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AN EQUAL OPPORTUNITY EMPLOYER

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February 8, 2024

Charter School Board
Paramount Schools of Excellence, Inc.
Marion County, Indiana

We have reviewed the audit report of Paramount Schools of Excellence, Inc. which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of Paramount Schools of Excellence, 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.

In our opinion, Blue & Co., LLC 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 Audit Report for Paramount Schools of Excellence, 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.

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

Tammy R. White, CPA
Deputy State Examiner



FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2023 AND 2022

CPAs / ADVISORS



PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

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JUNE 30, 2023 AND 2022

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Paramount Schools of Excellence, Inc. (Paramount), a nonprofit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, and cash flows for the years 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 Paramount as of June 30, 2023 and 2022, and the changes in its net assets and its 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Paramount 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, Paramount adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

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 Paramount's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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 generally accepted auditing standards 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 Paramount'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Paramount'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.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, January 22, 2024 on our consideration of Paramount'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 Paramount'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 Paramount's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
January 22, 2024

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS		
	2023	2022
Current assets		
Cash	\$ 9,566,994	\$ 7,874,969
Grant receivables	764,785	1,097,547
Prepaid expenses	88,237	4,530
Total current assets	10,420,016	8,977,046
Investments - deferred compensation	667,491	449,274
Property and equipment		
Land and improvements	1,569,001	1,569,001
Building and improvements	22,706,755	22,602,295
Equipment	2,547,138	2,520,641
Software and educational materials	608,131	608,131
Construction in progress	4,960,692	803,427
	32,391,717	28,103,495
Accumulated depreciation	(5,686,453)	(4,904,955)
Property and equipment, net	26,705,264	23,198,540
Right-of-use assets under operating leases, net	4,442,656	-0-
Total assets	\$ 42,235,427	\$ 32,624,860
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 143,697	\$ 301,032
Accrued salaries, wages and related liabilities	1,340,199	1,106,475
Refundable advances	2,560,089	1,556,228
Current portion of long-term debt	237,218	228,106
Current portion of operating lease liabilities	641,760	-0-
Total current liabilities	4,922,963	3,191,841
Long-term debt, less current portion	13,071,111	13,377,430
Operating lease liabilities, net of current portion	3,800,896	-0-
Deferred compensation	187,277	38,798
Total liabilities	21,982,247	16,608,069
Net assets		
Undesignated	19,585,689	15,567,517
Designated	667,491	449,274
Total net assets without donor restrictions	20,253,180	16,016,791
Total liabilities and net assets	\$ 42,235,427	\$ 32,624,860

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Revenues and support		
State support	\$ 13,418,084	\$ 13,167,188
Federal support	7,363,614	6,978,695
Contributions of cash and other financial assets	3,970,260	1,108,465
Contribution of nonfinancial assets	-0-	2,450,000
Other revenues and support	78,497	174,955
Investment return, net	138,356	2,139
Total revenues and support	<u>24,968,811</u>	<u>23,881,442</u>
Program and supporting service expenses		
Salaries and wages	10,353,778	8,478,051
Employee benefits	2,339,736	2,169,753
Professional services	1,894,024	1,530,444
Advertising	405,045	143,356
Depreciation	781,500	814,837
Occupancy	1,338,368	1,271,973
Supplies and miscellaneous equipment	2,621,952	2,070,136
Insurance	118,541	100,667
Interest	497,811	470,025
Other	381,667	539,385
Total program and supporting service expenses	<u>20,732,422</u>	<u>17,588,627</u>
Change in net assets without donor restrictions	4,236,389	6,292,815
Net assets		
Beginning of year	<u>16,016,791</u>	<u>9,723,976</u>
End of year	<u>\$ 20,253,180</u>	<u>\$ 16,016,791</u>

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating activities		
Change in net assets	\$ 4,236,389	\$ 6,292,815
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	781,500	814,837
Amortization of debt issuance costs	6,739	6,739
Amortization of debt premium	(75,840)	(75,840)
Contribution of nonfinancial assets	-0-	(2,450,000)
Changes in operating assets and liabilities		
Grant receivables	332,762	(245,649)
Prepaid expenses	(83,707)	11,695
Right-of-use assets under operating leases	(4,442,656)	-0-
Accounts payable and accrued expenses	(157,335)	(27,649)
Accrued salaries, wages and other liabilities	233,724	(111,712)
Refundable advances	1,003,861	513,391
Operating lease liabilities	4,442,656	-0-
Deferred compensation	148,479	38,798
Net cash flows from operating activities	6,426,572	4,767,425
Investing activities		
Property and equipment additions	(4,288,224)	(1,352,213)
Proceeds from sale of investments	-0-	535,837
Change in deferred compensation investments	(218,217)	726
Net cash flows from investing activities	(4,506,441)	(815,650)
Financing activities		
Payments on long-term debt	(228,106)	(194,483)
Change in cash	1,692,025	3,757,292
Cash		
Beginning of year	7,874,969	4,117,677
End of year	<u>\$ 9,566,994</u>	<u>\$ 7,874,969</u>
Supplemental cash flows information		
Cash paid for interest	\$ 491,072	\$ 463,286
Noncash investing - contribution of nonfinancial assets	\$ -0-	\$ 2,450,000

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Paramount Schools of Excellence, Inc. (Paramount) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. Paramount operates public charter schools established under Indiana Code 20-24 and is sponsored by the Mayor's Office of the City of Indianapolis. Paramount provides educational instruction to students in grades kindergarten through eighth grade. Paramount operated in five locations throughout Indiana and one virtual environment during 2023.

