



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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March 11, 2024

Charter School Board  
Neighbors' Educational Opportunities, Inc.  
Porter County, Indiana

We have reviewed the audit report of Neighbors' Educational Opportunities, 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 Neighbors' Educational Opportunities, 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, CliftonLarsonAllen LLP prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Neighbors' Educational Opportunities, 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

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2023 AND 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Neighbors' Educational Opportunities, Inc.  
Portage, Indiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Neighbors' Educational Opportunities, Inc. (the Corporation), 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, functional expenses, 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 the Corporation, 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 (GAAS). 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 Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Regarding Correction of an Error***

As discussed in Note 2 to the consolidated financial statements, certain errors resulting in understatement of amounts previously reported for grants receivable as of June 30, 2022, were discovered by management of the entity during the current year. Accordingly, amounts reported for grants receivable, related revenue, and net assets have been restated in the 2022 consolidated financial statements now presented. 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 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 the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

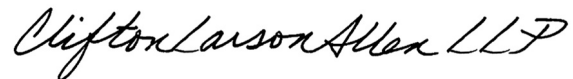
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining,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

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

Board of Directors  
Neighbors' Educational Opportunities, Inc.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
February 14, 2024

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>(As Restated)</u> <u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 246,090	\$ 89,616
Grants Receivable	205,848	678,886
Other Receivables	9,714	4,406
Total Current Assets	<u>461,652</u>	<u>772,908</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	835,000	835,000
Buildings and Improvements	3,995,998	3,995,999
Furniture and Equipment	547,244	547,244
Construction in Progress	285,967	-
Less: Accumulated Depreciation	<u>(1,322,835)</u>	<u>(1,145,989)</u>
Property and Equipment, Net	4,341,374	4,232,254
<b>OTHER ASSETS</b>		
Security Deposit	7,763	7,443
Operating Right of Use (ROU) Asset	<u>3,235</u>	<u>-</u>
Total Other Assets	10,998	7,443
Total Assets	<u><u>\$ 4,814,024</u></u>	<u><u>\$ 5,012,605</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Notes Payable	316,648	\$ 316,642
Current Lease Liability	3,235	-
Line of Credit	-	55,000
Accounts Payable and Accrued Expenses	126,217	102,754
Security Deposit	<u>2,882</u>	<u>2,882</u>
Total Current Liabilities	448,982	477,278
<b>LONG-TERM LIABILITIES</b>		
Notes Payable, Net of Current Portion	<u>2,869,930</u>	<u>3,152,320</u>
Total Long-Term Liabilities	<u>2,869,930</u>	<u>3,152,320</u>
Total Liabilities	3,318,912	3,629,598
<b>NET ASSETS</b>		
Without Donor Restrictions	<u>1,495,112</u>	<u>1,383,007</u>
Total Liabilities and Net Assets	<u><u>\$ 4,814,024</u></u>	<u><u>\$ 5,012,605</u></u>

See accompanying Notes to Financial Statements.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	(As Restated) 2022
<b>REVENUE AND SUPPORT</b>		
State Education Support	\$ 1,123,080	\$ 1,263,505
Grant Revenue	1,605,945	1,549,192
Student Fees	14,641	20,525
Rental Income	57,525	67,700
Contributions	9,127	40,548
Paycheck Protection Program Income	-	312,200
Fundraising and Other Income	1,566	3,940
Total Revenue and Support	2,811,884	3,257,610
<b>EXPENSES</b>		
Program Services	1,816,674	1,901,620
Management and General	883,105	816,627
Total Expenses	2,699,779	2,718,247
<b>CHANGE IN NET ASSETS</b>	112,105	539,363
Net Assets - Beginning of Year	1,383,007	843,644
<b>NET ASSETS - END OF YEAR</b>	\$ 1,495,112	\$ 1,383,007

See accompanying Notes to Financial Statements.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 1,017,269	\$ 420,414	\$ 1,437,683	\$ 1,039,549	\$ 418,711	\$ 1,458,260
Employee Benefits	135,233	58,509	193,742	154,986	79,334	234,320
Staff Development	1,927	-	1,927	2,930	-	2,930
Authorizer Oversight Fees	-	29,673	29,673	-	34,543	34,543
Educational Content	60,184	-	60,184	28,389	-	28,389
Food Costs	22,532	-	22,532	35,046	-	35,046
Equipment	89,777	-	89,777	27,445	-	27,445
Classroom Office Supplies	49,114	11,279	60,393	52,873	16,452	69,325
Professional Services	47,133	188,278	235,411	182,125	73,850	255,975
Occupancy	101,990	-	101,990	105,939	-	105,939
Contracted IT Services	59,148	-	59,148	81,552	-	81,552
Travel	46,889	1,261	48,150	10,605	204	10,809
Insurance	-	28,540	28,540	-	25,604	25,604
Advertising	-	22,504	22,504	-	30,146	30,146
Depreciation	176,846	-	176,846	176,846	-	176,846
Interest	7,138	111,637	118,775	-	124,913	124,913
Other	1,494	11,010	12,504	3,335	12,870	16,205
<b>Total Functional Expenses</b>	<b>\$ 1,816,674</b>	<b>\$ 883,105</b>	<b>\$ 2,699,779</b>	<b>\$ 1,901,620</b>	<b>\$ 816,627</b>	<b>\$ 2,718,247</b>

