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STATE BOARD OF ACCOUNTS
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March 28, 2024

Charter School Board
The Phalen Leadership Academy - Indiana, Inc.
Marion County, Indiana

We have reviewed the audit report of The Phalen Leadership Academy - Indiana, 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 The Phalen Leadership Academy - Indiana, 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 included in the report on pages 39 through 41. 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 guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for The Phalen Leadership Academy - Indiana, 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

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



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THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
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**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
OTHER REPORTS
YEAR ENDED JUNE 30, 2023**

The report presented herein was prepared in addition to another official report prepared for The Phalen Leadership Academy – Indiana, Inc. as listed below:

Supplemental Audit Report of Phalen Leadership Academy – Indiana, 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*.



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Phalen Leadership Academy – Indiana, Inc.
Indianapolis, Indiana

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of The Phalen Leadership Academy – Indiana, Inc. (PLA), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 PLA, as of June 30, 2023, and the changes in its net assets and its 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 PLA 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, PLA 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 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 PLA'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 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 PLA'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 PLA'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.

Supplementary Information

The supplementary information included in the schedules of financial position, functional expenses and activities by school are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The supplementary information and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2024, on our consideration of PLA’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PLA’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PLA’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
March 8, 2024

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	1,308,309
Grants and Operator Receivables		5,674,290
Related Party Accounts Receivable		10,762,647
Total Current Assets		17,745,246

PROPERTY AND EQUIPMENT

Land		300,000
Building and Improvements		6,835,248
Leasehold Improvements		4,429,706
Furniture and Equipment		991,040
Books and Educational Materials		830,556
Computer Software and Equipment		645,712
Vehicles		54,490
Total, at Cost		14,086,752
Less: Accumulated Amortization		-
Total Property and Equipment		9,772,335

OTHER ASSETS

Right-of-Use Lease Asset, Net		1,316,777
Security Deposit		1,000,000
Total Assets	\$	29,834,358

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	3,232,107
Related Party Payables		5,969,504
Current Portion of Notes Payable		165,460
Current Portion of Notes Payable - Affiliate		225,296
Accrued Liabilities		1,467,854
Current Portion of Right-of-Use Lease Liability		179,097
Total Current Liabilities		11,239,318

LONG-TERM LIABILITIES

Notes Payable, Net of Current Portion		2,775,174
Notes Payable, Net of Current Portion - Affiliate		2,885,565
Right-of-Use Lease Liability, Net of Current Portion		1,153,681
Total Long-Term Liabilities		6,814,420
Total Liabilities		18,053,738

NET ASSETS

Without Donor Restrictions:		
Undesignated		11,303,070
With Donor Restrictions:		
Purpose Restrictions		477,550
Total Net Assets		11,780,620
Total Liabilities and Net Assets	\$	29,834,358

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT			
REVENUE			
Contributions and Donations	\$ 668,686	\$ 226,200	\$ 894,886
Grant Revenue	32,576,607	-	32,576,607
Operator Revenue	11,201,661	-	11,201,661
In-Kind Revenue	5,109,127	-	5,109,127
Excess of Fair Value of Net Assets Acquired in			
Acquisition of Promise Prep	414,720	-	414,720
Other Revenue	1,697,893	-	1,697,893
Total Revenue and Contributed Support	51,668,694	226,200	51,894,894
 EXPENSES			
Program Services	36,423,980	-	36,423,980
Supporting Services:			
General and Administrative	15,767,492	-	15,767,492
Total Expenses	52,191,472	-	52,191,472
 CHANGE IN NET ASSETS	(522,778)	226,200	(296,578)
 Net Assets - Beginning of Year	11,825,848	251,350	12,077,198
 NET ASSETS - END OF YEAR	\$ 11,303,070	\$ 477,550	\$ 11,780,620

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Academics</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and Benefits	\$ 19,787,906	\$ 4,962,249	\$ 24,750,155
Professional Services	1,858,705	259,592	2,118,297
Information Technology	2,755,934	9,257,987	12,013,921
Legal and Accounting	-	149,027	149,027
Professional Development	95,504	203,437	298,941
Cleaning Services	228,242	-	228,242
Security Services	218,635	-	218,635
Utilities	507,541	3,173	510,714
Materials and Supplies	2,627,392	178,975	2,806,367
Nutritional Support	2,559,973	-	2,559,973
Sales, Marketing, and Community Relations	26,907	5	26,912
Program Transportation Services	2,428,639	-	2,428,639
Travel and Entertainment	-	21,766	21,766
Interest Expense	-	229,592	229,592
Rent and Facilities	2,826,982	-	2,826,982
Depreciation and Amortization	495,518	-	495,518
Insurance	-	432,361	432,361
Repairs and Maintenance	6,102	67,432	73,534
Miscellaneous	-	1,896	1,896
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 36,423,980</u>	<u>\$ 15,767,492</u>	<u>\$ 52,191,472</u>

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (296,578)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	506,193
Non-cash Operating Lease Activities	16,001
Changes in Operating Assets and Liabilities:	
Grants Receivable	(3,125,256)
Related Party Accounts Receivable	(5,529,395)
Accounts Payable - Trade	600,214
Accounts Payable - Related Party	5,969,504
Accrued Liabilities	325,401
Net Cash Provided (Used) by Operating Activities	(1,533,916)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment	(16,725)
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CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Long-Term Debt	(159,304)
Principal Payments on Long-Term Debt - Affiliate	(216,477)
Net Cash Provided (Used) by Financing Activities	(375,781)

NET DECREASE IN CASH AND CASH EQUIVALENTS

(1,926,422)

Cash and Cash Equivalents - Beginning of Year

3,234,731

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,308,309

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Interest Paid	\$ 229,592
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See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The George and Veronica Phalen Leadership Academies (PLA) is a nonprofit network of tuition-free public schools that help children excel in their academics and grow as well-rounded individuals. The PLA instructional model is evidence-based, designed by highly successful educators, and focuses on instruction that is personalized and data-driven. The model utilizes best practices including daily differentiated, data-driven instruction and intervention, frequent assessments, and regular progress feedback. This creates a uniquely rigorous and personalized learning experience for every child. At PLA, scholars have a safe and caring learning environment. Educators experience continued professional development and growth opportunities to best meet their scholars' needs. Scholars grow socially, emotionally, and physically through art, music, physical fitness, college- and career-focused visits, scholar-led community service projects, and more. Embedded throughout our program is an emphasis on helping our scholars develop a strong sense of self and character; build connections to their community and futures; and thrive as leaders at home, in their communities, and in the world.