Basis of Accounting

Paramount prepares its financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues in the period when performance obligations are satisfied and the recognition of expenses in the period in which they are incurred.

Use of Estimates

The preparation of financial statements in conformity with the 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Paramount maintains its cash in accounts, which at times, may exceed federally insured limits. Paramount has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Grant Receivables

Grant receivables are amounts due from federal, state or local government agencies or other organizations. Amounts are recognized as receivable when Paramount has incurred expenditures in compliance with specific contract or grant provisions or amounts billed for incurred expenditures or services and not yet paid. The government agencies or other organizations are billed in the period in which expenditures are incurred. Grant receivables are reported at the net realizable amount due from the government agencies or other organizations.

Grant receivables are recognized at the net amount Paramount expects to collect based on established collection history. Paramount recognizes a separate allowance only when it determines there has been an unforeseeable change in the agencies' ability to pay subsequent to the delivery of goods and services resulting in an impairment loss. Such account balances are charged off against the allowance after all means of collection have been exhausted and the potential recovery is considered remote. Paramount did not record an allowance for doubtful accounts as of June 30, 2023 and 2022.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Prepaid Expenses

Prepaid expenses relate to advance payments on products or services that will be used for future programs or activities.

Investments

Investments consist of cash and mutual funds recorded at fair value. Paramount designated approximately \$667,000 and \$449,000 of investments for deferred compensation employee benefit plans as of June 30, 2023 and 2022, respectively.

Property, Equipment and Depreciation

Property and equipment are recorded at cost, or if donated, at fair market value at date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance repairs and minor renewals are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from 3-40 years, and is computed on using the straight-line method. Depreciation expense was approximately \$782,000 and \$815,000 for 2023 and 2022, respectively. Paramount did not have any significant property and equipment commitments as of June 30, 2023 as construction in progress projects were significantly completed as of June 30, 2023.

Debt Issuance Costs and Premiums

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. These costs are classified with long-term debt, as a deduction, and are amortized over the term of the respective debt. Debt issuance premiums represent the difference between the original face value amount and the premium price paid for a long-term debt instrument. The premium incurred in issuing the debt are classified with long-term debt, as an addition, and are amortized as a reduction of interest expense over the term of the respective debt.

Net Assets

Net assets, support, revenues, gains, and losses are classified based on the absence or existence of donor restrictions. Accordingly, the net assets of Paramount are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use. As of June 30, 2023 and 2022, approximately \$667,000 and \$449,000, respectively, of net assets were designated for deferred compensation plans.
- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes. There were no net assets with donor restrictions as of June 30, 2023 and 2022.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Public Support

Paramount's revenue is primarily derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by Paramount as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Amounts received are recognized as revenue when Paramount has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Refundable advances were approximately \$2,560,000 and \$1,556,000 as of June 30, 2023 and 2022, respectively. Amounts received after incurring qualifying expenditures are reported as grant receivables in the statements of financial position. Grant receivables were \$765,000 and \$1,098,000 as of June 30, 2023 and 2022, respectively.

Paramount receives state funds that have been designated for charter schools from the State of Indiana through the Indiana Department of Education (IDOE). The IDOE uses a formula based on the number of students enrolled in the school during the year to determine the amount of funds Paramount receives. Paramount also receives federal support through a variety of programs administered by the IDOE and United States Department of Agriculture.

Paramount derives a significant portion of its revenue from state and federal funding programs (approximately 84% and 88% in 2023 and 2022, respectively). The receipt of future revenues by Paramount is subject to among other factors, state and federal policies affecting education, economic conditions, and other conditions which are impossible to predict.

Contributions received, including unconditional promises to give, are recognized when received. Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. If a restriction is fulfilled in the same reporting period in which the contribution is received, the contribution is reported as net assets without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, applicable net assets with restriction are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from donor restrictions.

Paramount also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions. Receipt of funds for conditional contributions are recorded as a refundable advance in the statement of financial position until conditions are satisfied. Once satisfied, the refundable advance is released into contribution revenue. Materials, property, equipment and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair market values on the date received.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

During 2022, Paramount received a contributed nonfinancial asset of property and equipment recorded at fair value as of the date of donation of \$2,450,000. The valuation and inputs used to determine fair value of the property and equipment were based on a certified real estate appraisal of the property and equipment using the cost approach. The property and equipment do not have any donor restrictions and will be utilized to provide educational instruction to students consistent with Paramount's exempt purpose. There were no significant contributions of nonfinancial assets during 2023.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Paramount. Volunteers also provide program services throughout the year that are not recognized as contributions in the financial statements unless the recognition criteria are met. These services include volunteering at events and clerical work. Donated services were not significant in 2023 and 2022.

