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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

March 11, 2024

Charter School Board  
Options Charter Schools, Inc.  
Hamilton County, Indiana

We have reviewed the audit report of Options Charter School, Inc., which was opined upon by CliftonLarsonAllen LLP, 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 Options Charter Schools, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 27 through 29. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears at the end of the report.

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

In addition to the report presented herein, a Supplemental Audit Report for Options Charter Schools, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

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

Tammy R. White, CPA  
Deputy State Examiner

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Options Charter Schools and Affiliates  
Noblesville, Indiana

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of Options Charter Schools and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Options Charter Schools and Affiliates as of June 30, 2023, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Emphasis of a Matter – Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2023, Options Charter Schools and Affiliates adopted new accounting guidance for leases. The guidance requires leases to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Options Charter Schools and Affiliates ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS 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 consolidated 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 Options Charter Schools and Affiliates' internal controls. 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 consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Options Charter Schools and Affiliates' ability to continue as a going concern for a reasonable period of time.

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

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024, on our consideration of Options Charter Schools and Affiliates 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 Options Charter Schools and Affiliates' 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 Options Charter Schools and Affiliates' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 14, 2024

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 582,797
Grants Receivable	805,059
Prepaid Expenses	62,023
Interest Rate Swap	484,486
Total Current Assets	<u>1,934,365</u>

**PROPERTY AND EQUIPMENT**

Land	1,313,089
Building and Improvements	3,430,837
Leasehold Improvements	184,335
Furniture and Equipment	2,989,599
Total Property and Equipment	<u>7,917,860</u>
Less: Accumulated Depreciation	<u>(857,816)</u>
Property and Equipment, Net	7,060,044

**OTHER ASSETS**

Right-of-Use Assets - Operating Leases, Net	<u>899,002</u>
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Total Assets	<u><u>\$ 9,893,411</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current Portion of Note Payable	\$ 367,806
Security Deposit	3,200
Accounts Payable and Accrued Expenses	543,045
Right-of-Use Liability - Operating, Current	237,440
Total Current Liabilities	<u>1,151,491</u>

**LONG-TERM LIABILITIES**

Note Payable, Net of Current Portion	3,842,945
Right-of-Use Liability - Operating, Net of Current Portion	661,562
Total Long-Term Liabilities	<u>4,504,507</u>

Total Liabilities	5,655,998
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**NET ASSETS, WITHOUT DONOR RESTRICTIONS**

	<u>4,237,413</u>
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Total Liabilities and Net Assets	<u><u>\$ 9,893,411</u></u>
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*See accompanying Notes to Consolidated Financial Statements.*

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
YEAR ENDED JUNE 30, 2023**

<b>REVENUE AND SUPPORT</b>	
State Education Support	\$ 8,343,737
Contributions and Donations	61,209
Grant Revenue	3,089,065
In-Kind Revenue	5,735
Student Fees	1,725
Other Income	836
Gain on Interest Rate Swap	111,851
Total Revenue and Support	11,614,158
 <b>EXPENSES</b>	
Program Services	8,084,358
Management and General	2,273,053
Total Expenses	10,357,411
 <b>CHANGE IN NET ASSETS</b>	 1,256,747
Net Assets - Beginning of Year	2,980,666
 <b>NET ASSETS - END OF YEAR</b>	 \$ 4,237,413

*See accompanying Notes to Consolidated Financial Statements.*

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 4,491,125	\$ 1,055,333	\$ 5,546,458
Employee Benefits	1,683,918	407,428	2,091,346
Occupancy	431,726	68,249	499,975
Scholarships	4,000	-	4,000
Equipment	13,636	-	13,636
Professional Services	441,576	326,409	767,985
Depreciation	212,717	1,871	214,588
Classroom and Office Supplies	588,766	29,153	617,919
Authorizer Oversight Fees	-	185,006	185,006
Food Service	40,259	-	40,259
Insurance	-	52,521	52,521
Transportation	94,595	10,995	105,590
Interest	-	124,346	124,346
Other	82,040	11,742	93,782
	<u>\$ 8,084,358</u>	<u>\$ 2,273,053</u>	<u>\$ 10,357,411</u>
Total Expenses by Function	<u>\$ 8,084,358</u>	<u>\$ 2,273,053</u>	<u>\$ 10,357,411</u>

