



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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March 11, 2024

Charter School Board
pilotED Schools of Indiana, Inc.
d/b/a Bethel Park Elementary
Marion County, Indiana

We have reviewed the audit report of pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary 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 pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary 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 findings in the report on pages 21 and 22. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on page 23.

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

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY

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 - 12
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	13
Notes to the Schedule of Expenditures of Federal Awards	14
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	15 - 16
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE <i>UNIFORM GUIDANCE</i>	17 - 19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	20 - 22
CORRECTIVE ACTION PLAN	23



Donovan CPAs

Independent Auditors' Report

The Board of Directors
pilotED Schools of Indiana, Inc.

Opinion

We audited the accompanying financial statements of pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary (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 these 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 audits 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 and notes thereto, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose of additional analysis and are 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 audits 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 also issued our report dated February 9, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

DONOVAN

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

Indianapolis, Indiana
February 9, 2024

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 278,329	\$ 333,145
Grants receivable	196,829	121,575
Prepaid expenses	<u>3,585</u>	<u>9,374</u>
<i>Total current assets</i>	<u>478,743</u>	<u>464,094</u>
PROPERTY AND EQUIPMENT		
Building	3,058,575	3,058,575
Building improvements	86,038	53,538
Vehicles	91,758	85,863
Less: accumulated depreciation	<u>(1,066,711)</u>	<u>(839,112)</u>
<i>Property and equipment, net</i>	<u>2,169,660</u>	<u>2,358,864</u>
TOTAL ASSETS	<u><u>\$ 2,648,403</u></u>	<u><u>\$ 2,822,958</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of finance lease obligation	\$ 141,867	\$ 138,063
Accounts payable and accrued expenses	98,434	60,462
Refundable advances	<u>22,249</u>	<u>-</u>
<i>Total current liabilities</i>	262,550	198,525
LONG-TERM LIABILITIES		
Finance lease obligation, net of current portion	<u>2,348,196</u>	<u>2,502,610</u>
<i>Total liabilities</i>	2,610,746	2,701,135
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>37,657</u>	<u>121,823</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,648,403</u></u>	<u><u>\$ 2,822,958</u></u>

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT		
State education support	\$ 1,825,908	\$ 1,767,640
Grants	1,306,206	1,083,116
Contributions	15,924	11,927
Other	17,813	7,063
	<u>3,165,851</u>	<u>2,869,746</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	2,476,687	2,171,779
Management and general	773,330	1,031,352
	<u>3,250,017</u>	<u>3,203,131</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	(84,166)	(333,385)
NET ASSETS , BEGINNING OF YEAR	<u>121,823</u>	<u>455,208</u>
NET ASSETS, END OF YEAR	<u>\$ 37,657</u>	<u>\$ 121,823</u>

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,289,900	\$ 288,180	\$ 1,578,080	\$ 955,202	\$ 434,756	\$ 1,389,958
Professional services	55,852	337,529	393,381	97,569	363,634	461,203
Depreciation	227,599	-	227,599	221,673	-	221,673
Employee benefits	166,464	50,102	216,566	128,105	86,891	214,996
Food costs	192,630	-	192,630	181,891	-	181,891
Interest	152,704	-	152,704	148,385	-	148,385
Repairs and maintenance	101,112	-	101,112	94,813	-	94,813
Classroom and office supplies	69,943	24,920	94,863	73,336	52,248	125,584
Occupancy	80,251	-	80,251	69,526	-	69,526
Information technology	58,914	-	58,914	70,891	-	70,891
Equipment	24,547	14,046	38,593	58,008	10,725	68,733
Staff development and recruitment	33,582	-	33,582	21,484	-	21,484
Advertising	-	29,994	29,994	-	37,196	37,196
Insurance	-	15,235	15,235	-	28,514	28,514
Authorizer oversight fee	-	13,031	13,031	-	12,829	12,829
Travel and meetings	2,470	180	2,650	1,635	4,206	5,841
Student transportation	523	-	523	27,836	-	27,836
Other	20,196	113	20,309	21,425	353	21,778
<i>Total functional expenses</i>	<u>\$ 2,476,687</u>	<u>\$ 773,330</u>	<u>\$ 3,250,017</u>	<u>\$ 2,171,779</u>	<u>\$ 1,031,352</u>	<u>\$ 3,203,131</u>