Advertising

Paramount uses advertising to promote its programs among the audiences it serves. The cost of advertising is expensed as incurred. Advertising expense totaled approximately \$405,000 and \$143,000 during 2023 and 2022, respectively, and is included within program and supporting service expenses within the statements of activities and changes in net assets.

Income Taxes

Paramount is a not-for-profit corporation as defined by Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes. As such, Paramount is generally exempt from income taxes. However, Paramount is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Paramount and recognize a tax liability if Paramount has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Paramount, and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Paramount is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Paramount filed its federal and state income tax returns for periods through June 30, 2022. The income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Going Concern Evaluation

Management evaluated whether there were conditions or events that raised substantial doubt about Paramount's ability to continue as a going concern for a period of one year from the date the financial statements were available to be issued.

Subsequent Events

Paramount evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is January 22, 2024.

2. CHANGE IN ACCOUNTING PRINCIPLE

On July 1, 2022, Paramount adopted the lease accounting standard issued by the Financial Accounting Standards Board and codified in the Accounting Standards Codification (ASC) as Topic 842 (ASC 842). The lease standard in ASC 842 intended to improve financial reporting about leasing transactions by requiring entities to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in ASC 842) of twelve months or less are not required to be reflected on an entity's statement of financial position.

When adopting ASC 842, Paramount applied the modified retrospective approach to all lease agreements. ASC 842 was applied retrospectively to the beginning of the period of adoption through a cumulative-effect adjustment recognized as of July 1, 2022. Prior period adjustments have not been adjusted and continue to be reported in accordance with the previous accounting guidance in ASC 840. The adoption of ASC 842 did not have a material impact on the statements of financial position, the statements of activities and changes in net assets, and the statements of cash flows. As of July 1, 2022, Paramount's total assets and total liabilities increased by approximately \$2,753,000 as a result of ASC 842. The most significant impact was the recognition of right-of-use (ROU) assets under operating leases and operating lease liabilities for operating leases.

Paramount elected the available practical expedients to account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether any expired or existing contracts contain a lease, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. In addition, Paramount elected the hindsight practical expedient to determine the lease term for existing leases.

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Paramount has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2023.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by Paramount are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.
- *Deferred compensation*: Valued based on the fair market value of the related deferred compensation assets.

The table sets forth by level, within the hierarchy, Paramount's assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022:

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds - equities	\$ 371,058	\$ 371,058	\$ -0-	\$ -0-
Mutual funds - fixed income	280,947	280,947	-0-	-0-
	652,005	<u>\$ 652,005</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Cash	15,486			
Total assets	<u>\$ 667,491</u>			
Liabilities				
Deferred compensation	\$ 187,277	\$ -0-	\$ 187,277	\$ -0-

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds - equities	\$ 227,288	\$ 227,288	\$ -0-	\$ -0-
Mutual funds - fixed income	216,056	216,056	-0-	-0-
	443,344	\$ 443,344	\$ -0-	\$ -0-
Cash	5,930			
Total assets	<u>\$ 449,274</u>			
Liabilities				
Deferred compensation	<u>\$ 38,798</u>	<u>\$ -0-</u>	<u>\$ 38,798</u>	<u>\$ -0-</u>

4. LONG-TERM DEBT

Long-term debt as of June 30, 2023 and 2022 is summarized as follows:

	2023	2022
Loan payable to Equitable Facilities Fund, Inc., maturing in August 2051, fixed interest rate of 5.00%, principal payments due in monthly installments ranging from \$3,000 to \$62,000 plus interest, secured by pledge of revenues and property with net book value of approximately \$18,088,000 and \$18,519,000 as of June 30, 2023 and 2022, respectively.	\$ 11,198,522	\$ 11,376,628
Loan payable to Indiana Common School Fund and the State Board of Education, maturing in July 2026, fixed interest rate of 1.0%, semi-annual principal and interest payments ranging from \$25,000 to \$30,000 plus interest, secured by property with a net book value of approximately \$175,000 and \$225,000 as of June 30, 2023 and 2022, respectively.	175,000	225,000
	11,373,522	11,601,628
Unamortized debt issuance costs	(188,702)	(195,441)
Unamortized debt premium	2,123,509	2,199,349
Current portion	(237,218)	(228,106)
	<u>\$ 13,071,111</u>	<u>\$ 13,377,430</u>

In June 2021, Paramount entered into a loan agreement with Equitable Facilities Fund, Inc. (EFF) for approximately \$11,521,000 with fixed interest at 5.00%. The loan was issued at a premium of \$2,275,000 to be amortized over the term loan agreement. The loan matures in August 2051 and requires monthly principal and interest payments. The loan is secured by a pledge of Paramount's revenues and property with a net book value of \$18,088,000 and \$18,519,000 as of June 30, 2023 and 2022, respectively. The loan cannot be paid in advance without penalty prior to June 2031.

In December 2015, the Indiana Common School Fund and the State Board of Education issued a \$500,000 loan to Paramount. This agreement requires semi-annual principal payments to be made as reductions of Paramount's distributive share of the State Tuition Support. The interest rate is fixed at 1% for duration of the agreement. The loan payable matures in July 2026.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Paramount has agreed to certain covenants, which, among other things, limit additional indebtedness and guarantees and require Paramount to maintain specific financial ratios. Management believed Paramount was in compliance with the covenants as of June 30, 2023 and 2022.

