	9,158,897
Total Expenses	<u>2,470,705</u>	<u>-</u>	<u>2,470,705</u>	<u>50,321,036</u>	<u>-</u>	<u>50,321,036</u>
<b>CHANGE IN NET ASSETS</b>	(811,660)	-	(811,660)	1,547,965	225,480	1,773,445
Net Assets (Deficit) - Beginning of Year	<u>162,489</u>	<u>-</u>	<u>162,489</u>	<u>11,303,070</u>	<u>477,550</u>	<u>11,780,620</u>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ (649,171)</u>	<u>\$ -</u>	<u>\$ (649,171)</u>	<u>\$ 12,851,035</u>	<u>\$ 703,030</u>	<u>\$ 13,554,065</u>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL**  
**YEAR ENDED JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	GVPLA			PLA 103			PLA93		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Academics	General and Administrative		Academics	General and Administrative		Academics	General and Administrative	
Salaries and Benefits	\$ 1,934,114	\$ 546,185	\$ 2,480,299	\$ 4,484,902	\$ 659,947	\$ 5,144,849	\$ 3,870,912	\$ 615,361	\$ 4,486,273
Professional Services	257,770	20,898	278,668	193,335	48,499	241,834	62,706	32,844	95,550
Information Technology	86,135	189,923	276,058	218,924	960,321	1,179,245	106,873	674,506	781,379
Legal and Accounting	-	31,351	31,351	-	17,714	17,714	-	17,043	17,043
Professional Development	13,809	38,081	51,890	6,905	37,797	44,702	2,138	24,893	27,031
Cleaning Services	94,275	-	94,275	175,933	-	175,933	70	-	70
Security Services	2,314	-	2,314	101,518	-	101,518	66,656	-	66,656
Utilities	163,573	4,676	168,249	-	-	-	30,583	-	30,583
Materials and Supplies	258,434	42,897	301,331	734,835	34,202	769,037	1,411,516	19,680	1,431,196
Nutritional Support	159,970	-	159,970	600,360	-	600,360	410,599	-	410,599
Sales, Marketing, and Community Relations	45,389	-	45,389	-	-	-	-	-	-
Travel and Entertainment	160	26,576	26,736	596,901	72	596,973	536,820	683	537,503
Interest Expense	-	160,387	160,387	-	-	-	-	-	-
Rent and Facilities	-	-	-	1,197,070	-	1,197,070	252,490	-	252,490
Depreciation and Amortization	257,529	-	257,529	4,934	-	4,934	3,607	-	3,607
Insurance	48,218	-	48,218	48,218	-	48,218	48,218	-	48,218
Repairs and Maintenance	-	-	-	-	-	-	-	-	-
Miscellaneous	-	527	527	-	22,525	22,525	-	480	480
<b>Total</b>	<b>\$ 3,321,690</b>	<b>\$ 1,061,501</b>	<b>\$ 4,383,191</b>	<b>\$ 8,363,835</b>	<b>\$ 1,781,077</b>	<b>\$ 10,144,912</b>	<b>\$ 6,803,188</b>	<b>\$ 1,385,490</b>	<b>\$ 8,188,678</b>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	CMO			JRPLA			JRPHS		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Academics	General and Administrative		Academics	General and Administrative		Academics	General and Administrative	
Salaries and Benefits	\$ -	\$ -	\$ -	\$ 2,524,726	\$ 633,903	\$ 3,158,629	\$ 3,082,068	\$ 1,125,065	\$ 4,207,133
Professional Services	-	-	-	618,363	23,569	641,932	903,586	41,172	944,758
Information Technology	-	533,983	533,983	64,554	107,775	172,329	209,301	280,593	489,894
Legal and Accounting	-	-	-	-	24,599	24,599	-	24,216	24,216
Professional Development	-	-	-	2,767	17,548	20,315	1,069	28,874	29,943
Cleaning Services	-	-	-	73,485	-	73,485	124,745	-	124,745
Security Services	-	-	-	5,758	-	5,758	8,910	-	8,910
Utilities	-	-	-	115,235	3,100	118,335	93,717	164	93,881
Materials and Supplies	-	-	-	170,132	50,701	220,833	478,582	38,890	517,472
Nutritional Support	-	-	-	213,873	-	213,873	1,774	-	1,774
Sales, Marketing, and Community Relations	-	-	-	1,289	-	1,289	10,624	-	10,624
Travel and Entertainment	-	-	-	1,979	70	2,049	1,015,040	1,846	1,016,886
Interest Expense	-	-	-	-	54,228	54,228	-	-	-