See accompanying Notes to Financial Statements.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	(As Restated) 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 112,105	\$ 539,363
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	176,846	176,846
Noncash Lease Expense	3,235	-
Gain on Extinguishment of Debt	-	(312,200)
Changes in Operating Assets and Liabilities:		
Grants Receivable	473,038	(456,919)
Other Receivables and Security Deposit	(5,628)	2,096
Accounts Payable and Accrued Expenses	23,463	(25,539)
Net Cash Provided (Used) by Operating Activities	783,059	(76,353)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(289,201)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Borrowings on Line of Credit	(55,000)	55,000
Principal Payments of Notes Payable	(282,384)	(288,922)
Net Cash Used by Financing Activities	(337,384)	(233,922)
<b>NET CHANGE IN CASH</b>	156,474	(310,275)
Cash - Beginning of Year	89,616	399,891
<b>CASH - END OF YEAR</b>	\$ 246,090	\$ 89,616
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 118,775	\$ 124,913

See accompanying Notes to Financial Statements.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Neighbors' Educational Opportunities, Inc. (the Corporation) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The Corporation operates a public alternative charter high school established under Indiana Code 20-24 that served approximately 160 students during 2022-2023. The Corporation also operates a comprehensive adult education program and an official testing site for the State of Indiana's High School Equivalency diploma.

**Accounting Estimates**

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

**Revenue Recognition**

Revenues primarily come from conditional resources provided under the Indiana Charter Schools Act. Under the Act, the Corporation 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 Corporation's revenue is the product of cost reimbursement grants. Therefore, the Corporation recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2023 and 2022, the Corporation does not have any conditional grants that have not been recognized as revenue in the statement of activities 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.

**Grant, Contribution, and Fundraising Revenue**

The Corporation receives income from grants, contributions, and fundraising that support certain school activities. 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 statements of activities and changes in net assets as net assets released from restrictions.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

**Rental Income**

Rental income is recognized when the rental event takes place and/or time period occurs.

**Cash and Cash Equivalents**

Cash equivalents include money market funds and time deposits with maturities of three months or less at the date of purchase.

**Grants Receivable**

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the state of Indiana. The Corporation believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. Student fees receivable, included in other receivables, relate to unpaid student fees from the 2022-2023 school year. The Corporation believes that all balances will be collected.

**Security Deposits**

Security deposits consist of required deposits made with the local utility companies.

**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 \$1,000 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:

Buildings and Improvements	37.5 Years
Furniture and Equipment	3 to 7 Years

**Impairment of Long-Lived Assets**

On an ongoing basis, the Corporation reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The Corporation 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.

**Taxes on Income**

The Corporation has received a determination from the U.S. Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the Corporation would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2023 and 2022, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

**Taxes on Income (Continued)**

Professional accounting standards require the Corporation 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 Corporation has 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 Corporation are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

**Adoption of New Accounting Standard**

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

**Leases**

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

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

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

**Leases (Continued)**

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

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

**Subsequent Events**

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

**NOTE 2 PRIOR PERIOD RESTATEMENT – CORRECTION OF AN ERROR**

During the year ended June 30, 2022, the School determined it had incorrectly accounted for grant activity associated with the Employee Retention Credit (ERC) grant program as described in Note 9. Previously, the School had not recognized the ERC receivable and revenue at the time the barrier had been met with the filing of the amended 941 filings in December 2021. The School did not include \$482,431 of grants receivable for the year ended June 30, 2022.