Aggregate future maturities of long-term debt are as follows:

Year Ending June 30,	
2023	\$ 237,218
2024	246,796
2025	256,865
2026	242,449
2027	228,574
Thereafter	<u>10,161,620</u>
	<u>\$ 11,373,522</u>

5. OPERATING LEASES

Paramount recognizes ROU assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. Paramount had no financing leases as of June 30, 2023.

Paramount has operating leases for certain equipment and space for classrooms and administrative purposes. Leasing arrangements require fixed payments and also include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. Paramount's lease agreements do not contain any material restrictive covenants. The leases have remaining terms of approximately 1 to 10 years.

Paramount's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. As a not-for-profit business entity, Paramount made a policy election to use a risk-free discount rate based on the rate of a zero-coupon U.S. treasury instrument commensurate to the lease term as the discount rate for its leases unless Paramount can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and utilities. Paramount has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its ROU assets and lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are rather expensed on a straight-line basis over the lease term. Short-term leases were not significant to the financial statements. Short-term leases were not significant to the financial statements.

In evaluating contracts to determine if they qualify as a lease, Paramount considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if Paramount can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, Paramount assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgement.

The components of Paramount's lease cost, ROU assets and lease liabilities as of and for the year ended June 30, 2023 are as follows:

Lease cost	
Operating lease cost	\$ 474,994
Short-term lease cost	93,023
Total lease cost	<u>\$ 568,017</u>
Right-of-use assets	
Operating lease assets, net	<u>\$ 4,442,656</u>
Lease liabilities	
Operating lease liabilities, current	\$ 641,760
Operating lease liabilities, noncurrent	3,800,896
Total lease liabilities	<u>\$ 4,442,656</u>

Additional information regarding cash payments under Paramount's operating leases during 2023, as well as the inputs used in determining the ROU assets and liabilities at June 30, 2023, is as follows:

Cash paid for amount included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 474,994
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 2,108,848
Weighted-average remaining lease term - operating leases	7.3 years
Weighted-average discount rate - operating leases	2.1%

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Future payments of lease liabilities as of June 30, 2023 are as follows:

Year Ending June 30,	
2024	\$ 731,660
2025	754,994
2026	754,994
2027	754,994
2028	754,994
Thereafter	<u>1,143,333</u>
Total lease payments	4,894,969
Less interest	<u>(452,313)</u>
Present value of lease liabilities	<u>\$ 4,442,656</u>

Total rental expense for all operating leases during 2022 was approximately \$344,000. Future minimum lease payments under operating leases having initial terms in excess of one year as of June 30, 2022, under previous accounting guidance under ASC 840, were as follows:

Year Ending June 30,	
2023	\$ 815,477
2024	803,282
2025	777,478
2026	754,994
2027	754,994
Thereafter	<u>1,898,327</u>
Total lease payments	<u>\$ 5,804,552</u>

6. RETIREMENT PLANS

403(b) Plan

Paramount's eligible faculty and administrative staff are participants in a 403(b) tax deferred annuity retirement plan (the Plan). Paramount may make a discretionary matching contribution on participant deferrals and may make a discretionary profit sharing contribution to the Plan. Paramount's contribution to the Plan, net of forfeitures, was approximately \$228,000 and \$173,000 during 2023 and 2022, respectively.

Other Benefit Plans

Paramount established additional benefits plans for certain eligible employees which were effective on July 1, 2021. Under these plans, Paramount makes contributions with eligible employees vesting over periods ranging from 5 to 10 years. Paramount funded approximately \$197,000 and \$505,000, net of forfeited balances, to the deferred compensation plans during 2023 and 2022, respectively. The assets of the plans incurred investment gains of \$21,000 during 2023 and losses of \$56,000 during 2022.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Paramount expensed \$127,000 and \$95,000, net of forfeitures, of vested payments to the plans within employee benefits expense on the statements of activities and changes in net assets in 2023 and 2022, respectively. Paramount recorded deferred compensation investment assets of \$667,000 and \$449,000 and a corresponding liability of \$187,000 and \$39,000 as of June 30, 2023 and 2022, respectively, based on the participant vesting of the plans.

Indiana Public Retirement System

Paramount elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund and the Indiana Teachers' Retirement Fund (TRF), with the merger of the funds being effective July 1, 2011.

TRF is a defined benefit pension plan. TRF is also a cost-sharing multiple employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The plan is recorded as a multiple employer plan, which was established by the State of Indiana. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate. Indiana Code (IC 5-10.2) governs, through the INPRS Board, most requirements of the system, and give Paramount authority to contribute to the plan. The retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus interest credited to the member's account. Paramount's required contribution rate is 7.5%. Paramount may elect to make additional contributions on behalf of the member.

Retirement plan contributions for TRF were approximately \$18,000 and \$11,000 for 2023 and 2022, respectively. The plan is not governed by the Employee Income Retirement Income Security Act of 1974 and is not required to file a Federal Form 5500, Annual Return/Report of Employee Benefit Plan. There were no surcharges imposed and there is no expiration date of the plan included in state statutes. Upon withdrawing from TRF, Paramount, would be obligated for its proportionate share of the plan's unfunded vested benefits. Paramount has no intention of withdrawing from the plan. A complete copy of the annual report for the year ended June 30, 2022 can be obtained at www.in.gov/inprs.