To achieve these goals, PLA employs three distinct business models to operate its schools:

The Direct Model

Under this model, new charter schools are opened and operated under a charter created, activated, and owned by PLA. Our approach builds on the success of Founder and CEO Earl Martin Phalen's 25-year pioneering track record in education.

PLA's first school, the George and Veronica Phalen Leadership Academy (GVPLA), opened in 2013. PLA also opened the James and Rosemary Phalen Leadership Academy (JRPLA) as a Middle School in July 2017. In July 2019, PLA converted the Phalen Leadership Academy at George Fisher (PLA93) into the turnaround model. In July 2022, PLA acquired Promise Prep.

All Direct Model schools are located in Indianapolis, Indiana.

The Turnaround Model

Under this model, PLA helps to transform chronically low-performing public schools into the high-quality schools children need and deserve. PLA started turnaround work when it partnered with Indianapolis Public School (IPS) to operate PLA 103, an Innovation Network School. In July 2019, PLA was selected to operate PLA 48 starting in the 2020-2021 school year.

Expenses incurred by PLA on behalf of the schools are reimbursed by IPS. All revenues received from IPS for the operation of PLA 103 are captured as Operator Revenue in the statements of activities. PLA also recognizes in-kind revenue and expense for services provided directly to the schools including transportation, building use, and other services (see Note 11).

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The CMO

PLA utilizes the Central Management Office (CMO) to expand its turnaround model to help more children attending chronically low-performing schools excel. The CMO provides crucial support to partner schools to ensure school leadership can focus fully on high-quality education. Functional areas of support include human resources, financial management, facilities, food services, performance management, policy development, legal counsel, grants management, on-site quality assurance monitoring and support.

PLA enters into management agreements with these schools to leverage the Turnaround Model. Under these agreements, PLA is paid a management fee for services related to operating the school; however, the school is responsible for acceptance and payment of all expenses.

PLA maintains management agreements with the Thea Bowman Leadership Academy (TBLA) to manage two schools in Gary, Indiana; Timothy L. Johnson Academy (TLJ) in Fort Wayne, Indiana; Jacquet Middle School in Fort Worth, Texas, and the Michigan Educational Choice Center (MECC) in Detroit, Michigan. In 2018, PLA entered into management agreements with Higher Institute of Arts & Tech (HIAT) in Merrillville, Indiana.

Management fees received under these CMO agreements are recorded as Operator Revenue in the statements of activities.

Under these models, PLA is serving over 5,000 students across Indianapolis, Fort Wayne, Merrillville and Gary, Indiana, and Detroit, Michigan. Our ultimate goal is that scholars gain academic mastery, and demonstrate strong character, as exhibited by: honesty, service to others, a superior work ethic, and a strong vision for and belief in their futures. We believe that with the right education, all children can fulfill their tremendous innate potential.

Use of Estimates in Preparing Financial Statements

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

PLA considers all demand accounts to be cash. PLA had no cash equivalents at June 30, 2023.

Grants Receivable

Grants receivable represent the uncollected portion of funds from grants awarded to PLA. Management has deemed these amounts to be fully collectible within one year.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are reported at cost, less accumulated depreciation. Improvements and replacements greater than \$5,000 of major property additions are capitalized. Repairs, maintenance, and minor replacements are expensed.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets which are as follows:

Building and Improvements	30 Years
Leasehold Improvements	30 Years
Furniture and Equipment	7 to 15 Years
Books and Educational Materials	5 Years
Computer Software and Equipment	3 Years

Impairment of Long-Lived Assets

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

Security Deposit

Upon closing of the lease of the building for JRPLA, PLA was obligated to make a one-time cash deposit that would be applied to the PLA's future purchase of the property. This deposit is not refundable.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Support and Revenue

Revenues generally 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 statement of financial position. As of June 30, 2023, the School 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.

Contributions and Donations – PLA reports gifts of cash and other assets from various organizations and private donors as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as Net Assets Released from Restrictions.

Volunteers provide program services through the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria. Such services include volunteering at events, in classrooms and clerical assistance.

Grant Revenue – PLA receives monies from federal and state organizations, primarily under the Direct Model in which PLA is the direct recipient of the related grant.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (Continued)

Operator Revenue – Operator revenue is reported at the amount that reflects the consideration to which PLA expects to be entitled in exchange for providing services under the terms of the agreements with the Turnaround and CMO Model schools. Operator revenue consists of the monies received under the agreements under Turnaround and CMO Model schools. This represents fees related to those management services, as well as any reimbursement for expenses incurred by PLA on the individual school's behalf. Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by PLA included in the agreements. Revenue for performance obligations satisfied over time is recognized based on actual services provided. PLA believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Contract assets included in operator receivables and related party receivables was \$154,547 and \$962,843 as of June 30, 2023 and 2022, respectively.

In-Kind Support – Contributions of services received are recognized if the services (a) create or enhance nonfinancial assets of (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. See Note 10 for further details.

Advertising

PLA expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2023 totaled \$14,971.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited using a direct expense allocation method.

Income Taxes

The Phalen Leadership Academy – Indiana, Inc. has 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 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 financial statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability 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 has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2022 are open to audit for both federal and state purposes.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

Subsequent Events

Management evaluated subsequent events through March 8, 2024, the date the financial statements were available to be issued. Management has determined that no subsequent events exist.

PLA has elected to terminate the agreement with Jacquet effective June 30, 2023.

Subsequent to June 30, 2023, management agreements with TBLA, MECC, and HIAT were not renewed with the CMO and entered into with Entrepreneurial Ventures in Education (EVE), the parent company of PLA.

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.

PLA 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.

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

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

PLA 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 PLA's right to use an underlying asset for the lease term and lease liabilities represent PLA'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 PLA will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. PLA 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.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, PLA 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.

PLA 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.

As a result of adoption of this standard, PLA recognized a ROU asset of \$1,435,480 and liability of \$1,435,480 as of the July 1, 2022 date of adoption. Additional detail regarding leases is provided in Note 5, Leases. At June 30, 2023, the School had a right-of-use asset – operating, net, of \$1,316,777 and a right-of-use liability – operating of \$1,332,778

NOTE 2 LIQUIDITY AND AVAILABILITY

PLA has \$17,267,696 assets available within one year of the statement of financial position date consisting of cash, grants receivable, and related party accounts receivable at June 30, 2023. This includes \$477,550 which is subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial statement date at June 30, 2023. PLA does not currently have any liquidity management policies in place.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 BUSINESS ACQUISITION

During the year ended June 30, 2023, PLA acquired Promise Prep which is a charter school in Indiana, as a wholly owned subsidiary. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

Consideration	<u><u>\$ -</u></u>
Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed	
Cash and cash equivalents	<u>\$ 448,383</u>
Accounts Receivable	146,350
Accounts Payable	3,175
Other Liabilities	<u>(183,188)</u>
Total Identifiable Net Assets	414,720
Inherent Contribution Received	<u>(414,720)</u>
Total	<u><u>\$ -</u></u>

On the consolidated statement of activities, the inherent contribution received is recorded as the excess of fair value of net assets acquired over consideration paid in acquisition of Promise Prep and increases net assets without donor restriction.