Rent and Facilities	-	-	-	193,364	-	193,364	344,254	-	344,254
Depreciation and Amortization	-	-	-	175,094	-	175,094	16,238	-	16,238
Insurance	-	-	-	18,218	-	18,218	78,217	-	78,217
Repairs and Maintenance	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	218	218	1,269	358	1,627
<b>Total</b>	<b>\$ -</b>	<b>\$ 533,983</b>	<b>\$ 533,983</b>	<b>\$ 4,178,837</b>	<b>\$ 915,711</b>	<b>\$ 5,094,548</b>	<b>\$ 6,369,394</b>	<b>\$ 1,541,178</b>	<b>\$ 7,910,572</b>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	PLAVS			PLA48			Jacquet		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Academics	General and Administrative		Academics	General and Administrative		Academics	General and Administrative	
Salaries and Benefits	\$ 2,858,607	\$ 540,448	\$ 3,399,055	\$ 3,188,217	\$ 490,296	\$ 3,678,513	\$ -	\$ -	\$ -
Professional Services	240,728	22,569	263,297	77,058	26,295	103,353	-	-	-
Information Technology	43,349	496,606	539,955	50,742	178,564	229,306	-	-	-
Legal and Accounting	-	20,598	20,598	-	15,990	15,990	-	-	-
Professional Development	4,921	38,584	43,505	6,869	19,783	26,652	-	-	-
Cleaning Services	54	-	54	-	-	-	-	-	-
Security Services	-	-	-	41,640	-	41,640	-	-	-
Utilities	-	-	-	-	111	111	-	-	-
Materials and Supplies	234,555	4,764	239,319	1,118,641	38,757	1,157,398	-	-	-
Nutritional Support	3,318	-	3,318	268,929	-	268,929	-	-	-
Sales, Marketing, and Community Relations	3,000	-	3,000	-	-	-	-	-	-
Travel and Entertainment	1,320	7,327	8,647	400,363	135	400,498	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-
Rent and Facilities	-	-	-	1,052,877	-	1,052,877	-	-	-
Depreciation and Amortization	-	-	-	-	-	-	-	-	-
Insurance	48,218	-	48,218	48,218	-	48,218	-	-	-
Repairs and Maintenance	1,080	-	1,080	-	-	-	-	-	-
Miscellaneous	-	157	157	599	160	759	-	-	-
<b>Total</b>	<b>\$ 3,439,150</b>	<b>\$ 1,131,053</b>	<b>\$ 4,570,203</b>	<b>\$ 6,254,153</b>	<b>\$ 770,091</b>	<b>\$ 7,024,244</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)**  
**YEAR ENDED JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Promise Prep			Total		
	Program	Supporting	Total	Program	Supporting	Total
	Services	Services		Services	Services	
	Academics	General and Administrative		Academics	General and Administrative	
Salaries and Benefits	\$ 1,475,153	\$ -	\$ 1,475,153	\$ 23,418,699	\$ 4,611,205	\$ 28,029,904
Professional Services	198,924	13,236	212,160	2,552,470	229,082	2,781,552
Information Technology	36,090	-	36,090	815,968	3,422,271	4,238,239
Legal and Accounting	-	22,194	22,194	-	173,705	173,705
Professional Development	4,610	3,300	7,910	43,088	208,860	251,948
Cleaning Services	22,670	-	22,670	491,232	-	491,232
Security Services	-	-	-	226,796	-	226,796
Utilities	-	-	-	403,108	8,051	411,159
Materials and Supplies	211,456	-	211,456	4,618,151	229,891	4,848,042
Nutritional Support	110,619	-	110,619	1,769,442	-	1,769,442
Sales, Marketing, and Community Relations	4,146	-	4,146	64,448	-	64,448
Travel and Entertainment	143,095	-	143,095	2,695,678	36,709	2,732,387
Interest Expense	-	-	-	-	214,615	214,615
Rent and Facilities	167,087	-	167,087	3,207,142	-	3,207,142
Depreciation and Amortization	9,825	-	9,825	467,227	-	467,227
Insurance	48,217	-	48,217	385,742	-	385,742
Repairs and Maintenance	-	-	-	1,080	-	1,080
Miscellaneous	-	83	83	1,868	24,508	26,376
<b>Total</b>	<b>\$ 2,431,892</b>	<b>\$ 38,813</b>	<b>\$ 2,470,705</b>	<b>\$ 41,162,139</b>	<b>\$ 9,158,897</b>	<b>\$ 50,321,036</b>