7. RISKS AND UNCERTAINTIES

Paramount provides education instruction services to families residing in Marion and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area. The majority of revenues relate to legislation enacted by the State of Indiana. Changes in state legislation could significantly affect Paramount. Additionally, Paramount is subject to monitoring and audit by state agencies. Those examinations may result in additional liabilities to be imposed on Paramount.

8. COMMITMENTS AND CONTINGENCIES

Paramount may be involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the future financial position, results of operations or cash flows of Paramount.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

Paramount's financial assets available within one year of the June 30, 2023 and 2022 statements of financial position for general expenditure are as follows:

	2023	2022
Cash	\$ 9,566,994	\$ 7,874,969
Grant receivables	764,785	1,097,547
	\$ 10,331,779	\$ 8,972,516

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Grant receivables are subject to implied time restrictions but are expected to be collected within one year. Paramount has a policy to structure its financial assets to be available as is general expenditures, liabilities, and other obligations come due.

10. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program and supporting services have been summarized on a natural basis in the statements of activities and changes in net assets and have been summarized on a functional basis below. Certain costs have been allocated among education services and management and general categories based on an estimate of time spent by Paramount's personnel. These expenses include salaries and wages and employee benefits. Other expenses require allocation on a reasonable basis that is consistently applied based on the ratio of salaries and wages and employee benefits charged to the category to total salaries and wages and employee benefits. The other expenses that are allocated include professional services, advertising, depreciation, occupancy, supplies, insurance, interest, and other. Although the methods used were appropriate, alternative methods may provide different results. Fundraising costs were not significant in 2023 and 2022. Paramount incurred the following education services as well as management and general expenses for 2023 and 2022:

	2023			2022		
	Education Services	Management and General	Total Expenses	Education Services	Management and General	Total Expenses
Salaries and wages	\$ 8,283,022	\$ 2,070,756	\$ 10,353,778	\$ 6,782,441	\$ 1,695,610	\$ 8,478,051
Employee benefits	1,871,789	467,947	2,339,736	1,735,802	433,951	2,169,753
Professional services	1,515,219	378,805	1,894,024	1,224,355	306,089	1,530,444
Advertising	324,036	81,009	405,045	114,685	28,671	143,356
Depreciation	625,200	156,300	781,500	651,870	162,967	814,837
Occupancy	1,070,694	267,674	1,338,368	1,017,578	254,395	1,271,973
Supplies	2,097,562	524,390	2,621,952	1,656,109	414,027	2,070,136
Insurance	94,833	23,708	118,541	80,534	20,133	100,667
Interest	398,249	99,562	497,811	376,020	94,005	470,025
Other	305,334	76,333	381,667	431,508	107,877	539,385
	\$ 16,585,938	\$ 4,146,484	\$ 20,732,422	\$ 14,070,902	\$ 3,517,725	\$ 17,588,627

SUPPLEMENTARY INFORMATION

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF FINANCIAL POSITION – LOCATION
JUNE 30, 2023