NOTE 4 NOTES PAYABLE

PLA notes payable consist of the following at June 30:

<u>Description</u>	<u>2023</u>
6.375% note payable, principal and unpaid accrued interest due at April 1, 2021, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	\$ 569,637
3.27% note payable at the federal tax exempt rate set to re-price every five years (next re-price in March 2026), principal and unpaid accrued interest due at March 1, 2041, secured by the property located at 2323 North Illinois Street, Indianapolis, IN 46208.	<u>2,370,997</u>
Total	2,940,634
Less: Current Portion	<u>165,460</u>
Notes Payable Less Current Portion	<u><u>\$ 2,775,174</u></u>

PLA is subject to financial reporting loan covenants associated with the above notes payable. As of June 30, 2023, management is not in compliance with these covenants. PLA has received waivers regarding these covenants from the lenders.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 NOTES PAYABLE (CONTINUED)

Future maturities of all notes payable, including related party notes payable (see Note 9), are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 390,756
2025	406,719
2026	804,881
2027	369,398
2028	382,607
Thereafter	3,697,134
Total	<u>\$ 6,051,495</u>

NOTE 5 CONCENTRATION OF CREDIT RISK

PLA maintains its cash in bank accounts at a single financial institution. At June 30, 2023, balances in PLA's deposit accounts were insured by the FDIC up to \$250,000 per depositor bank. As of June 30, 2023 and from time-to-time throughout the year, PLA has cash balances on deposit in excess of insured limits.

Credit risk related to grants receivable is limited due to PLA's ability to accomplish the terms of the grants. No credit losses related to grants receivable were incurred during the year ended June 30, 2023.

PLA receives operating funds from the Indiana Department of Education which amounted to over 60% of the total revenue and contributed support for the year ended June 30, 2023. Operating revenues are determined under a state funding formula based on the number of students enrolled during the school year.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 6 LEASES

PLA leases operating facilities under from third parties under long-term, noncancelable lease agreements. The leases expires in at various dates from 2024 through 2031. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Lease expense associated with all third-party leases was \$201,563 for the year ended June 30, 2023.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 LEASES (CONTINUED)

Lease Cost:	
Operating Lease Cost	<u>\$ 201,563</u>
Other Information:	
Operating Cash Flows from Operating Leases	\$ 201,563
Weighted-Average Remaining Lease Term - Operating Leases	7.8 Years
Weighted-Average Discount Rate - Operating Leases	3.02%

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>	<u>Operating</u>
2024	\$ 179,097
2025	188,472
2026	180,618
2027	177,800
2028	177,800
Thereafter	534,000
Undiscounted Cash Flows	<u>\$ 1,437,787</u>
(Less) Imputed Interest	<u>(105,009)</u>
Total Present Value	<u>\$ 1,332,778</u>
Short-term lease liabilities	\$ 179,097
Long-term lease liabilities	<u>1,153,681</u>
Total	<u>\$ 1,332,778</u>

NOTE 7 RETIREMENT PLANS

PLA has a 403(b) retirement plan. The plan is contributory only and requires no contribution by PLA. PLA does contribute 7.5% of the salary for all teaching staff. The plan is qualified under Section 403(b)(9) of the IRC. Total contributions to the plan for the year ended June 30, 2023 was \$756,262.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 PENSION PLANS

PLA elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost-sharing multiemployer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the board of trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multiemployer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. PLA contributed 5.5% and 7.5%, respectively, of the annual covered salary of employees. PLA is required to contribute an actuarially determined rate determined annually for PERF and TRF. Retirement plan expense for PERF and TRF was \$280,410 for the year ended June 30, 2023.

NOTE 9 RELATED PARTY TRANSACTIONS

PLA paid Entrepreneurial Ventures in Education (EVE), its parent company, \$5,146,834 in the year ended June 30, 2023 for reimbursement of management related functions. Amounts due from EVE at June 30, 2023 was \$10,802,219. Amounts due to EVE at June 30, 2023 was \$6,163,622.

PLA and TLJ, MECC, TBLA, and HIAT Jacquet are considered to be entities under common management by virtue of management service agreements with EVE or PLA. There were no receivables for TLJ, MECC, TBLA and HIAT at June 30, 2023. For the year ended June 30, 2023, PLA had revenues from TLJ and TBLA of \$474,672 and \$1,335,882, respectively.

In February 2016, the GVPLA entered into a 25-year operating lease for \$2,100,000 for its school facility with a member of the board. That organization is controlled by a separate and independent board of directors. PLA is required to make monthly rental payments in the amount of \$11,085 and an interest rate of 4%. For the year ended June 30 2023, principal payments of \$64,290 were made.

In December 2019, JRPLA entered into a loan with James Phalen for \$750,000. The loan requires monthly interest only payments at an interest rate of 3%. The principal balance of the loan was due on January 1, 2025. During the year-ended June 30, 2021, JRPLA entered into an agreement with a member of the board. As part of the agreement, the \$750,000 balance of the James Phalen loan was transferred to a renovations loan with the board member and an additional \$1,000,000 was obtained as well for a total loan balance of \$1,750,000. PLA is required to make monthly payments in the amount of \$17,718 and an interest rate of 4%. For the year ended June 30, 2023 principal payments of \$152,187 and were made.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)

Related party notes payable consists of the following at June 30:

Description	2023
4% note payable, principal and unpaid accrued interest due at April 1, 2041, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	\$ 1,683,085
4% note payable, due in monthly installments of \$17,717.90, remaining principal and accrued interest due at April 1, 2031, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	1,427,776
Total	3,110,861
Less: Current Portion	225,296
Related Party Notes Payable Less Current Portion	\$ 2,885,565

NOTE 10 NET ASSETS WITH DONOR RESTRICTION

During the year ended June 30, 2023, PLA had \$477,550 of net assets with donor restriction restricted for future use associated with a construction project. There were no net assets released from donor restrictions by incurring expenses satisfying the purpose of the agreement for the year ended June 30, 2023.