*See accompanying Notes to Consolidated Financial Statements.*

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2023**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 1,256,747
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	214,588
Gain on Interest Rate Swap	(111,851)
Changes in Operating Assets and Liabilities:	
Grants Receivable	(720,537)
Prepaid Expenses	48,433
Accounts Payable and Accrued Expenses	108,930
Deferred Revenue	(25,000)
Net Cash Provided by Operating Activities	<u>771,310</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Property and Equipment	(401,119)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal Paid on Note Payable	<u>(363,161)</u>
<b>NET CHANGE IN CASH</b>	7,030
Cash - Beginning of Year	<u>575,767</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 582,797</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Cash Paid for Interest	<u><u>\$ 125,474</u></u>

See accompanying Notes to Consolidated Financial Statements.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Options Charter Schools (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates three public charter schools established under Indiana Code 20-24 and is sponsored by Ball State University. The School serves approximately 1,000 students in grades nine to twelve by providing an alternative to traditional high school programs.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the School and its affiliate Options in Education Foundation, Inc. (Foundation) and its single member LLC's OCS Westfield, LLC and OCS Noblesville, LLC (LLC's). The School and the Foundation are consolidated due to being under common control through common board members and having a financial interest among the School and the LLC's. The LLC's were formed to hold and maintain the properties in which the School operates. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Accounting Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**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 paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as Deferred Revenues in the consolidated statement of financial position. As of June 30, 2023, the School has approximately \$570,000 of conditional grants that have not been recognized as revenue in the consolidated statement of activities and change in net assets because conditions have not been met.

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

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

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

**Grant Revenue**

Grant revenues relate primarily to activities funded under federal programs and legislation enacted by the state of Indiana.

**Contributions and Donations, Grant Revenue, and Student Fees**

The School receives income from contributions and donations, grant revenue, and student fees that support certain school activities. Grant revenues relate primarily to activities funded under federal programs and legislation enacted by the state of Indiana. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to Net Assets Without Donor Restrictions and reported in the consolidated statement of activities and change in net assets as Net Assets Released from Restrictions. The School, Foundation, and LLC's did not have any net assets with donor restrictions as of June 30, 2023.

**Cash and Cash Equivalents**

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

**Property and Equipment**

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and 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 estimated useful lives generally are as follows:

Building and Leasehold Improvements	5 to 40 Years
Furniture and Equipment	3 to 7 Years

**Impairment of Long-Lived Assets**

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

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**Taxes on Income**

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

Professional accounting standards require the School and Foundation to recognize a tax liability only if it is more-likely-than-not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School and Foundation have examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School and Foundation are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

**Recently Issued Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School and Foundation adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The School has elected to adopt the package of practical expedients available in the year of adoption. The School has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

**Leases**

The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

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

**Leases (Continued)**

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

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

**Subsequent Events**

The School, Foundation, and LLC's have evaluated subsequent events through February 14, 2024, the date these consolidated financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the consolidated financial statements or related disclosures would be required.

Subsequent to year end, in January 2024 the School filed for Employee Retention Credits for approximately \$150,000.

**NOTE 2 NOTES PAYABLE**

At June 30, 2023, the notes payable consisted of the following:

<u>Description</u>	<u>Amount</u>
Note payable to the Indiana State Board of Education, payable \$112,900 semi-annually (January 1 and July 1) plus interest at 1.00% per annum.	\$ 790,302
Construction note payable to First Financial Bank, subject to conversion to mini-permanent term loan for 108 months upon completion of construction. Loan was converted to term in July 2021 and is due July 2030. Interest at 3.27%, secured by building and guaranteed by the School and Foundation.	<u>3,420,449</u>
Total	4,210,751
Less: Current Portion	<u>(367,806)</u>
Notes Payable, Net of Current Portion	<u><u>\$ 3,842,945</u></u>

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 NOTES PAYABLE (CONTINUED)**

The note payable to the Indiana State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant. The school paid \$225,800 on this loan in the year ending June 30, 2023.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 367,806
2025	372,829
2026	377,717
2027	269,868
2028	161,676
Thereafter	<u>2,660,855</u>
Total	<u>\$ 4,210,751</u>

The note payable to First Financial Bank contains certain reporting and financial covenants. As of June 30, 2023, the School was in compliance with the financial covenants.