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
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	\$ (84,166)	\$ (333,385)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	227,599	221,673
Changes in certain assets and liabilities:		
Grants receivable	(75,254)	155,731
Prepaid expenses	5,789	(3,093)
Accounts payable and accrued expenses	37,972	38,327
Refundable advances	<u>22,249</u>	<u>(157,103)</u>
<i>Net cash provided by (used in) operating activities</i>	134,189	(77,850)
INVESTING ACTIVITIES		
Purchases of property and equipment	(38,395)	(53,538)
FINANCING ACTIVITIES		
Principal payments on finance lease obligation	<u>(150,610)</u>	<u>(122,817)</u>
NET CHANGE IN CASH	(54,816)	(254,205)
CASH, BEGINNING OF YEAR	<u>333,145</u>	<u>587,350</u>
CASH, END OF YEAR	<u>\$ 278,329</u>	<u>\$ 333,145</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 152,704	\$ 148,385

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. During the 2022-2023 school year, the School served approximately 220 students in kindergarten through sixth grade. The School served approximately 215 students in kindergarten through fifth grade during the 2021-2022 school year.

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

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

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

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

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

Grants Receivable – Grants receivable relate primarily to activities funded under federal grants 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, minor replacement costs, and equipment purchases with a unit cost of less than \$5,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The building and building improvements are depreciated over the life of the finance lease (15 years). Vehicles are depreciated over five years.

Advertising – The School's accounting policy pertaining to advertising is to expense costs as incurred. The School incurred \$29,994 and \$37,196 in advertising costs during the years ended June 30, 2023 and 2022, respectively.

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. 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 February 9, 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 – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which 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 is considered satisfaction of the performance obligation.

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

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 3 - FINANCE LEASE OBLIGATION

Lease Accounting Standard – Effective July 1, 2022, the School adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 replaced previous lease guidance under U.S. GAAP and aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statements of financial position and disclosing key information about leasing arrangements. The entity applied the provisions of ASU 2016-02 as of the adoption date. The application of ASU 2016-02 for this lease resulted in no significant changes to reporting requirements.

The School leases its building under a finance lease obligation maturing June 30, 2033 with two five-year renewal options. On June 30, 2018, the School recorded a building asset of \$3,058,575 and a corresponding finance lease obligation with a discount rate of 5.48%. At June 30, 2023 and 2022, the accumulated depreciation of the building was \$1,019,525 and \$815,620, respectively.

Following is a schedule of future minimum lease payments under the finance lease for the years ending June 30 and present value of the net minimum lease payments as of June 30, 2023:

2024	\$	263,742
2025		296,350
2026		305,240
2027		314,397
2028		323,829
Thereafter		<u>1,772,678</u>
		3,276,236
Less: amount representing interest		<u>(786,173)</u>
		2,490,063
Less: current portion		<u>(141,867)</u>
		2,348,196
Long-term portion	\$	<u><u>2,348,196</u></u>

NOTE 4 - REFUNDABLE ADVANCES

The School was awarded grants from High Ability Program Grant and Formative Assessment Grant to provide educational instruction. The grants are considered exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The School had refundable grant advances in excess of expenditures of \$22,249 as of June 30, 2023.

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 5 - COMMITMENTS

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. OEI assesses a fee equal to 1% of the basic tuition support received by the School. Authorizer oversight fees were \$13,031 and \$12,829 during the years ended June 30, 2023 and 2022, respectively.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2023 and 2022, the escrow account has not yet been established.

The School contracted with pilotED Foundation, Inc. to provide implementation support, coaching, and capacity building in the areas of instructional systems, school operations, and school finance. pilotED Foundation, Inc. and the School have separate and distinct Boards of Directors. Under the terms of the agreement, the School agreed to pay \$12,500 per month for such services. Expense under this agreement was \$150,000 for both years ended June 30, 2023 and 2022 and is included in professional services. This agreement expires June 30, 2024 and can be terminated by either party with 60 days advance written notice.

NOTE 6 - RETIREMENT PLANS

All employees are eligible to participate in a Section 401(k) defined contribution retirement plan sponsored by the School. Under this plan, the School contributed a discretionary match of 4% of compensation, not to exceed \$4,000 per employee.

Retirement plan expense under the 401(k) plan was \$17,072 and \$18,305 during the years ended June 30, 2023 and 2022, respectively.

NOTE 7 - RISKS AND UNCERTAINTIES

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

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

Cash deposits maintained at JP Morgan Chase Bank, N.A. are insured up to the FDIC insurance limit of \$250,000. As of and throughout the years ended June 30, 2023 and 2022, cash balances exceeded the FDIC insurance limit.

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 8 - LIQUIDITY

The School's financial assets include cash and grants receivable. Financial assets at June 30, 2023 and 2022 totaled \$475,158 and \$454,720, respectively, all of which was available to meet cash needs for general expenditures within a year.

