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February 2, 2024

Charter School Board
Neighborhood Charter Network, Inc.
Marion County, Indiana

We have reviewed the audit report of Neighborhood Charter Network, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Neighborhood Charter Network, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 3.

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

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

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

Tammy R. White, CPA
Deputy State Examiner

NEIGHBORHOOD CHARTER NETWORK, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' 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 - 13
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	14
Notes to the Schedule of Expenditures of Federal Awards	15
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	16 - 17
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	18 - 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	20



Donovan CPAs

Independent Auditors' Report

The Board of Directors
Neighborhood Charter Network, Inc.

Opinion

We audited the financial statements of Neighborhood Charter Network, Inc. (the “School”), which comprise the statements of financial position as of June 30, 2023 and 2022 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, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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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 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 audits.
- 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 audits 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 audits, 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 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.

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 supplemental 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 also issued our report dated January 29, 2024 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 3 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 \$2,067,149 and \$2,353,962 during the years ended June 30, 2023 and 2022, respectively. These in-kind transactions represent approximately 17% of total revenue and support and 18% of total expenses for the year ended June 30, 2023 (12% and 15%, respectively, in 2022). 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

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

Indianapolis, Indiana
January 29, 2024

NEIGHBORHOOD CHARTER NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,072,602	\$ 5,823,115
Investments	2,377,337	-
Grants receivable	441,997	2,877,567
<i>Total current assets</i>	<u>8,891,936</u>	<u>8,700,682</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	401,522	132,709
Less: accumulated depreciation	<u>(123,722)</u>	<u>(93,177)</u>
<i>Property and equipment, net</i>	<u>277,800</u>	<u>39,532</u>
TOTAL ASSETS	<u><u>\$ 9,169,736</u></u>	<u><u>\$ 8,740,214</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 50,000	\$ 100,000
Accounts payable and accrued expenses	640,546	509,148
<i>Total current liabilities</i>	690,546	609,148
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>125,000</u>	<u>400,000</u>
<i>Total liabilities</i>	815,546	1,009,148
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>8,354,190</u>	<u>7,731,066</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,169,736</u></u>	<u><u>\$ 8,740,214</u></u>

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

NEIGHBORHOOD CHARTER NETWORK, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT		
Student-based allocation funding from IPS	\$ 5,575,942	\$ 9,158,445
Grant revenue	4,399,062	8,179,598
In-kind contribution from Indianapolis Public Schools	2,067,149	2,353,962
Investment income	61,657	-
Other income	73,752	110,400
	<u>12,177,562</u>	<u>19,802,405</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	8,848,709	12,070,674
Management and general	2,705,729	3,765,614
	<u>11,554,438</u>	<u>15,836,288</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	623,124	3,966,117
NET ASSETS, BEGINNING OF YEAR	<u>7,731,066</u>	<u>3,764,949</u>
NET ASSETS, END OF YEAR	<u>\$ 8,354,190</u>	<u>\$ 7,731,066</u>

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

NEIGHBORHOOD CHARTER NETWORK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2023 and 2022

	2023			2022		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
In-kind expenses:						
Occupancy	\$ 1,870,553	\$ -	\$ 1,870,553	\$ 2,052,546	\$ -	\$ 2,052,546
Security services	-	106,595	106,595	-	144,092	144,092
Public engagement	-	90,001	90,001	-	-	-
Transportation	-	-	-	157,324	-	157,324
<i>Total in-kind expenses</i>	<u>1,870,553</u>	<u>196,596</u>	<u>2,067,149</u>	<u>2,209,870</u>	<u>144,092</u>	<u>2,353,962</u>
Direct expenses:						
Salaries and wages	3,635,530	1,377,455	5,012,985	5,711,786	2,066,811	7,778,597
Employee benefits	901,860	359,774	1,261,634	1,043,895	512,233	1,556,128
Professional services	561,928	438,978	1,000,906	724,028	480,315	1,204,343
Books and materials	624,428	189,684	814,112	731,064	132,453	863,517
Food service expense	596,802	-	596,802	986,514	-	986,514
Student transportation	558,767	-	558,767	573,405	-	573,405
Advertising	-	33,410	33,410	-	16,883	16,883
Insurance	30,856	-	30,856	57,895	38,652	96,547
Depreciation	30,545	-	30,545	10,952	-	10,952
Equipment and supplies	28,110	-	28,110	10,269	170,918	181,187
Authorizer fee	-	20,669	20,669	-	63,936	63,936
Interest	-	3,500	3,500	-	7,125	7,125
Other	9,330	85,663	94,993	10,996	132,196	143,192
<i>Total direct expenses</i>	<u>6,978,156</u>	<u>2,509,133</u>	<u>9,487,289</u>	<u>9,860,804</u>	<u>3,621,522</u>	<u>13,482,326</u>
<i>Total functional expenses</i>	<u>\$ 8,848,709</u>	<u>\$ 2,705,729</u>	<u>\$ 11,554,438</u>	<u>\$ 12,070,674</u>	<u>\$ 3,765,614</u>	<u>\$ 15,836,288</u>