**NOTE 3 INTEREST RATE SWAP**

In July 2020, the OCS Westfield, LLC entered into an interest rate swap transaction with First Financial Bank. This is guaranteed by the School and Foundation. OSC Westfield, LLC uses the interest rate swap to convert its variable rate debt to a fixed rate as a cash-flow hedge. OSC Westfield, LLC is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, OSC Westfield, LLC does not anticipate nonperformance by the counterparty.

The agreement that took effect on July 1, 2021 (in conjunction with the conversion of the construction loan to term) effectively changes OSC Westfield, LLC's interest rate exposure on its floating rate note payable to 3.27%. This interest rate swap agreement matures on July 24, 2030. This agreement had a total notional principal in the amount of \$3,420,450 at June 30, 2023.

The effective portion of the gain or loss on the interest rate swap is reported as Revenues and Expenses in the consolidated statement of activities and change in net assets in the same period or periods during which the hedged transaction affects the consolidated statement of activities and change in net assets. Gains and losses on the interest rate swap representing either hedge ineffectiveness, or excluded from the assessment of hedge effectiveness, is recognized in the consolidated statement of activities and change in net assets as Revenue and Expenses.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 LINE OF CREDIT**

On June 2, 2022 the School entered into a \$150,000 line of credit with First Financial Bank that remains in effect until June 2, 2023, which was renewed through November 2, 2023 and then subsequently renewed through January 1, 2024. This was not renewed subsequent to January 1, 2024 and the School is in process of securing a new line of credit. The line bears interest at a floating rate per annum equal to the Prime Rate (8.50% at June 30, 2022), is secured by all assets of the School, Foundation, and LLC's, and guaranteed by the Foundation and LLC's. The line has no amounts drawn against it as of June 30, 2023.

The line of credit is subject to the same financial covenants described at Note 2.

**NOTE 5 LEASES**

The School leases equipment under a long-term, noncancelable lease agreements. The leases expire through 2028. In the normal course of business, it is expected that the leases will be renewed or replaced by similar leases.

The operating lease cost for the year ended June 30, 2023 was \$182,676.

The following tables provide quantitative information concerning the School's leases for the year ended June 30, 2023:

Lease Cost:	
Operating Lease Cost	<u>\$ 182,676</u>
Other Information:	
Operating Cash Flows from Operating Leases	\$ 182,676
Weighted-Average Remaining Lease Term - Operating Leases	2.2 Years
Weighted-Average Discount Rate - Operating Leases	3.04%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>
2024	\$ 266,181
2025	260,801
2026	225,132
2027	131,110
2028	<u>84,000</u>
Undiscounted Cash Flows	967,224
(Less) Imputed Interest	<u>(68,222)</u>
Total Present Value	<u>\$ 899,002</u>
Short-Term Lease Liabilities	\$ 237,440
Long-Term Lease Liabilities	<u>661,562</u>
Total	<u>\$ 899,002</u>

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 6 COMMITMENTS**

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was \$185,006 for the year ended June 30, 2023. The charter remains in effect until June 30, 2026, and is renewable thereafter by mutual consent.

**NOTE 7 RELATED PARTIES**

The School also employs a member of the superintendent's family. The School paid this individual \$70,496 during the year ended June 30, 2023.

**NOTE 8 RETIREMENT PLANS**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 9.0% of compensation for electing teaching faculty to TRF and 14.2% of compensation for other electing employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2022 (the latest year reported), TRF and PERF were approximately 95% and 85% funded, respectively.

TRF eligible employees can also elect to participate in a School-sponsored 403(B) plan in lieu of the State of Indiana – INPRS plan. The School contributes 9.0% of participant compensation to the 403(b) plan.

Full-time employees may also choose to participate in a voluntary salary reduction 403(b) plan. The School will match the employee's contribution up to 1% of their gross wages.

Retirement plan expense was \$589,733 for the year ended June 30, 2023.

**NOTE 9 RISKS AND UNCERTAINTIES**

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

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 9 RISKS AND UNCERTAINTIES (CONTINUED)**

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.

The School and its affiliates maintain cash in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, the School and its affiliates have not experienced losses in any of these accounts.