The following statement of financial position line items for fiscal year 2022 were affected by the restatement:

	June 30, 2022		
	<u>As Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Grants Receivable	\$ 196,455	\$ 482,431	\$ 678,886
Total Current Assets	290,477	482,431	772,908
Total Assets	4,530,174	482,431	5,012,605
Total Net Assets W/O DR	900,576	482,431	1,383,007
Total Liabilities & Net Assets	4,530,174	482,431	5,012,605

The following statement of activities and changes in net assets line items for fiscal year 2022 were affected by the restatement:

	June 30, 2022		
	<u>As Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Revenue and Support			
Grant Revenue	\$ 1,066,761	\$ 482,431	\$ 1,549,192
Total Revenue and Support	2,775,179	482,431	3,257,610
Change in Net Assets	56,932	482,431	539,363
Net Assets, End of Year	900,576	482,431	1,383,007

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 2 PRIOR PERIOD RESTATEMENT – CORRECTION OF AN ERROR (CONTINUED)**

The following statement of cash flow line items for fiscal year 2022 were affected by the restatement:

	June 30, 2022		
	<u>As Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Cash Flows From Operating Activities			
Change in Net Assets	\$ 56,932	\$ 482,431	\$ 539,363
Changes in Operating Assets & Liabilities			
Grants Receivable	25,512	(482,431)	(456,919)

The following combining statement of activities and changes in net assets line items for fiscal year 2022 were affected by the restatement:

	June 30, 2022		
	<u>As Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Charter School, Net Assets, Beginning of Year	\$ 832,835	\$ 482,431	\$ 1,315,266
Total, Net Assets, Beginning of Year	900,576	482,431	1,383,007

**NOTE 3 NOTES PAYABLE**

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Note payable to Indiana State Board of Education, payable of \$57,633 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, due July 2026.	\$ 541,574	\$ 680,116
Note payable to 1st Source Bank, payable in monthly installments of \$21,230 including interest at 4.25% per annum, with a balloon payment due March 2026, secured by mortgage on Corporation facilities.	2,495,104	2,638,946
EIDL note payable to 1st Source Bank, payable in monthly installments, beginning in September 2022, of \$641 including interest at 2.75% per annum, due September 2051, secured by property owned by Corporation.	149,900	149,900
Total	<u>3,186,578</u>	<u>3,468,962</u>
Less: Current Portion	<u>(316,648)</u>	<u>(316,642)</u>
Long-Term Portion	<u>\$ 2,869,930</u>	<u>\$ 3,152,320</u>

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 3 NOTES PAYABLE (CONTINUED)**

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2024	\$ 316,648
2025	313,944
2026	2,339,048
2027	79,704
2028	6,699
Thereafter	130,535
Total	<u><u>\$ 3,186,578</u></u>

**NOTE 4 LINE OF CREDIT**

The Corporation maintains a revolving bank line of credit that expires on April 5, 2024. At June 30, 2022, there was a balance of \$55,000 borrowed against this line. There were no such balances borrowed against this line of credit as of June 30, 2023. Interest, which varies with the bank's prime rate with a floor of 3.25%, was 3.25% on June 30, 2023, and is payable monthly.

**NOTE 5 LEASES**

**ASC 842 for 2023**

The School leases a copier from a third party under a long-term, noncancelable lease agreement. The lease expires in September 2023. In the normal course of business, it is expected that this lease will be renewed or replaced by similar leases. Lease expense associated with all third party leases was \$12,967 for the year ended June 30, 2023.

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

Lease Cost:

Operating Lease Cost:	<u>\$ 12,967</u>
Total Lease Cost	<u><u>\$ 12,967</u></u>

Other Information:

Operating Cash Flows from Operating Leases	\$ 12,967
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	\$ 15,976
Weighted-Average Remaining Lease Term - Operating Leases:	0.2 years
Weighted-Average Discount Rate - Operating Leases	2.49%

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 5 LEASING ACTIVITIES (CONTINUED)**

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

<u>Year Ending June 30,</u>	
2024	\$ 3,242
Undiscounted Cash Flows	<u>3,242</u>
(Less) Imputed Interest	<u>(7)</u>
Total Present Value	<u>\$ 3,235</u>
Short-Term Lease Liabilities	\$ 3,235
Long-Term Lease Liabilities	-
Total	<u>\$ 3,235</u>

**ASC 840 for 2022**

The School elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840. The School leases a copier from a third party under a long-term, noncancelable lease agreement.

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 12,967
2024	<u>3,235</u>
Total	<u>\$ 16,202</u>

**NOTE 6 RETIREMENT PLAN**

The Corporation maintains a Section 403(b) retirement plan. Employees may contribute up to 100% of their compensation provided they are at least 18 years of age and have at least 60 days of employment. Under the Plan, the Corporation matches up to 3% of each participant's contributions for the plan year.

Retirement plan expenses totaled \$11,260 and \$14,353 during the years ended June 30, 2023 and 2022, respectively.

**NOTE 7 COMMITMENTS**

The Corporation operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the Corporation has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$29,673 and \$34,543 for the years ended June 30, 2023 and 2022, respectively.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 8 RISKS AND UNCERTAINTIES**

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

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

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2023, 98% of the receivable balance was due from the state of Indiana, respectively.