	Brookside	Cottage Home	Englewood	Lafayette	South Bend	Online Academy	Navigation	Eliminations	Total
ASSETS									
Current assets									
Cash	\$ 1,032,500	\$ 421,152	\$ 271,022	\$ 271,979	\$ 322,377	\$ 263,612	\$ 6,984,352	\$ -0-	\$ 9,566,994
Grant receivables	240,697	142,021	122,647	50,000	42,015	83,740	83,665	-0-	764,785
Interschool receivables	2,794,013	89,840	292,347	-0-	-0-	849,832	1,297,605	(5,323,637)	-0-
Prepaid expenses	-0-	-0-	-0-	-0-	-0-	-0-	88,237	-0-	88,237
Total current assets	4,067,210	653,013	686,016	321,979	364,392	1,197,184	8,453,859	(5,323,637)	10,420,016
Investments - deferred compensation	66,434	33,839	34,821	-0-	-0-	33,145	499,252	-0-	667,491
Property and equipment									
Land and improvements	999,001	-0-	-0-	-0-	570,000	-0-	-0-	-0-	1,569,001
Building and improvements	10,061,584	10,547,941	156,574	-0-	1,924,693	15,963	-0-	-0-	22,706,755
Equipment	1,832,173	565,477	100,753	-0-	-0-	-0-	48,735	-0-	2,547,138
Software and educational materials	522,010	47,568	38,553	-0-	-0-	-0-	-0-	-0-	608,131
Construction in progress	-0-	-0-	-0-	1,613,919	3,346,773	-0-	-0-	-0-	4,960,692
	13,414,768	11,160,986	295,880	1,613,919	5,841,466	15,963	48,735	-0-	32,391,717
Accumulated depreciation	(4,492,184)	(976,239)	(138,821)	-0-	(64,156)	(432)	(14,621)	-0-	(5,686,453)
Property and equipment, net	8,922,584	10,184,747	157,059	1,613,919	5,777,310	15,531	34,114	-0-	26,705,264
Right-of-use assets under operating leases, net	-0-	-0-	2,333,808	2,108,848	-0-	-0-	-0-	-0-	4,442,656
Total assets	\$ 13,056,228	\$ 10,871,599	\$ 3,211,704	\$ 4,044,746	\$ 6,141,702	\$ 1,245,860	\$ 8,987,225	\$ (5,323,637)	\$ 42,235,427
LIABILITIES AND NET ASSETS									
Current liabilities									
Accounts payable and accrued expenses	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 143,697	\$ -0-	\$ 143,697
Interschool payables	-0-	-0-	-0-	1,797,523	3,526,114	-0-	-0-	(5,323,637)	-0-
Accrued salaries, wages and related liabilities	506,740	236,024	193,526	-0-	-0-	91,958	311,951	-0-	1,340,199
Refundable advances	1,944,245	292,982	310,154	-0-	-0-	12,708	-0-	-0-	2,560,089
Current portion of long-term debt	158,927	78,291	-0-	-0-	-0-	-0-	-0-	-0-	237,218
Current portion of operating lease liabilities	-0-	-0-	460,344	181,416	-0-	-0-	-0-	-0-	641,760
Total current liabilities	2,609,912	607,297	964,024	1,978,939	3,526,114	104,666	455,648	(5,323,637)	4,922,963
Long-term debt, less current portion	7,479,201	5,591,910	-0-	-0-	-0-	-0-	-0-	-0-	13,071,111
Operating lease liabilities, net of current portion	-0-	-0-	1,873,464	1,927,432	-0-	-0-	-0-	-0-	3,800,896
Deferred compensation	18,434	6,839	7,821	-0-	-0-	9,145	145,038	-0-	187,277
Total liabilities	10,107,547	6,206,046	2,845,309	3,906,371	3,526,114	113,811	600,686	(5,323,637)	21,982,247
Net assets									
Undesignated	2,882,247	4,631,714	331,574	138,375	2,615,588	1,098,904	7,887,287	-0-	19,585,689
Designated	66,434	33,839	34,821	-0-	-0-	33,145	499,252	-0-	667,491
Total net assets without donor restrictions	2,948,681	4,665,553	366,395	138,375	2,615,588	1,132,049	8,386,539	-0-	20,253,180
Total liabilities and net assets	\$ 13,056,228	\$ 10,871,599	\$ 3,211,704	\$ 4,044,746	\$ 6,141,702	\$ 1,245,860	\$ 8,987,225	\$ (5,323,637)	\$ 42,235,427

See report of independent auditors on pages 1 through 3.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

**SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – LOCATION
YEAR ENDED JUNE 30, 2023**

	Brookside	Cottage Home	Englewood	Lafayette	South Bend	Online Academy	Navigation	Eliminations	Total
Revenues and support									
State support	\$ 7,169,889	\$ 2,644,290	\$ 2,050,581	\$ -0-	\$ -0-	\$ 1,553,324	\$ -0-	\$ -0-	\$ 13,418,084
Federal support	3,525,261	1,060,007	1,116,593	87,498	86,292	832,595	655,368	-0-	7,363,614
Contributions of cash and other financial assets	34,460	12,266	500	-0-	50,000	1,000	3,872,034	-0-	3,970,260
Other revenues and support	31,014	430	1,594	-0-	-0-	11,374	34,085	-0-	78,497
Investment return, net	15,086	5,872	4,480	4,038	4,192	3,708	100,980	-0-	138,356
Total revenues and support	10,775,710	3,722,865	3,173,748	91,536	140,484	2,402,001	4,662,467	-0-	24,968,811
Program and supporting service expenses									
Salaries and wages	4,284,578	1,714,966	1,681,903	19,921	26,701	716,940	1,908,769	-0-	10,353,778
Employee benefits	914,258	386,060	368,109	210	220	212,237	458,642	-0-	2,339,736
Professional services	543,275	292,999	212,784	2,591	32,322	215,655	594,398	-0-	1,894,024
Advertising	11,944	10,727	10,803	1,629	10,098	30,931	328,913	-0-	405,045
Depreciation	323,693	375,361	24,481	-0-	4,010	100	53,855	-0-	781,500
Occupancy	279,257	181,089	169,110	14,459	27,960	55,442	611,051	-0-	1,338,368
Supplies and miscellaneous equipment	1,008,624	277,129	513,494	180,315	186,781	346,385	109,224	-0-	2,621,952
Insurance	44,206	24,361	14,623	-0-	1,235	7,384	26,732	-0-	118,541
Interest	238,009	259,802	-0-	-0-	-0-	-0-	-0-	-0-	497,811
Other	158,249	25,308	41,124	6,015	7,946	35,218	107,807	-0-	381,667
Total program and supporting service expenses	7,806,093	3,547,802	3,036,431	225,140	297,273	1,620,292	4,199,391	-0-	20,732,422
Revenues and support over (under) expenses	2,969,617	175,063	137,317	(133,604)	(156,789)	781,709	463,076	-0-	4,236,389
Transfers	(1,894,458)	(74,853)	(374,538)	271,979	2,772,377	(1,027,794)	327,287	-0-	-0-
Change in net assets without donor restrictions	1,075,159	100,210	(237,221)	138,375	2,615,588	(246,085)	790,363	-0-	4,236,389
Net assets									
Beginning of year	1,873,522	4,565,343	603,616	-0-	-0-	1,378,134	7,596,176	-0-	16,016,791
End of year	\$ 2,948,681	\$ 4,665,553	\$ 366,395	\$ 138,375	\$ 2,615,588	\$ 1,132,049	\$ 8,386,539	\$ -0-	\$ 20,253,180