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

NOTE 9 - FUNCTIONAL EXPENSE REPORTING

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

SUPPLEMENTARY INFORMATION

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
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		\$ 80,117
National School Lunch Program	10.555		192,463
<i>Total U.S. Department of Agriculture</i>			<u>272,580</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	143,758
Title II, Part A, Supporting Effective Instruction State Grants	84.367	S367A210013	10,953
Title II, Part A, Supporting Effective Instruction State Grants	84.367	S367A220013	13,992
Title IV, Student Support and Academic Enrichment Grants	84.424A	S424A220015	10,000
Special Education Cluster			
Special Education - Grants to States	84.027	23611-620-PN01	44,287
Special Education - Grants to States	84.027	22611-620-PN01	40,069
Special Education - Grants to States	84.027	22619-620-PN01	2,006
Charter School Program	84.282	S282D190002	16,520
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	2,130
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	441,528
<i>Total U.S. Department of Education</i>			<u>725,243</u>
<i>Total Federal Awards Expended</i>			<u>\$ 997,823</u>

See independent auditors' report and accompanying notes to this schedule

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
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 pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary (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.



Donovan CPAs

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

The Board of Directors
pilotED Schools of Indiana, 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 pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary (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 February 9, 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 a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control which might be material weaknesses or significant deficiencies. The results of our tests disclosed one instance of a material weakness in internal control which was required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2023-001. Additional material weaknesses may exist which 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 required to be reported under *Government Auditing Standards*.

Management's Response to Findings

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

Purpose of this Report

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

DONOVAN

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

Indianapolis, Indiana
February 9, 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
pilotED Schools of Indiana, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2023-002. Our opinion on the major federal programs is not modified with respect to these matters.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (“*Government Auditing Standards*”); and the audit requirements of the Uniform Guidance. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School’s federal programs.

Auditors’ Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School’s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School’s internal control over compliance relevant to the audit in order to design audit procedures appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2023-002 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance which might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist which were not identified.

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

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

DONOVAN



Indianapolis, Indiana
February 9, 2024

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major programs:	

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

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

II. Financial Statement Findings

FINDING 2023-001 REVENUE REPORTING
MATERIAL WEAKNESS

Condition

The School reported \$333,616 of revenue related to federal grants in the year ended June 30, 2023 which should have been reported in the year ended June 30, 2022. For cost-reimbursable grants, revenue should be recorded in the period in which the related expenses are incurred.

Criteria

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

Cause

The Indiana Department of Education placed a hold on the School’s reimbursements of Education Stabilization Fund awards due to not timely submitting required reports. This hold was released in August 2022. Due to having the hold in place at June 30, 2022, the School did not record revenue related to any expenses incurred but unclaimed as of that date.

Effect

The timing of revenue recognition related to federal grant funds was incorrect.

Recommendation

We recommend the School develop processes to ensure proper timing of reporting of federal revenues.

Views of Responsible Officials

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

III. Federal Award Findings and Questioned Costs

FINDING 2023-002 REPORTING
SIGNIFICANT DEFICIENCY

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

Condition

The United States Department of Education required the submission of a report covering the period of July 1, 2021 to June 30, 2022 outlining the various uses of Elementary and Secondary School Emergency Relief Funds. The School was unable to provide support for how the amounts submitted in this report were calculated. Totals reported for expenses were not in line with totals expended during the period.

Criteria

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The School’s Corrective Action Plan is included on pages 23.



February 9th, 2024

To whom it may concern,

Please find below pilotED Schools of Indiana Inc.'s response to the audit findings:

Finding 2023-001 - Revenue Reporting

Due to a hold placed on the school's ESSER reimbursements in June 2022, revenue for the 2022 fiscal year was reimbursed and reported in fiscal year 2023. Internal controls will be created to ensure all reimbursements are collected and reported in the fiscal year they belong. This will be completed by May 2023 to ensure all FY24 reimbursements are completed before the end of the fiscal year, and will be monitored by the School Principal (Jennica Adkins) and Bookkeeping Plus (Tina Spencer).

Finding 2023-002 - Reporting

Transitions in operations positions over the course of the first years of ESSER distributions and reimbursements, combined with the first round of data collection resulted in discrepancies between state reports and internal records. A thorough review of past reports and data will be completed to identify errors by the School Principal (Jennica Adkins) and future reports will be completed in conjunction with Bookkeeping Plus (Tina Spencer) to ensure accuracy. This will be completed before the next round of ESSER reports due April 2024.

Jennica Adkins, Principal