NOTE 11 DONATED PROFESSIONAL SERVICES AND MATERIALS

IPS contributes significant amounts of resources to the School's program services at PLA 103, PLA 93, PLA 48, and PLA Virtual. In-kind contributions for the year ended June 30, 2023 were as follows: building and facilities usage, utilities and building maintenance, security, SPED personnel, other personnel, transportation, and food service were recognized in the amount of \$5,109,127 for the period. The in-kind contributions are recorded as revenue on the statement of activities based upon the market value provided by IPS. The expenses are included in their natural classification on the statement of functional expenses based upon the break-out provided by IPS.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 DONATED PROFESSIONAL SERVICES AND MATERIALS (CONTINUED)

Donated professional services and materials are as follows for the year ended June 30, 2023:

	<u>PLA 103</u>	<u>PLA 93</u>	<u>PLA 48</u>	<u>PLAVS</u>	<u>Total</u>
Building and Facilities Usage	\$ 928,111	\$ 567,054	\$ 815,562	\$ (6,250)	\$ 2,304,477
Maintenance of Buildings and Equip	415,517	314,537	406,858	-	1,136,912
Grounds Maintenance	44,403	8,325	9,490	-	62,218
Security	84,087	57,398	43,571	-	185,056
Transportation	382,708	406,369	379,539	-	1,168,616
Food Service	-	44,287	4,752	-	49,039
Public Engagement	70,997	48,462	36,788	46,562	202,809
Total	<u>\$ 1,925,823</u>	<u>\$ 1,446,432</u>	<u>\$ 1,696,560</u>	<u>\$ 40,312</u>	<u>\$ 5,109,127</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>GVPLA</u>	<u>PLA 103</u>	<u>PLA 93</u>	<u>CMO</u>	<u>JRPLA</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 477,478	\$ 75,004	\$ 90,493	\$ 10,369	\$ 120,346
Grants and Operator Receivables	1,100,436	804,351	526,851	-	552,334
Related Party Accounts Receivable	3,921,157	8,971,997	4,305,139	154,546	2,373,087
Total Current Assets	<u>5,499,071</u>	<u>9,851,352</u>	<u>4,922,483</u>	<u>164,915</u>	<u>3,045,767</u>
PROPERTY AND EQUIPMENT					
Land	300,000	-	-	-	-
Building and Improvements	6,775,248	-	-	-	-
Leasehold Improvements	10,657	-	108,213	-	4,301,636
Furniture and Equipment	508,832	220,337	-	-	233,871
Books and Educational Materials	164,966	383,435	201,804	-	80,351
Computer Software	49,977	-	54,775	-	64,600
Computer Equipment	155,188	87,684	26,500	-	206,988
Vehicles	-	-	-	-	-
Total, at Cost	<u>7,964,868</u>	<u>691,456</u>	<u>391,292</u>	<u>-</u>	<u>4,887,446</u>
Less: Accumulated Depreciation	<u>2,540,244</u>	<u>675,422</u>	<u>307,156</u>	<u>-</u>	<u>759,803</u>
Total Property and Equipment	<u>5,424,624</u>	<u>16,034</u>	<u>84,136</u>	<u>-</u>	<u>4,127,643</u>
OTHER ASSETS					
Right-of-Use Lease Asset, Net	15,495	-	-	-	38,009
Security Deposit	-	-	-	-	1,000,000
Total Assets	<u>\$ 10,939,190</u>	<u>\$ 9,867,386</u>	<u>\$ 5,006,619</u>	<u>\$ 164,915</u>	<u>\$ 8,211,419</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 438,111	\$ 472,110	\$ 407,783	\$ -	\$ 532,729
Related Party Payables	4,713,805	2,067,415	849,434	-	6,715,416
Current Portion of Notes Payable	165,460	-	-	-	-
Current Portion of Notes Payable - Affiliate	66,910	-	-	-	158,386
Accrued Liabilities	125,530	274,999	241,673	-	189,976
Current Portion of Right-of-Use Lease Liability	15,495	-	-	-	9,741
Total Current Liabilities	<u>5,525,311</u>	<u>2,814,524</u>	<u>1,498,890</u>	<u>-</u>	<u>7,606,248</u>
LONG-TERM LIABILITIES					
Notes Payable, Net of Current Portion	2,775,174	-	-	-	-
Notes Payable, Net of Current Portion - Affiliate	1,616,175	-	-	-	1,269,390
Right-of-Use Lease Liability, Net of Current Portion	-	-	-	-	28,268
Total Long-Term Liabilities	<u>4,391,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,297,658</u>
Total Liabilities	9,916,660	2,814,524	1,498,890	-	8,903,906
NET ASSETS (DEFICIT)					
Without Donor Restrictions	1,022,530	7,052,862	3,507,729	164,915	(692,487)
With Donor Restrictions	-	-	-	-	-
Total Net Assets (Deficit)	<u>1,022,530</u>	<u>7,052,862</u>	<u>3,507,729</u>	<u>164,915</u>	<u>(692,487)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 10,939,190</u>	<u>\$ 9,867,386</u>	<u>\$ 5,006,619</u>	<u>\$ 164,915</u>	<u>\$ 8,211,419</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL (CONTINUED)
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>JRPHS</u>	<u>PLAVS</u>	<u>PLA48</u>	<u>Jacquet</u>	<u>Promise Prep</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 95,617	\$ 71,212	\$ 81,510	\$ 675	\$ 285,605	\$ -	\$ 1,308,309
Grants and Operator Receivables	644,714	1,201,010	473,351	-	371,243	-	5,674,290
Related Party Accounts Receivable	2,969,039	1,369,663	1,696,067	460,632	172,074	(15,630,754)	10,762,647
Total Current Assets	<u>3,709,370</u>	<u>2,641,885</u>	<u>2,250,928</u>	<u>461,307</u>	<u>828,922</u>	<u>(15,630,754)</u>	<u>17,745,246</u>
PROPERTY AND EQUIPMENT							
Land	-	-	-	-	-	-	300,000
Building and Improvements	60,000	-	-	-	-	-	6,835,248
Leasehold Improvements	9,200	-	-	-	-	-	4,429,706
Furniture and Equipment	28,000	-	-	-	-	-	991,040
Books and Educational Materials	-	-	-	-	-	-	830,556
Computer Software	-	-	-	-	-	-	169,352
Computer Equipment	-	-	-	-	-	-	476,360
Vehicles	54,490	-	-	-	-	-	54,490
Total, at Cost	<u>151,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,086,752</u>
Less: Accumulated Depreciation	31,792	-	-	-	-	-	4,314,417
Total Property and Equipment	<u>119,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,772,335</u>
OTHER ASSETS							
Right to Use Lease Asset	-	-	-	-	1,263,273	-	1,316,777
Security Deposit	-	-	-	-	-	-	1,000,000
Total Assets	<u>\$ 3,829,268</u>	<u>\$ 2,641,885</u>	<u>\$ 2,250,928</u>	<u>\$ 461,307</u>	<u>\$ 2,092,195</u>	<u>\$ (15,630,754)</u>	<u>\$ 29,834,358</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable	\$ 346,599	\$ 463,467	\$ 281,582	\$ 27,929	\$ 261,797	\$ -	\$ 3,232,107
Related Party Payables	3,555,163	1,433,989	1,584,244	350,100	330,692	(15,630,754)	5,969,504
Current Portion of Notes Payable	-	-	-	-	-	-	165,460
Current Portion of Notes Payable - Affiliate	-	-	-	-	-	-	225,296
Accrued Liabilities	203,339	193,125	181,269	-	57,943	-	1,467,854
Current Portion of Right-of-Use Lease Liability	-	-	-	-	153,861	-	179,097
Total Current Liabilities	<u>4,105,101</u>	<u>2,090,581</u>	<u>2,047,095</u>	<u>378,029</u>	<u>804,293</u>	<u>(15,630,754)</u>	<u>11,239,318</u>
LONG-TERM LIABILITIES							
Notes Payable, Net of Current Portion	-	-	-	-	-	-	2,775,174
Notes Payable, Net of Current Portion - Affiliate	-	-	-	-	-	-	2,885,565
Right-of-Use Lease Liability, Net of Current Portion	-	-	-	-	1,125,413	-	1,153,681
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,125,413</u>	<u>-</u>	<u>6,814,420</u>
Total Liabilities	4,105,101	2,090,581	2,047,095	378,029	1,929,706	(15,630,754)	18,053,738
NET ASSETS (DEFICIT)							
Without Donor Restrictions	(753,383)	551,304	203,833	83,278	162,489	-	11,303,070
With Donor Restrictions	477,550	-	-	-	-	-	477,550
Total Net Assets (Deficit)	<u>(275,833)</u>	<u>551,304</u>	<u>203,833</u>	<u>83,278</u>	<u>162,489</u>	<u>-</u>	<u>11,780,620</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 3,829,268</u>	<u>\$ 2,641,885</u>	<u>\$ 2,250,928</u>	<u>\$ 461,307</u>	<u>\$ 2,092,195</u>	<u>\$ (15,630,754)</u>	<u>\$ 29,834,358</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	GVPLA			PLA 103			PLA93		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT									
REVENUE									
Contributions and Donations	\$ 165,595	\$ -	\$ 165,595	\$ 111,304	\$ -	\$ 111,304	\$ 117,664	\$ -	\$ 117,664
Grant Revenue	4,116,612	-	4,116,612	-	-	-	5,888,885	-	5,888,885
Operator Revenue	-	-	-	8,806,004	-	8,806,004	585,103	-	585,103
In-Kind Contributions	-	-	-	1,925,823	-	1,925,823	1,446,432	-	1,446,432
Excess of Fair Value of Net Assets Acquired in Acquisition of Promise Prep	-	-	-	-	-	-	-	-	-
Other Revenue	14,148	-	14,148	81,090	-	81,090	61,135	-	61,135
Total Revenue and Contributed Support	4,296,355	-	4,296,355	10,924,221	-	10,924,221	8,099,219	-	8,099,219
EXPENSES									
Program Services	3,338,525	-	3,338,525	7,367,497	-	7,367,497	6,161,810	-	6,161,810
Supporting Services:									
General and Administrative	1,468,501	-	1,468,501	1,805,750	-	1,805,750	1,747,935	-	1,747,935
Total Expenses	4,807,026	-	4,807,026	9,173,247	-	9,173,247	7,909,745	-	7,909,745
CHANGE IN NET ASSETS	(510,671)	-	(510,671)	1,750,974	-	1,750,974	189,474	-	189,474
Net Assets (Deficit) - Beginning of Year	1,533,201	-	1,533,201	5,301,888	-	5,301,888	3,318,255	-	3,318,255
NET ASSETS (DEFICIT) - END OF YEAR	\$ 1,022,530	\$ -	\$ 1,022,530	\$ 7,052,862	\$ -	\$ 7,052,862	\$ 3,507,729	\$ -	\$ 3,507,729