**NOTE 10 LIQUIDITY**

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2023, to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash, cash – restricted, and grants receivable totaling \$1,387,856 at June 30, 2023, of which \$1,387,856 is 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 11 FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. Certain expenses have been allocated between program services and management and general expenses. Employee benefits, transportation, office supplies, and other expenses are allocated based on individual employees' function. Occupancy and depreciation expenses are allocated based on their location due to the schools and the administrative facilities are at discreet locations.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
OTHER REPORT  
YEAR ENDED JUNE 30, 2023**

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Options Charter Schools

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*.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2023**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Options Charter Schools	Options in Education Foundation, Inc.	OCS Noblesville, LLC	OCS Westfield, LLC	Eliminations	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	\$ 443,856	\$ 79,308	\$ 47,302	\$ 12,331	\$ -	\$ 582,797
Grants Receivable	805,059	-	-	-	-	805,059
Related Party Receivable	-	-	-	34,891	(34,891)	-
Prepaid Expenses	52,639	-	-	9,384	-	62,023
Interest Rate Swap	-	-	-	484,486	-	484,486
Total Current Assets	<u>1,301,554</u>	<u>79,308</u>	<u>47,302</u>	<u>541,092</u>	<u>(34,891)</u>	<u>1,934,365</u>
<b>PROPERTY AND EQUIPMENT</b>						
Land	-	-	-	1,313,089	-	1,313,089
Building and Improvements	44,727	-	-	3,386,110	-	3,430,837
Leasehold Improvements	184,335	-	-	-	-	184,335
Furniture and Equipment	479,827	-	2,340,690	169,082	-	2,989,599
Total Property and Equipment	<u>708,889</u>	<u>-</u>	<u>2,340,690</u>	<u>4,868,281</u>	<u>-</u>	<u>7,917,860</u>
Less: Accumulated Depreciation	(243,905)	-	(415,327)	(198,584)	-	(857,816)
Property and Equipment, Net	<u>464,984</u>	<u>-</u>	<u>1,925,363</u>	<u>4,669,697</u>	<u>-</u>	<u>7,060,044</u>
<b>OTHER ASSETS</b>						
Investment in LLCs	-	3,742,061	-	-	(3,742,061)	-
Right-of-Use Assets - Operating Leases, Net	3,765,665	-	-	-	(2,866,663)	899,002
Total Assets	<u>\$ 5,532,203</u>	<u>\$ 3,821,369</u>	<u>\$ 1,972,665</u>	<u>\$ 5,210,789</u>	<u>\$ (6,643,615)</u>	<u>\$ 9,893,411</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Current Portion of Note Payable	\$ 225,800	\$ -	\$ -	\$ 142,006	\$ -	\$ 367,806
Security Deposit	-	-	1,600	1,600	-	3,200
Accounts Payable and Accrued Expenses	525,302	-	-	17,743	-	543,045
Right-of-Use Liability - Operating, Current	557,818	-	-	-	(320,378)	237,440
Total Current Liabilities	<u>1,308,920</u>	<u>-</u>	<u>1,600</u>	<u>161,349</u>	<u>(320,378)</u>	<u>1,151,491</u>
<b>LONG-TERM LIABILITIES</b>						
Note Payable, Net of Current Portion	564,501	-	-	3,278,444	-	3,842,945
Right-of-Use Liability - Operating, Net of Current Portion	3,207,847	-	-	-	(2,546,285)	661,562
Total Long-Term Liabilities	<u>3,772,348</u>	<u>-</u>	<u>-</u>	<u>3,278,444</u>	<u>(2,546,285)</u>	<u>4,504,507</u>
Total Liabilities	5,081,268	-	1,600	3,439,793	(2,866,663)	5,655,998
<b>NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS</b>						
Total Liabilities and Net Assets	<u>\$ 5,532,203</u>	<u>\$ 3,821,369</u>	<u>\$ 1,971,065</u>	<u>\$ 1,770,996</u>	<u>(3,776,952)</u>	<u>\$ 4,237,413</u>
Total Liabilities and Net Assets	<u>\$ 5,532,203</u>	<u>\$ 3,821,369</u>	<u>\$ 1,972,665</u>	<u>\$ 5,210,789</u>	<u>\$ (6,643,615)</u>	<u>\$ 9,893,411</u>