See report of independent auditors on pages 1 through 3.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF FINANCIAL POSITION – LOCATION
JUNE 30, 2022

	Brookside	Cottage Home	Englewood	Online Academy	Navigation	Eliminations	Total
ASSETS							
Current assets							
Cash	\$ 1,434,731	\$ 350,190	\$ 495,904	\$ 1,038,821	\$ 4,555,323	\$ -0-	\$ 7,874,969
Grant receivables	384,469	149,780	104,439	419,382	43,491	(4,014)	1,097,547
Prepaid expenses	3,249	-0-	-0-	-0-	1,281	-0-	4,530
Total current assets	1,822,449	499,970	600,343	1,458,203	4,600,095	(4,014)	8,977,046
Investments - deferred compensation	449,274	-0-	-0-	-0-	-0-	-0-	449,274
Property and equipment							
Land and improvements	999,001	-0-	-0-	-0-	570,000	-0-	1,569,001
Building and improvements	10,061,584	10,443,481	156,574	15,963	1,924,693	-0-	22,602,295
Equipment	1,825,080	555,775	91,051	-0-	48,735	-0-	2,520,641
Software and educational materials	522,010	47,568	38,553	-0-	-0-	-0-	608,131
Construction in progress	-0-	-0-	-0-	-0-	803,427	-0-	803,427
	13,407,675	11,046,824	286,178	15,963	3,346,855	-0-	28,103,495
Accumulated depreciation	(4,168,491)	(600,878)	(114,340)	(333)	(20,913)	-0-	(4,904,955)
Property and equipment, net	9,239,184	10,445,946	171,838	15,630	3,325,942	-0-	23,198,540
Total assets	\$ 11,510,907	\$ 10,945,916	\$ 772,181	\$ 1,473,833	\$ 7,926,037	\$ (4,014)	\$ 32,624,860
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	\$ 2,019	\$ 132,042	\$ -0-	\$ 1,451	\$ 169,534	\$ (4,014)	\$ 301,032
Accrued salaries, wages and related liabilities	448,995	234,340	168,565	94,248	160,327	-0-	1,106,475
Refundable advances	1,294,167	262,061	-0-	-0-	-0-	-0-	1,556,228
Current portion of long-term debt	153,625	74,481	-0-	-0-	-0-	-0-	228,106
Total current liabilities	1,898,806	702,924	168,565	95,699	329,861	(4,014)	3,191,841
Long-term debt, less current portion	7,699,781	5,677,649	-0-	-0-	-0-	-0-	13,377,430
Deferred compensation	38,798	-0-	-0-	-0-	-0-	-0-	38,798
Total liabilities	9,637,385	6,380,573	168,565	95,699	329,861	(4,014)	16,608,069
Net assets							
Undesignated	1,424,248	4,565,343	603,616	1,378,134	7,596,176	-0-	15,567,517
Designated	449,274	-0-	-0-	-0-	-0-	-0-	449,274
Total net assets without donor restrictions	1,873,522	4,565,343	603,616	1,378,134	7,596,176	-0-	16,016,791
Total liabilities and net assets	\$ 11,510,907	\$ 10,945,916	\$ 772,181	\$ 1,473,833	\$ 7,926,037	\$ (4,014)	\$ 32,624,860

See report of independent auditors on pages 1 through 3.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – LOCATION
YEAR ENDED JUNE 30, 2022

	Brookside	Cottage Home	Englewood	Online Academy	Navigation	Eliminations	Total
Revenues and support							
State support	\$ 6,780,959	\$ 2,010,516	\$ 1,804,963	\$ 2,570,750	\$ -0-	\$ -0-	\$ 13,167,188
Federal support	4,145,024	982,273	1,027,709	823,689	-0-	-0-	6,978,695
Contributions of cash and other financial assets	522,204	9,272	7,584	471,250	98,155	-0-	1,108,465
Contribution of nonfinancial assets	-0-	-0-	-0-	-0-	2,450,000	-0-	2,450,000
Other revenues and support	89,557	31,014	2,695	21,714	29,975	-0-	174,955
Investment return, net	402	277	253	244	963	-0-	2,139
Total revenues and support	11,538,146	3,033,352	2,843,204	3,887,647	2,579,093	-0-	23,881,442
Program and supporting service expenses							
Salaries and wages	3,694,622	1,528,285	1,241,444	938,326	1,075,374	-0-	8,478,051
Employee benefits	794,336	420,370	433,627	211,676	309,744	-0-	2,169,753
Professional services	507,144	335,953	194,657	104,506	388,184	-0-	1,530,444
Advertising	14,648	574	692	15,864	111,578	-0-	143,356
Depreciation	368,801	382,723	42,067	333	20,913	-0-	814,837
Occupancy	297,532	140,025	420,541	65,448	348,427	-0-	1,271,973
Supplies and miscellaneous equipment	825,209	239,010	236,073	493,843	276,001	-0-	2,070,136
Insurance	45,059	18,402	11,749	10,640	14,817	-0-	100,667
Interest	308,472	161,553	-0-	-0-	-0-	-0-	470,025
Other	168,205	167,453	51,517	74,763	77,447	-0-	539,385
Total program and supporting service expenses	7,024,028	3,394,348	2,632,367	1,915,399	2,622,485	-0-	17,588,627
Revenues and support over (under) expenses	4,514,118	(360,996)	210,837	1,972,248	(43,392)	-0-	6,292,815
Transfers	(7,214,854)	(9,899)	179,738	(594,553)	7,639,568	-0-	-0-
Change in net assets without donor restrictions	(2,700,736)	(370,895)	390,575	1,377,695	7,596,176	-0-	6,292,815
Net assets							
Beginning of year	4,574,258	4,936,238	213,041	439	-0-	-0-	9,723,976
End of year	\$ 1,873,522	\$ 4,565,343	\$ 603,616	\$ 1,378,134	\$ 7,596,176	\$ -0-	\$ 16,016,791