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

NEIGHBORHOOD CHARTER NETWORK, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 623,124	\$ 3,966,117
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(61,657)	-
Depreciation	30,545	10,952
Change in certain assets and liabilities:		
Grants receivable	2,435,570	(1,705,257)
Accounts payable and accrued expenses	<u>131,398</u>	<u>(226,730)</u>
<i>Net cash provided by operating activities</i>	<u>3,158,980</u>	<u>2,045,082</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(268,813)	(39,009)
Net maturities (purchases) of investments	<u>(2,315,680)</u>	<u>-</u>
<i>Net cash used in investing activities</i>	<u>(2,584,493)</u>	<u>(39,009)</u>
FINANCING ACTIVITIES		
Principal payments on notes payable	<u>(325,000)</u>	<u>(100,000)</u>
NET CHANGE IN CASH	249,487	1,906,073
CASH, BEGINNING OF YEAR	<u>5,823,115</u>	<u>3,917,042</u>
CASH, END OF YEAR	<u>\$ 6,072,602</u>	<u>\$ 5,823,115</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 3,500	\$ 7,125

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

NEIGHBORHOOD CHARTER NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Neighborhood Charter Network, Inc. (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and is currently the governing body of Enlace Academy in Indianapolis, Indiana. The School operates a public charter school under Indiana Code 20-24, and is sponsored by the Office of Education Innovation (“OEI”) of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2027 and is renewable thereafter by mutual consent. The School served approximately 670 students in kindergarten through eighth grade during the 2022-2023 school year (approximately 660 students during the 2021-2022 school year).

Previously, the School operated a second charter school, Kindezi Academy, also located in Indianapolis, Indiana. Kindezi Academy ceased operations effective June 30, 2022.

On July 1, 2015, Enlace Academy entered into an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools (“IPS”). The agreement, under Indiana Code 20-25.5-1, allows IPS to enter into an agreement with Enlace Academy to operate a charter school within an IPS building. The agreement was last renewed on July 1, 2020 for a term of five years, with the option to renew the agreement for additional five-year terms. Under the agreement, IPS will pay to Enlace Academy the amount it 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 annually by either party with written notice at least 60 days prior to the end of the school year.

The School received in-kind services from IPS for rent and other shared services during the years ended June 30, 2023 and 2022. The values of these services were estimated and have been reflected as in-kind contributions and expenses. See Note 3.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets, as described below. As of June 30, 2023 and 2022, the School had only net assets without donor restrictions.

- 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.

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

Cash and Cash Equivalents – Cash consists of cash held in bank accounts. Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. This includes a certificate of deposit, money market fund, and U.S. Treasury Bills meeting the definition of cash equivalents.

Investments – Investments consist of U.S. Treasury Bills with maturity dates of greater than three months from the financial statement date.

NEIGHBORHOOD CHARTER NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful life of furniture and equipment is five years.

Taxes on Income – The School received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2023 and 2022, 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 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. The tax years ended after June 30, 2019 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through January 29, 2024, 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 2 - REVENUE RECOGNITION

Revenue Recognition Policy – As discussed in Note 1, the majority of revenue comes from IPS as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School receives an amount per student in equal portion as if the School functioned as a traditional charter school. Funding from IPS is received monthly. Revenue is recognized in the year in which the educational services are rendered.

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

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

NEIGHBORHOOD CHARTER NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 3 - VALUATION OF IN-KIND SERVICES

The School recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$2,067,149 and \$2,353,962 during the years ended June 30, 2023 and 2022, respectively. These in-kind transactions represent approximately 17% of total revenue and support and 18% of total expenses for the year ended June 30, 2023 (12% and 15%, respectively, in 2022). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented. The in-kind contributions received by the School are from IPS and are disaggregated on the statements of activities and change in net assets. There are no restrictions set on these amounts.

NOTE 4 - COMMITMENTS

As the School's sponsoring organization, OEI exercises certain oversight responsibilities. OEI assesses a fee equal to 1% of the state education support received by the School. Total fees paid to OEI by the School were \$20,669 and \$63,936 during the years ended June 30, 2023 and 2022, respectively.

The charter agreement also requires the establishment of an escrow account of not less than \$30,000 should a dissolution occur. The School established this escrow account, which is included in the balance of cash and cash equivalents on the statements of financial position.

NOTE 5 - INVESTMENTS

The School opened an investment account during the year ended June 30, 2023. The purpose of the account is to fund future expansion of the School's operations. The initial investment totaled \$5,500,000, which consisted of approximately \$4,400,000 in U.S. Treasury Bill purchases, with maturities ranging from August 2023 to February 2024, and approximately \$1,100,000 in a money market fund. U.S. Treasury Bills with maturity dates of three months or less and funds held in money market are included in cash equivalents on the statements of financial position. As of June 30, 2023, investments consist solely of U.S. Treasury Bills maturing in February 2024.