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	CMO			JRPLA			JRPMS		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT									
REVENUE									
Contributions and Donations	\$ -	\$ -	\$ -	\$ 86,680	\$ -	\$ 86,680	\$ 58,421	\$ 226,200	\$ 284,621
Grant Revenue	-	-	-	5,284,967	-	5,284,967	7,477,845	-	7,477,845
Operator Revenue	1,810,554	-	1,810,554	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Excess of Fair Value of Net Assets Acquired in Acquisition of Promise Prep	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	59,206	-	59,206	59,058	-	59,058
Total Revenue and Contributed Support	1,810,554	-	1,810,554	5,430,853	-	5,430,853	7,595,324	226,200	7,821,524
EXPENSES									
Program Services	-	-	-	3,738,363	-	3,738,363	5,661,900	-	5,661,900
Supporting Services:									
General and Administrative	2,758,301	-	2,758,301	1,571,138	-	1,571,138	2,064,482	-	2,064,482
Total Expenses	2,758,301	-	2,758,301	5,309,501	-	5,309,501	7,726,382	-	7,726,382
CHANGE IN NET ASSETS	(947,747)	-	(947,747)	121,352	-	121,352	(131,058)	226,200	95,142
Net Assets - Beginning of Year	1,112,662	-	1,112,662	(813,839)	-	(813,839)	(622,325)	251,350	(370,975)
NET ASSETS - END OF YEAR	\$ 164,915	\$ -	\$ 164,915	\$ (692,487)	\$ -	\$ (692,487)	\$ (753,383)	\$ 477,550	\$ (275,833)