See report of independent auditors on pages 1 through 3.



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**REPORT OF INDEPENDENT AUDITORS 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
Paramount Schools of Excellence, 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 Paramount Schools of Excellence, Inc. (Paramount), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paramount'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 Paramount's internal control. Accordingly, we do not express an opinion on the effectiveness of Paramount'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 Paramount'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 have not been identified.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paramount'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 Paramount's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paramount's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
January 22, 2024



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

Board of Directors
 Paramount Schools of Excellence, Inc.
 Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Paramount Schools of Excellence, Inc.'s (Paramount) 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 Paramount's major federal programs for the year ended June 30, 2023. Paramount's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Paramount 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, 2023.

Basis for Opinion on Each Major Program

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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Paramount'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 generally accepted auditing standards, *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 judgement made by a reasonable user of the report on compliance about Paramount's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance*, we:

- Exercise professional judgement 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 Paramount'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 Paramount'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 Paramount'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 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.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that 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 that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that 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.

Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

We have audited the financial statements of Paramount as of and for the year ended June 30, 2023 and have issued our report thereon dated January 22, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the *Uniform Guidance*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
January 22, 2024

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing #	Grant ID Number(s)	Expenditures
Major program			
U.S. Department of Education (DOE) through Indiana Department of Education (IDOE) COVID-19 - Education Stabilization Fund	84.425	S425D200013	\$ 3,668,894
Non-major programs			
U.S. Department of Agriculture (USDA) through IDOE Child Nutrition Cluster School Breakfast Program	10.553	Not Available	296,260
National School Lunch Program	10.555	Not Available	<u>802,572</u>
Total for cluster			1,098,832
DOE - through IDOE			
Title I Grants to Local Educational Agencies	84.010	S010A210014	894,552
Special Education Cluster			
Special Education - Grants to States	84.027	H027X210084	401,299
Special Education Preschool Grants	84.173	H173A210104	<u>13,079</u>
Total for cluster			414,378
Expanding Opportunity through Quality Charter Schools Program	84.282	U282A210017	798,910
Twenty-First Century Community Learning Centers	84.287	S287C210014	267,829
English Language Acquisition State Grants	84.365	Not Available	14,340
Supporting Effective Instruction State Grants	84.367	S367A210013	84,968
Student Support and Academic Enrichment Program	84.424	S424A210015	<u>120,911</u>
Total non-major programs			<u>3,694,720</u>
Total federal expenditures			<u>\$ 7,363,614</u>
Total DOE through IDOE			\$ 6,264,782
Total USDA through IDOE			<u>1,098,832</u>
Total federal expenditures			<u>\$ 7,363,614</u>

See Report of Independent Auditors on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance* on page 27.

See notes to schedule of expenditures of federal awards.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Paramount Schools of Excellence, Inc. (Paramount) for the year ended June 30, 2023, and is presented on the accrual basis of accounting. The information in this SEFA is presented in accordance with the 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)*. Therefore, some of the amounts presented in this SEFA may differ from amounts presented in or used in the preparation of the basic financial statements. The basic financial statement classifications may include other financial activity for reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the SEFA 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. Paramount has elected not to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

3. AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

Paramount did not pass through any federal awards to subrecipients during 2023. In addition, there were no federal awards expended in the form of non-cash assistance and there were no loan guarantees outstanding or extended during 2023.

4. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During 2023, Paramount did not receive donated personal protective equipment from federal sources.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section I – Summary of Audit Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es) noted? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es) noted? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major program:
Assistance Listing Number 84.425 - COVID-19 - Education Stabilization Fund

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Findings Related to Financial Statements Reported in Accordance With Government Auditing Standards:

No matters reported

Section III - Findings and Questioned Costs Relating to Federal Awards:

No matters reported

Section IV - Summary Schedule of Prior Audit Findings:

Not applicable

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

OTHER REPORT
JUNE 30, 2023

The report presented herein was prepared in addition to another official report prepared for Paramount Schools of Excellence, Inc. as listed below:

Supplemental Audit Report of Paramount Schools of Excellence, 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*.