NOTE 6 - INVESTMENT INCOME

Investment income consisted of the following for the year ended June 30, 2023:

Unrealized gain	\$	49,254
Interest and dividend income		20,967
Management fees		<u>(8,564)</u>
<i>Total investment income</i>	\$	<u>61,657</u>

NEIGHBORHOOD CHARTER NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 7 - NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Enlace Academy - Note payable to State Board of Education, payable \$25,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum	\$ 175,000	\$ 225,000
Kindezi Academy - Note payable to State Board of Education. Interest at 1.00% per annum. Repaid in full during the year ended June 30, 2023	-	275,000
	<u>175,000</u>	<u>500,000</u>
Less: current portion	<u>(50,000)</u>	<u>(100,000)</u>
Long-term portion	<u>\$ 125,000</u>	<u>\$ 400,000</u>

The notes payable to the State Board of Education are the result of the Common School Funds Charter School Innovation Fund Advancement program. These notes are secured by the School's future tuition support payments on funding from IPS.

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

2024	\$	50,000
2025		50,000
2026		50,000
2027		<u>25,000</u>
	<u>\$</u>	<u>175,000</u>

NOTE 8 - RETIREMENT PLANS

The School maintains a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides the School will make contributions at its discretion. For the years ended June 30, 2023 and 2022, the School contributed 4% of defined compensation for all employees and matched 100% of employee deferral contributions, not to exceed 3% of compensation.

NEIGHBORHOOD CHARTER NETWORK, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 8 - RETIREMENT PLANS, Continued

The School also provides retirement benefits provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer 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. The School contributed 6% of compensation for eligible teaching personnel to TRF during both years ended June 30, 2023 and 2022. Should the School elect to withdraw from TRF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2022 (the latest year reported), TRF was over 92% funded.

Retirement plan expense under all plans was \$267,583 and \$167,831 for the years ended June 30, 2023 and 2022, respectively.

NOTE 9 - RISKS AND UNCERTAINTIES

The School provides education 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 and/or the agreements 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, 2023 and 2022, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits are maintained at Key Bank and are insured up to the FDIC insurance limit. At June 30, 2023 and 2022, and regularly throughout the years, funds held at Key Bank exceeded the FDIC insurance limit.

NOTE 10 - LIQUIDITY

The School's financial assets include cash and cash equivalents, grants receivable, and investments. Financial assets at June 30, 2023 and 2022 total \$8,891,936 and \$8,700,682, respectively, all of which are available to meet cash needs for general expenditures within a year, with the exception of the \$30,000 cash escrow accounts (Note 4).

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.

NEIGHBORHOOD CHARTER NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 11 - 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.

SUPPLEMENTARY INFORMATION

NEIGHBORHOOD CHARTER NETWORK, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 139,756
National School Lunch Program	10.555		<u>465,550</u>
<i>Total U.S. Department of Agriculture</i>			<u>605,306</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Educational Agencies	84.010	S010A220014	350,994
Title I, Part A; Grants to Local Educational Agencies	84.010	S010A210014	59,816
Title II, Supporting Effective Instruction State Grants	84.367A	S367A220013	44,587
Title III, English Language Acquisition State Grants	84.365A	S365A220014	54,057
Title III, English Language Acquisition State Grants	84.365A	S365A210014	6,527
Title IV, Student Support Academic Enrichment Program	84.424A	S424A220015	33,886
Special Education Cluster			
Special Education - Grants to States	84.027	23611-575-PN01	63,273
Special Education - Grants to States	84.027	22611-575-PN01	45,904
Special Education - Grants to States	84.027X	22611-575-ARP	28,115
Education Stabilization Fund			
Governor's Emergency Education Relief Fund	84.425C		151
Elementary & Secondary School Emergency Relief	84.425D	S425D210013	436,888
Elementary & Secondary School Emergency Relief	84.425D	S425U210013	<u>1,270,437</u>
<i>Total U.S. Department of Education</i>			<u>2,394,635</u>
<i>Total federal awards expended</i>			<u>\$ 2,999,941</u>

See independent auditors' report and accompanying notes to this schedule

NEIGHBORHOOD CHARTER NETWORK, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Neighborhood Charter Network, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2023. 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, changes 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 elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

The Board of Directors
Neighborhood Charter Network, Inc.

We audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Neighborhood Charter Network, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2024.

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 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 may exist that have not been identified.

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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 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 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

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

Indianapolis, Indiana
January 29, 2024



Donovan CPAs

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

The Board of Directors
Neighborhood Charter Network, Inc.

Report on Compliance for Each Major Federal Program

We audited Neighborhood Charter Network, Inc.'s (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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Opinion on Major Federal Program

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

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

DONOVAN



Indianapolis, Indiana
January 29, 2024

NEIGHBORHOOD CHARTER NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425C	Education Stabilization Fund
84.425D	Governor's Emergency Education Relief Fund Elementary & Secondary School Emergency Relief

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.