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	PLAVS			PLA48			Jacquet		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT									
REVENUE									
Contributions and Donations	\$ 6,500	\$ -	\$ 6,500	\$ 109,873	\$ -	\$ 109,873	\$ -	\$ -	\$ -
Grant Revenue	4,311,123	-	4,311,123	4,759,074	-	4,759,074	-	-	-
Operator Revenue	-	-	-	-	-	-	-	-	-
In-Kind Contributions	40,312	-	-	1,696,560	-	1,696,560	-	-	-
Excess of Fair Value of Net Assets Acquired in Acquisition of Promise Prep	-	-	-	-	-	-	-	-	-
Other Revenue	19,173	-	19,173	18,391	-	18,391	819,315	-	819,315
Total Revenue and Contributed Support	4,377,108	-	4,336,796	6,583,898	-	6,583,898	819,315	-	819,315
EXPENSES									
Program Services	3,492,763	-	3,492,763	5,368,838	-	5,368,838	36,637	-	36,637
Supporting Services:									
General and Administrative	1,358,199	-	1,358,199	1,137,407	-	1,137,407	1,544,068	-	1,544,068
Total Expenses	4,850,962	-	4,850,962	6,506,245	-	6,506,245	1,580,705	-	1,580,705
CHANGE IN NET ASSETS	(473,854)	-	(514,166)	77,653	-	77,653	(761,390)	-	(761,390)
Net Assets - Beginning of Year	1,025,158	-	1,025,158	126,180	-	126,180	844,668	-	844,668
NET ASSETS - END OF YEAR	<u>\$ 551,304</u>	<u>\$ -</u>	<u>\$ 510,992</u>	<u>\$ 203,833</u>	<u>\$ -</u>	<u>\$ 203,833</u>	<u>\$ 83,278</u>	<u>\$ -</u>	<u>\$ 83,278</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Promise Prep			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT						
REVENUE						
Contributions and Donations	\$ 12,649	\$ -	\$ 12,649	\$ 668,686	\$ 226,200	\$ 894,886
Grant Revenue	738,101	-	738,101	32,576,607	-	32,576,607
Operator Revenue	-	-	-	11,201,661	-	11,201,661
In-Kind Contributions	-	-	-	5,109,127	-	5,109,127
Excess of Fair Value of Net Assets Acquired in Acquisition of Promise Prep	414,720	-	414,720	414,720	-	414,720
Other Revenue	566,377	-	566,377	1,697,893	-	1,697,893
Total Revenue and Contributed Support	<u>1,731,847</u>	<u>-</u>	<u>1,731,847</u>	<u>51,668,694</u>	<u>226,200</u>	<u>51,894,894</u>
EXPENSES						
Program Services	1,257,647	-	1,257,647	36,423,980	-	36,423,980
Supporting Services:						
General and Administrative	311,711	-	311,711	15,767,492	-	15,767,492
Total Expenses	<u>1,569,358</u>	<u>-</u>	<u>1,569,358</u>	<u>52,191,472</u>	<u>-</u>	<u>52,191,472</u>
CHANGE IN NET ASSETS	162,489	-	162,489	(522,778)	226,200	(296,578)
Net Assets - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,825,848</u>	<u>251,350</u>	<u>12,077,198</u>
NET ASSETS - END OF YEAR	<u>\$ 162,489</u>	<u>\$ -</u>	<u>\$ 162,489</u>	<u>\$ 11,303,070</u>	<u>\$ 477,550</u>	<u>\$ 11,780,620</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	GVPLA			PLA 103			PLA93		
	Program Services	Supporting Services		Program Services	Supporting Services		Program Services	Supporting Services	
	Academics	General and Administrative	Total	Academics	General and Administrative	Total	Academics	General and Administrative	Total
Salaries and Benefits	\$ 1,583,031	\$ 556,392	\$ 2,139,423	\$ 3,790,415	\$ 600,115	\$ 4,390,530	\$ 3,453,916	\$ 768,492	\$ 4,222,408
Professional Services	73,990	18,234	92,224	323,107	40,337	363,444	250,398	73,446	323,844
Information Technology	405,458	575,142	980,600	632,749	1,035,119	1,667,868	108,252	766,915	875,167
Legal and Accounting	-	29,133	29,133	-	16,904	16,904	-	16,222	16,222
Professional Development	20,759	24,306	45,065	10,178	31,317	41,495	9,282	30,233	39,515
Cleaning Services	85,658	-	85,658	110,920	-	110,920	2	-	2
Security Services	1,263	-	1,263	84,087	-	84,087	57,398	-	57,398
Utilities	215,685	-	215,685	-	-	-	43,399	-	43,399
Materials and Supplies	408,744	24,986	433,730	314,741	21,974	336,715	915,458	32,559	948,017
Nutritional Support	259,400	-	259,400	749,367	-	749,367	575,016	-	575,016
Sales, Marketing, and Community Relations	15,243	-	15,243	-	-	-	-	5	5
Program Transportation Services	8,947	-	8,947	405,077	-	405,077	427,516	-	427,516
Travel and Entertainment	-	11,296	11,296	-	-	-	-	-	-
Interest Expense	-	169,163	169,163	-	-	-	-	-	-
Rent and Facilities	-	-	-	934,361	-	934,361	317,453	-	317,453
Depreciation and Amortization	260,347	-	260,347	12,495	-	12,495	3,720	-	3,720
Insurance	-	59,578	59,578	-	59,578	59,578	-	59,578	59,578
Repairs and Maintenance	-	-	-	-	-	-	-	-	-
Miscellaneous	-	271	271	-	406	406	-	485	485
Total	\$ 3,338,525	\$ 1,468,501	\$ 4,807,026	\$ 7,367,497	\$ 1,805,750	\$ 9,173,247	\$ 6,161,810	\$ 1,747,935	\$ 7,909,745

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	CMO			JRPLA			JRPHS		
	Program Services	Supporting Services		Program Services	Supporting Services		Program Services	Supporting Services	
	Academics	General and Administrative	Total	Academics	General and Administrative	Total	Academics	General and Administrative	Total
Salaries and Benefits	\$ -	\$ -	\$ -	\$ 2,509,636	\$ 888,252	\$ 3,397,888	\$ 2,519,864	\$ 883,278	\$ 3,403,142
Professional Services	-	-	-	108,849	27,763	136,612	467,797	24,066	491,863
Information Technology	-	2,758,301	2,758,301	84,396	483,521	567,917	603,118	913,482	1,516,600
Legal and Accounting	-	-	-	-	10,241	10,241	-	35,336	35,336
Professional Development	-	-	-	9,981	17,060	27,041	10,062	26,299	36,361
Cleaning Services	-	-	-	15,595	-	15,595	7,796	-	7,796
Security Services	-	-	-	1,925	-	1,925	20,500	-	20,500
Utilities	-	-	-	101,919	3,173	105,092	146,538	-	146,538
Materials and Supplies	-	-	-	87,366	6,630	93,996	337,798	50,776	388,574
Nutritional Support	-	-	-	-	-	-	437,099	-	437,099
Sales, Marketing, and Community Relations	-	-	-	-	-	-	1,261	-	1,261
Program Transportation Services	-	-	-	350,728	-	350,728	778,460	-	778,460
Travel and Entertainment	-	-	-	-	2,173	2,173	-	1,279	1,279
Interest Expense	-	-	-	-	60,429	60,429	-	-	-
Rent and Facilities	-	-	-	265,311	-	265,311	309,206	-	309,206
Depreciation and Amortization	-	-	-	202,657	-	202,657	16,299	-	16,299
Insurance	-	-	-	-	4,323	4,323	-	129,833	129,833
Repairs and Maintenance	-	-	-	-	67,432	67,432	6,102	-	6,102
Miscellaneous	-	-	-	-	141	141	-	133	133
Total	\$ -	\$ 2,758,301	\$ 2,758,301	\$ 3,738,363	\$ 1,571,138	\$ 5,309,501	\$ 5,661,900	\$ 2,064,482	\$ 7,726,382