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2023**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Options Charter Schools	Options in Education Foundation, Inc.	OCS Noblesville, LLC	OCS Westfield, LLC	Eliminations	Total
<b>REVENUE AND CONTRIBUTED SUPPORT</b>						
<b>REVENUE AND SUPPORT</b>						
State Education Support	\$ 8,343,737	\$ -	\$ -	\$ -	\$ -	\$ 8,343,737
Contributions and Donations	16,527	44,682	-	-	-	61,209
Grant Revenue	3,044,386	44,679	-	-	-	3,089,065
In-Kind Revenue	5,735	-	-	-	-	5,735
Student Fees	-	1,725	-	-	-	1,725
Rent Revenue	-	-	48,000	252,000	(300,000)	-
Other Income	-	8,949	-	-	(8,113)	836
Change in Investment in LLCs	-	112,400	-	-	(112,400)	-
Gain on Interest Rate Swap	-	-	-	111,851	-	111,851
Total Revenue and Support	<u>11,410,385</u>	<u>212,435</u>	<u>48,000</u>	<u>363,851</u>	<u>(420,513)</u>	<u>11,614,158</u>
<b>EXPENSES</b>						
Program Services	8,162,240	65,452	60,408	104,258	(308,000)	8,084,358
Management and General	2,119,510	18,871	63	134,722	(113)	2,273,053
Total Expenses	<u>10,281,750</u>	<u>84,323</u>	<u>60,471</u>	<u>238,980</u>	<u>(308,113)</u>	<u>10,357,411</u>
<b>CHANGE IN NET ASSETS</b>	1,128,635	128,112	(12,471)	124,871	(112,400)	1,256,747
Net Assets (Deficit) - Beginning of Year	<u>(677,700)</u>	<u>3,693,257</u>	<u>1,983,536</u>	<u>1,646,125</u>	<u>(3,664,552)</u>	<u>2,980,666</u>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ 450,935</u>	<u>\$ 3,821,369</u>	<u>\$ 1,971,065</u>	<u>\$ 1,770,996</u>	<u>\$ (3,776,952)</u>	<u>\$ 4,237,413</u>



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

Board of Directors  
Options Charter Schools and Affiliates  
Noblesville, 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 consolidated financial statements of Options Charter Schools and Affiliates (the School), which comprise the consolidated statement of financial position at June 30, 2023, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 14, 2024.

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

In planning and performing our audit of the consolidated financial statements, we considered the School'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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

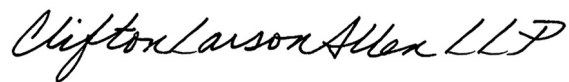
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

As part of obtaining reasonable assurance about whether the School’s consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 14, 2024



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

Board of Directors  
Options Charter Schools and Affiliates  
Noblesville, Indiana

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

***Qualified Opinion***

We have audited Options Charter Schools and Affiliates' (the School) 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 the School' 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.

***Qualified Opinion on Charter School Program (84.282)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Charter School Program (84.282) for the year ended June 30, 2023.

***Basis for Qualified Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

*Matter Giving Rise to Qualified Opinion on Charter School Program (84.282)*

As described in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding the Charter School Program (84.282) as described in finding number 2023-001 for Allowable Costs.

Compliance with such requirements is necessary, in our opinion, for the School to comply with the requirements applicable to that program.

***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 that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about 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 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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

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

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



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 14, 2024

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30,2023**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Education</b>				
Passed through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A210014	\$ -	\$ 5,890
Title I Grants to Local Educational Agencies	84.010	S010A200014	-	6,033
Total - 84.010			-	11,923
Special Education Cluster (IDEA)				
Special Education Grants to States	84.027	H027A220084	-	128,030
Total - 84.027			-	128,030
Charter School Program				
Charter School Program	84.282	72229	-	618,825
Charter School Program	84.282	S282D190002	-	113,555
Total - 84.282			-	732,380
Title II Supporting Effective Instruction State Grants				
Title II Supporting Effective Instruction State Grants	84.367	S367A210013	-	4,276
Title II Supporting Effective Instruction State Grants	84.367	S367A200013	-	4,551
Total - 84.367			-	8,827
Student Support and Academic Enrichment Program				
Student Support and Academic Enrichment Program	84.424	S424A210015	-	10,000
Total - 84.424			-	10,000
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund				
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	-	8,891
Total - 84.425			-	8,891
Total Department of Education			-	900,051
Total Expenditures of Federal Awards			\$ -	\$ 900,051

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30,2023**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Options Charter Schools and affiliates (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 the 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 of the School.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING**

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 a limited as to reimbursement.