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

Board of Directors and Management  
The Phalen Leadership Academy – Indiana, Inc.  
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Phalen Leadership Academy – Indiana, Inc. (PLA) (an nonprofit organization), which comprise of the statement of financial position as of June 30, 2024, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2025.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered PLA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PLA's internal control. Accordingly, we do not express an opinion on the effectiveness of PLA's internal control.

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

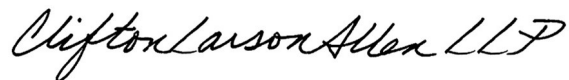
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether PLA’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 27, 2025



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

Board of Directors and Management  
The Phalen Leadership Academy – Indiana, Inc.  
Indianapolis, Indiana

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited The Phalen Leadership Academy – Indiana, Inc.'s (PLA) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of PLA's major federal programs for the year ended June 30, 2024. PLA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, PLA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major 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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PLA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PLA'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 PLA'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 PLA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of PLA'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 instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on PLA's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. PLA'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**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be material weaknesses.

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 PLA's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. PLA'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.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 27, 2025

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Agriculture</b>				
Passed through Indiana Department of Education:				
Child Nutrition Cluster - School Breakfast Program	10.553	N/A	\$ -	\$ 611,154
Child Nutrition Cluster - National School Lunch Program	10.555	N/A	-	1,435,284
Total Department of Agriculture			-	2,046,438
<b>Department of Education</b>				
Passed through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A210014, S010A220014, S010A230014	-	2,957,595
Special Education Cluster - Special Education Grants to States	84.027	H027A210084	-	25,224
Special Education Cluster - Special Education Preschool Grants	84.173	H173A210104	-	4,608
Charter School Program	84.282	U282A200017, S282D200002, S367A200013, S367A220013,	-	1,439,414
Title II Improving Teacher Quality State Grants	84.367	S367A230013	-	87,130
Title III English Language Acquisition State Grants	84.365	S365A210014, S365A220014	-	9,670
Title IV Student Support and Academic Enrichment Program	84.424	S424A210015, S424A220015,	-	170,948
COVID-19: Education Stabilization Fund	84.425D	S424A230015	-	678,525
COVID-19: Education Stabilization Fund	84.425U	S425D210013	-	8,589,921
Total Department of Education		S425U210013	-	13,963,035
Total Expenditures of Federal Awards			\$ -	\$ 16,009,473

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2024**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The Phalen Leadership Academy – Indiana, Inc. (PLA) 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 the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of PLA, it is not intended to and does not present the financial position of PLA.

**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 for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

PLA has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ x \_\_\_\_\_ yes \_\_\_\_\_ no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ x \_\_\_\_\_ yes \_\_\_\_\_ no

**Identification of Major Federal Programs**

**Assistance Listing Number(s)**

84.282  
84.425D, 84.425U

**Name of Federal Program or Cluster**

Charter School Program  
Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2024**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2024 – 001: Procurement and Suspension and Debarment**

Federal Agency: U.S. Department Education

Federal Program Name: Charter School Program

Assistance Listing Number: 84.282

Pass-Through Agency: Indiana Department of Education

Pass-Through Numbers: U282A200017, S282D200002

Award Period: July 1, 2023 – June 30, 2024

Type of Finding:

- Material Weakness in Internal Control Over Compliance
- Other Matters

**Criteria or specific requirement:** Per Charter School Program, Subtitle A, Chapter 2 Part 200, Subpart D, section 200.318 of the Code of Federal Regulations requires Charter Schools to have a written procurement policy that includes certain requirements as it relates to procuring good and services using federal dollars. Additionally, 2 CFR 180.995 requires that the Charter School has a written policy where the Charter School should perform a check to ensure vendors are not debarred.

**Condition:** During our testing, it was noted that PLA did not follow the written policy in place for number of quotes and quote cost analysis. PLA did not comply with procurement policy it has in place as the number of quotes for two (2) of five (5) procured purchases selected did not obtain the number of quotes required by the policy.

During our testing, it was noted during that there is no written policy that requires PLA to verify that vendors are suspended or debarred. We noted that PLA did not complete and document its verification that vendors are not suspended or debarred vendors prior to being utilized. Four (4) of four (4) vendors selected for testing were utilized during the audit period that did not have this documented. During audit procedures, these vendors were checked and were not suspended or debarred.

**Questioned costs:** None

**Context:** PLA was unaware of the federal requirements for procurement and suspension and debarment.

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2024**

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***Section III – Findings and Questioned Costs – Major Federal Programs (Continued)***

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**2024 – 001: Procurement and Suspension and Debarment (Continued)**

**Cause:** PLA's procurement policy did not include all federal requirements.

**Effect:** Procured purchases could be completed not in accordance with PLA and federal requirements. Vendors could be utilized for federal programs that are suspended and debarred.

**Repeat finding:** No.

**Recommendation:** We recommend that PLA review its procurement policy to ensure that a suspension and debarment formal check and documentation be included to ensure that all federal requirements are included in its written policies.