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	PLAVS			PLA48			Jacquet		
	Program Services	Supporting Services		Program Services	Supporting Services		Program Services	Supporting Services	
	Academics	General and Administrative	Total	Academics	General and Administrative	Total	Academics	General and Administrative	Total
Salaries and Benefits	\$ 2,768,369	\$ 601,562	\$ 3,369,931	\$ 2,432,421	\$ 414,182	\$ 2,846,603	\$ -	\$ -	\$ -
Professional Services	393,846	23,842	417,688	192,548	26,907	219,455	-	-	-
Information Technology	157,239	590,643	747,882	654,803	590,830	1,245,633	27,438	1,544,034	1,571,472
Legal and Accounting	-	14,220	14,220	-	15,150	15,150	-	-	-
Professional Development	17,483	54,693	72,176	10,032	17,866	27,898	7,637	-	7,637
Cleaning Services	171	-	171	-	-	-	-	-	-
Security Services	-	-	-	43,571	-	43,571	-	-	-
Utilities	-	-	-	-	-	-	-	-	-
Materials and Supplies	150,949	6,491	157,440	335,711	12,774	348,485	1,562	34	1,596
Nutritional Support	890	-	890	478,337	-	478,337	-	-	-
Sales, Marketing, and Community Relations	1,213	-	1,213	677	-	677	-	-	-
Program Transportation Services	2,603	-	2,603	398,922	-	398,922	-	-	-
Travel and Entertainment	-	7,018	7,018	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-
Rent and Facilities	-	-	-	821,816	-	821,816	-	-	-
Depreciation and Amortization	-	-	-	-	-	-	-	-	-
Insurance	-	59,578	59,578	-	59,578	59,578	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-
Miscellaneous	-	152	152	-	120	120	-	-	-
Total	\$ 3,492,763	\$ 1,358,199	\$ 4,850,962	\$ 5,368,838	\$ 1,137,407	\$ 6,506,245	\$ 36,637	\$ 1,544,068	\$ 1,580,705

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Promise Prep			Total		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Academics	General and Administrative		Academics	General and Administrative	
Salaries and Benefits	\$ 730,254	\$ 249,976	\$ 980,230	\$ 19,787,906	\$ 4,962,249	\$ 24,750,155
Professional Services	48,170	24,997	73,167	1,858,705	259,592	2,118,297
Information Technology	82,481	-	82,481	2,755,934	9,257,987	12,013,921
Legal and Accounting	-	11,821	11,821	-	149,027	149,027
Professional Development	90	1,663	1,753	95,504	203,437	298,941
Cleaning Services	8,100	-	8,100	228,242	-	228,242
Security Services	9,891	-	9,891	218,635	-	218,635
Utilities	-	-	-	507,541	3,173	510,714
Materials and Supplies	75,063	22,751	97,814	2,627,392	178,975	2,806,367
Nutritional Support	59,864	-	59,864	2,559,973	-	2,559,973
Sales, Marketing, and Community Relations	8,513	-	8,513	26,907	5	26,912
Program Transportation Services	56,386	-	56,386	2,428,639	-	2,428,639
Travel and Entertainment	-	-	-	-	21,766	21,766
Interest Expense	-	-	-	-	229,592	229,592
Rent and Facilities	178,835	-	178,835	2,826,982	-	2,826,982
Depreciation and Amortization	-	-	-	495,518	-	495,518
Insurance	-	315	315	-	432,361	432,361
Repairs and Maintenance	-	-	-	6,102	67,432	73,534
Miscellaneous	-	188	188	-	1,896	1,896
Total	\$ 1,257,647	\$ 311,711	\$ 1,569,358	\$ 36,423,980	\$ 15,767,492	\$ 52,191,472



**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 and Management
The Phalen Leadership Academy – Indiana, Inc.
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Phalen Leadership Academy – Indiana, Inc., which comprise of the statement of financial position as of June 30, 2023, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 8, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Phalen Leadership Academy – Indiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Phalen Leadership Academy – Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Phalen Leadership Academy – Indiana, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

The Phalen Leadership Academy – Indiana, Inc.’s Response to Findings

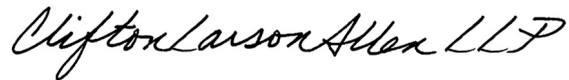
Government Auditing Standards requires the auditor to perform limited procedures on The Phalen Leadership Academy – Indiana, Inc.’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Phalen Leadership Academy – Indiana, Inc.’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Phalen Leadership Academy – Indiana, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’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
March 8, 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 and Management
The Phalen Leadership Academy – Indiana, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Phalen Leadership Academy – Indiana, Inc.'s 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 Phalen Leadership Academy – Indiana, Inc.'s major federal programs for the year ended June 30, 2023. The Phalen Leadership Academy – Indiana, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Phalen Leadership Academy – Indiana, Inc. 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 Phalen Leadership Academy – Indiana, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to The Phalen Leadership Academy – Indiana, Inc.'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 Phalen Leadership Academy – Indiana, Inc.'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 Phalen Leadership Academy – Indiana, Inc.'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 Phalen Leadership Academy – Indiana, Inc.'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 Phalen Leadership Academy – Indiana, Inc.'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 Phalen Leadership Academy – Indiana, Inc.'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023.002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on The Phalen Leadership Academy – Indiana, Inc.'s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Phalen Leadership Academy – Indiana, Inc.'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.

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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

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

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 Phalen Leadership Academy – Indiana, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Phalen Leadership Academy – Indiana, Inc.'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
March 8, 2024

THE PHALEN LEADERSHIP ACADEMY- INDIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture				
Passed through Indiana Department of Education:				
Child Nutrition Cluster - National School Lunch Program	10.555	N/A	\$ -	\$ 1,956,477
Total Department of Agriculture			-	1,956,477
Department of Education				
Passed through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A200014, S010A210014, S010A220014	-	2,724,167
Special Education Cluster - Special Education Grants to States	84.027	H027A200084, H027A210084	-	468,255
Title III Higher Education Institutional Aid	84.031	N/A	-	4,185
Charter School Program	84.282	U282A190017, U282A200017, S282D190002	-	439,043
Title II Improving Teacher Quality State Grants	84.367	S367A200013, S367A210013, S367A220013	-	317,853
Title IV Student Support and Academic Enrichment Program	84.424	S424A190015, S424A200015, S424A210015, S424A220015	-	143,783
COVID 19: Education Stabilization Fund	84.425D	S425D200013, S425D210013	-	3,919,114
	84.425U	S425U210013	-	4,521,142
Total Department of Education			-	12,537,542
Total Expenditures of Federal Awards			\$ -	\$ 14,494,019

See accompanying Notes to Schedule of Expenditures of Federal Awards.