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

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023  
(SEE INDEPENDENT AUDITORS' REPORT)**

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

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**Financial Statements**

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

**Federal Awards**

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

**Identification of Major Federal Programs**

<b>Assistance Listing Number (ALN)</b>	<b>Name of Federal Program or Cluster</b>
84.282	Charter School Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u>  x  </u> no

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023  
(SEE INDEPENDENT AUDITORS' REPORT)**

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

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

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

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**2023 – 001 Allowable Costs**

Federal Agency: U.S. Department Education

Federal Program Name: Charter School Program

Assistance Listing Number: 84.282

Pass-Through Agency: Indiana Department of Education

Pass-Through Number(s): 72229, S282D190002

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Material Noncompliance

**Criteria or specific requirement:** The Compliance Supplement requires that compensation for personal services be charged to the federal grant based upon approved actual time worked on the program and not based on an allocation or budget (2 CFR 200.430(i)).

**Condition:** While performing audit procedures, it was noted that payroll expenses were charged to the grant program based upon an allocation from the budget and not on approved and/or certified time worked in the program.

**Questioned costs:** \$356,845

**Context:** During the process of obtaining an understanding of internal controls and processing of payroll expenditures, we noted payroll was not reviewed to ensure the expense charged to the grants was accurate based upon approved actual time spent in the program and accurate pay rates.

**Cause:** Salary figures for salaried employees were charged to the federal grant based on unapproved work actually performed for the program and inaccurate pay rates were utilized for overtime and an employee transition to full time.

**Effect:** The organization has not fully followed compliance attributes with the allowable costs principles set forth by the Compliance Supplement related to allocation of salaries being charged based on approved time worked for a program. Personnel need to reinforce policies to ensure control procedures are in place to ensure salaries charged to a grant are appropriately based on actual approved time worked in a program.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023  
(SEE INDEPENDENT AUDITORS' REPORT)**

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

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**2023 – 001 Allowable Costs (Continued)**

**Repeat Finding:** No.

**Recommendation:** We recommend the School ensure policies and procedures for payroll expenditures for grant programs be charged to the federal grant based on approved hours worked in the program.

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

**2023 – 002 Procurement**

Federal Agency: U.S. Department Education

Federal Program Name: Charter School Program

Assistance Listing Number: 84.282

Pass-Through Agency: Indiana Department of Education

Pass-Through Number(s): 72229, S282D190002

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

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

**Condition:** During our testing, it was noted that the School has a written procurement policy in place, however, the policy does not meet the federal requirements for procurement of goods and services using federal dollars.

**Questioned costs:** None

**Context:** The School did not have appropriate policy in place that met the procurement federal requirements.

**Cause:** The School's policy has not been updated to meet the federal requirement as this was the School's first year for federal compliance requirements.

**Effect:** Without written policies that adhere to the federal regulations, it is likely that required steps in the process may be missed.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023  
(SEE INDEPENDENT AUDITORS' REPORT)**

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

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**2023 – 002 Procurement (Continued)**

**Repeat finding:** No.

**Recommendation:** We recommend that the School review their Procurement policy and ensure that all missing federal requirements are included in their written policies.

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



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U.S. Department of Education

Options Charter Schools and Affiliates respectfully submits the following corrective action plan for the year ended June 30, 2023.

Audit period: July 01, 2022 - June 30, 2023

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

#### **FINDINGS—FINANCIAL STATEMENT AUDIT**

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

#### **FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

U.S. Department of Education

2023-001 Charter School Program – Assistance Listing No. 84.282

Recommendation: We recommend the School ensure policies and procedures for payroll expenditures for grant programs be charged to the federal grant based on approved hours worked in the program.

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

Action taken in response to finding: Options Schools, Inc. will implement policies and procedures for payroll expenditures charged to federal grant programs that track approved time worked.

Name(s) of the contact person(s) responsible for corrective action: Jack Colwell

Planned completion date for corrective action plan: July 1, 2023

U.S. Department of Education

2023-001 Charter School Program – Assistance Listing No. 84.282

Recommendation: We recommend that the School review their Procurement policy and ensure that all missing federal requirements are included in their written policies.

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

Action taken in response to finding: Options Schools, Inc. will update the Procurement policy to include federal requirements.

Name(s) of the contact person(s) responsible for corrective action: Jack Colwell

Planned completion date for corrective action plan: July 1, 2023

If the U.S. Department of Education has questions regarding this plan, please call Jack Colwell, CFO at 463-238-1414.