**Views of responsible officials:** There is no disagreement with the audit finding.

**2024 – 002: Special Tests and Provisions**

Federal Agency: U.S Department Education

Federal Program Name: Education Stabilization Funds

Assistance Listing Number: 84.425D, 84.425U

Pass-Through Agency: Indiana Department of Education

Pass-Through Numbers: S425D210013, S425U210013

Award Period: July 1, 2023 – June 30, 2024

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Other Matters

**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2024**

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***Section III – Findings and Questioned Costs – Major Federal Programs (Continued)***

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**2024 – 002: Special Tests and Provisions (Continued)**

**Criteria or specific requirement:** Per 2 CFR 200.303, "The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework' issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). If governors, SEAs, and or subrecipients propose to use ESF funds for construction they must also comply with applicable requirements in 34 CFR section 76.600 and 34 CFR sections 75.600–617. Approved construction projects must comply with all other applicable Uniform Guidance requirements, as well as the ED's regulations regarding construction, as applicable, at 34 CFR section 76.600. As is the case with all construction contracts using laborers and mechanics financed by federal education funds, recipients and subrecipients that use ESF funds for construction contracts over \$2,000 must meet Davis-Bacon prevailing wage requirements.

**Condition:** PLA did not verify compliance with prevailing wage requirements with subcontractors for construction projects financed by federal education funds.

**Questioned costs:** \$365,489.

**Context:** 1 of 1 construction projects financed by federal education funds were subject to prevailing wage requirements.

**Cause:** PLA was not familiar with using federal education funds for construction costs and were not aware of the prevailing wage requirements

**Effect:** Laborers and mechanics paid by subcontractors may have been paid below prevailing wage rates.

**Repeat Finding:** Yes – 2023-002.

**Recommendation:** We recommend that for future construction contracts financed by federal education funds PLA verify that subcontractors comply with prevailing wage requirements.

**Views of responsible officials:** There is no disagreement with the audit finding.



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**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2024**

U.S. Department of Education, U.S. Department of Agriculture

The Phalen Leadership Academy - Indiana, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2024.

Audit period: July 01, 2023 - June 30, 2024

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

There were no findings in the current year that require a corrective action plan.

**FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

**UNITED STATES DEPARTMENT OF EDUCATION**

**2024-001 Procurement and Suspension and Debarment**

Recommendation: We recommend that PLA review its procurement policy to ensure that a suspension and debarment formal check and documentation be included to ensure that all federal requirements are included in its written policies.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: PLA has established procedures to include a suspension and debarment formal check and documentation within our amended Procurement Policy, amended January 30, 2025.

Name(s) of the contact person(s) responsible for corrective action: Jeffrey Larkins, Director of Finance & Accounting; Martha Arellano, Procurement Manager and Buyer.

Planned completion date for corrective action plan: January 30, 2025.

**2024-002 Special Tests and Provisions**

Recommendation: We recommend that for future construction contracts financed by federal education funds PLA verify that subcontractors comply with prevailing wage requirements.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: PLA will train operations and business office staff on the compliance requirements under Davis-Bacon to ensure construction contracts are entered into with qualified contractors and obtain and retain appropriate certified payroll documentation during the construction period.



Name(s) of the contact person(s) responsible for corrective action: Jeffrey Larkins, Director of Finance & Accounting; Javier Dimas, Vice-President of Operations; Martha Arellano, Procurement Manager and Buyer.

Planned completion date for corrective action plan: January 30, 2025.

If the United States Department of Education has questions regarding this plan, please call Jeffrey Larkins, Director of Finance & Accounting, at 917-502-1711.



**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2024**

U.S. Department of Education

The Phalen Leadership Academy - Indiana, Inc. respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2024.

Audit period: July 1, 2022 – June 30, 2023

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**2023 – 001: Financial Reporting of Restricted Contributions and Net Assets with Donor Restrictions**

**Condition:** The board and management share the ultimate responsibility for the School's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. During the conduct of the audit, we noted that donor-restricted contributions and net assets with donor restrictions had not been identified for proper reporting in accordance with accounting principles generally accepted in the United States of America.

**Status:** Corrected.

**FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

**2023 – 002: Special Tests and Provisions**

**Condition:** PLA did not verify compliance with prevailing wage requirements with subcontractors for construction projects financed by federal education funds.

**Status:** See current year finding 2024-002.

**Reason for finding's recurrence:** Contracts already in place did not get contract re-written to include the clause. All new construction contracts financed by federal education funds should have the clause included.

**Corrective Action:** PLA will train operations and business office staff on the compliance requirements under Davis-Bacon to ensure construction contracts are entered into with qualified contractors and obtain and retain appropriate certified payroll documentation during the construction period.

If the US Department of Education has questions regarding this plan, please contact Jeffrey Larkins at 917-502-1711.