The Corporation primarily maintains its cash and cash equivalents 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 Corporation has not experienced losses in any of these accounts.

**NOTE 9 GOVERNMENT ASSISTANCE GRANT – EMPLOYEE RETENTION CREDIT**

The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. It provided a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid for employees in an effort to help business retain their workforce and avoid layoffs. It is a refundable payroll tax credit that could be claimed quarterly if certain criteria were met.

For the fourth quarter of 2020, the School complied with the conditions of ERC funding from the U.S. Treasury in the amount of \$198,806.

For the first, second, and third quarters of 2021, the School complied with the conditions of ERC funding from the U.S. Treasury in the amount of \$462,309.

Grants related to this program are classified as grants receivable. The School recognized a grant receivable and related revenue of \$482,431 (as restated) during the year ended June 30, 2022.

During the year ended June 30, 2023, the School received ERC funding from the IRS in the amount of \$661,115 plus interest.

The IRS may review funding eligibility of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 10 LIQUIDITY**

Under ASU 2016-14, the Corporation is required to disclose the assets it has available at June 30, 2023 and 2021, to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the Corporation include cash, grants, and student fees receivable. Financial assets available at June 30, 2023 and 2022, were \$205,848 and \$678,886 (as restated), respectively.

From time to time, the Corporation receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Corporation 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 Corporation'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 statements of activities and changes in net assets. Management of the Corporation has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories is required.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Charter School	Adult Education Program	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 380,339	\$ (134,249)	\$ 246,090
Grants Receivable	88,273	117,575	205,848
Other Receivables	9,714	-	9,714
Total Current Assets	478,326	(16,674)	461,652
<b>PROPERTY AND EQUIPMENT</b>			
Land	835,000	-	835,000
Buildings and Improvements	3,957,398	38,600	3,995,998
Furniture and Equipment	525,902	21,342	547,244
Construction in Progress	285,967	-	285,967
Less: Accumulated Depreciation	(1,262,893)	(59,942)	(1,322,835)
Property and Equipment, Net	4,341,374	-	4,341,374
<b>OTHER ASSETS</b>			
Security Deposit	7,763	-	7,763
Right-of-Use Assets	3,235	-	3,235
Total Other Asset	10,998	-	10,998
Total Assets	\$ 4,830,698	\$ (16,674)	\$ 4,814,024
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Current Portion of Notes Payable	\$ 316,648	\$ -	\$ 316,648
Current Lease Liability	3,235	-	3,235
Accounts Payable and Accrued Expenses	113,654	12,563	126,217
Interfund Payable	191,761	(191,761)	-
Security Deposit	2,882	-	2,882
Total Current Liabilities	628,180	(179,198)	448,982
<b>LONG-TERM LIABILITIES</b>			
Notes Payable, Net of Current Portion	2,869,930	-	2,869,930
Total Liabilities	3,498,110	(179,198)	3,318,912
<b>NET ASSETS</b>			
Without Donor Restrictions	1,332,588	162,524	1,495,112
Total Liabilities and Net Assets	\$ 4,830,698	\$ (16,674)	\$ 4,814,024

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2023**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Charter School	Adult Education Program	Eliminations	Total
<b>REVENUE AND SUPPORT</b>				
State Education Support	\$ 1,123,080	\$ -	\$ -	\$ 1,123,080
Grant Revenue	1,186,824	419,121	-	1,605,945
Student Fees	14,641	-	-	14,641
Rental Income	319,114	-	(261,589)	57,525
Contributions	(98,607)	107,734	-	9,127
Fundraising and Other Income	1,566	97,743	(97,743)	1,566
Total Revenue and Support	<u>2,546,618</u>	<u>624,598</u>	<u>(359,332)</u>	<u>2,811,884</u>
<b>EXPENSES</b>				
Program Services	1,532,720	381,697	(97,743)	1,816,674
Management and General	996,576	148,118	(261,589)	883,105
Total Expenses	<u>2,529,296</u>	<u>529,815</u>	<u>(359,332)</u>	<u>2,699,779</u>
<b>CHANGES IN NET ASSETS</b>	17,322	94,783	-	112,105
Net Assets - Beginning of Year, as Restated	<u>1,315,266</u>	<u>67,741</u>	<u>-</u>	<u>1,383,007</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,332,588</u>	<u>\$ 162,524</u>	<u>\$ -</u>	<u>\$ 1,495,112</u>

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.**  
**OTHER REPORT**  
**YEAR ENDED JUNE 30, 2023**

The reports presented herein were prepared in addition to another official report prepared for the Corporation as listed below:

Supplemental Audit Report of Neighbors' Educational Opportunities, 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*.



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