THE PHALEN LEADERSHIP ACADEMY- INDIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The Phalen Leadership Academy – Indiana, Inc. 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 Phalen Leadership Academy – Indiana, Inc., it is not intended to and does not present the financial position of The Phalen Leadership Academy – Indiana, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Phalen Leadership Academy – Indiana, Inc. has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

THE PHALEN LEADERSHIP ACADEMY- INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes 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? yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
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

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.010 84.425D, 84.425U	Title I Elementary and Secondary School Emergency Relief Fund

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

THE PHALEN LEADERSHIP ACADEMY- INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

2023 – 001: Financial Reporting of Restricted Contributions and Net Assets with Donor Restrictions

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The board and management share the ultimate responsibility for the School's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. During the conduct of the audit, we noted that donor restricted contributions and net assets with donor restrictions had not been identified for proper reporting in accordance with accounting principles generally accepted in the United States of America.

Criteria or Specific Requirement: In an ideal control setting, the School would have a comprehensive control procedure to ensure that the financial statements, including classifications and disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable accounting principles generally accepted in the United States of America.

Effect: It is possible that a misstatement of the School's financial statements could occur and not be prevented or detected by the School's internal control.

Cause: The School's controls were not able to detect the required presentation of restricted revenue and restricted net assets. The School does not have a comprehensive review process to ensure that the financial statements, including presentation and disclosures, are complete and accurate.

Repeat Finding: No

Recommendation: We recommend that management review controls related to financial statement preparation review at the end of each period. Financial statement preparation should include a review of reconciliations and balances to ensure that financial statement line items are properly stated and classified. Internally prepared financial statements should also be reviewed by members of management outside the finance department on a periodic (monthly or quarterly).

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

THE PHALEN LEADERSHIP ACADEMY- INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Section III – Findings and Questioned Costs – Major Federal Programs

2023 – 002: Special Tests and Provisions

Federal Agency: U.S Department Education

Federal Program Name: Education Stabilization Funds

Assistance Listing Number: 84.425D, 84.425U

Pass-Through Agency: Indiana Department of Education

Pass-Through Numbers: S425D200013, S425D210013, S425U210013

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

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Per 2 CFR 200.303, "The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework' issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). If governors, SEAs, and or subrecipients propose to use ESF funds for construction they must also comply with applicable requirements in 34 CFR section 76.600 and 34 CFR sections 75.600–617. Approved construction projects must comply with all other applicable Uniform Guidance requirements, as well as the ED's regulations regarding construction, as applicable, at 34 CFR section 76.600. As is the case with all construction contracts using laborers and mechanics financed by federal education funds, recipients and subrecipients that use ESF funds for construction contracts over \$2,000 must meet Davis-Bacon prevailing wage requirements.

Condition: PLA did not verify compliance with prevailing wage requirements with subcontractors for construction projects financed by federal education funds.

Questioned costs: \$342,069.

Context: 2 of 2 construction projects financed by federal education funds were subject to prevailing wage requirements.

Cause: PLA was not familiar with using federal education funds for construction costs and were not aware of the prevailing wage requirements

Effect: Laborers and mechanics paid by subcontractors may have been paid below prevailing wage rates.

THE PHALEN LEADERSHIP ACADEMY- INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

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

2023 – 002: Special Tests and Provisions (Continued)

Repeat Finding: No.

Recommendation: We recommend that for future construction contracts financed by federal education funds PLA verify that subcontractors comply with prevailing wage requirements.

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



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

**THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023**

U.S. Department of Education, U.S. Department of Agriculture

The Phalen Leadership Academy – Indiana, Inc. (PLA) 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

MATERIAL WEAKNESS

2023-001 Financial Reporting of Restricted Contributions and Net Assets with Donor Restrictions

Recommendation: We recommend that management review controls related to financial statement preparation review at the end of each period. Financial statement preparation should include a review of reconciliations and balances to ensure that financial statement line items are properly stated and classified. Internally prepared financial statements should also be reviewed by members of management outside the finance department on a periodic (monthly or quarterly).

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

Action taken in response to finding: PLA will establish procedures whereby philanthropic contributions and grants received are reviewed on a monthly basis to ensure proper classification in the general ledger and financial statements.

Name(s) of the contact person(s) responsible for corrective action: Carlo Hershberger, Director of Finance and Accounting; Maria Leal, Grant Accounting Manager

Planned completion date for corrective action plan: April 1, 2024

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

UNITED STATES DEPARTMENT OF EDUCATION

2023-002 Special Tests and Provisions

Education Stabilization Fund: Assistance Listing No. 84.425

Recommendation: We recommend that for future construction contracts financed by federal education funds PLA verify that subcontractors comply with prevailing wage requirements.

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

Action taken in response to finding: PLA will train operations and business office staff on the compliance requirements under Davis-Bacon to ensure construction contracts are entered into with qualified contractors and obtain and retain appropriate certified payroll documentation during the construction period.

**THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023**

Name(s) of the contact person(s) responsible for corrective action: Carlo Hershberger, Director of Finance and Accounting; Javier Dimas, Vice-President of Operations; Martha Arellano, Procurement Manager and Buyer

Planned completion date for corrective action plan: April 1, 2024

If the United States Department of Education has questions regarding this plan, please call Eva Spilker, Chief Financial Officer, at 410-598-3087.

**THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

U.S. Department of Education, U.S. Department of Agriculture

The Phalen Leadership Academy – Indiana, Inc. (PLA) respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2023.

Audit period: July 1, 2021 – June 30, 2022

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2022 – 001: Audit Adjustments

Condition: The PLA board and management share the ultimate responsibility for PLA's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. Various significant audit adjustments were proposed and posted through the audit process. The adjustments were a necessary step in ensuring the financial statements were fairly stated in accordance with accounting principles generally accepted in the United States of America.

Status: Corrected.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

There were no federal award program audit findings in the prior year.

If the U.S. Department of Education or the U.S. Department of Agriculture has questions regarding this schedule, please call Eva Spilker, Chief Financial Officer at 410-598-3087.