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March 11, 2024

Charter School Board
Matchbook Learning Schools of Indiana, Inc.
Marion County, Indiana

We have reviewed the audit report of Matchbook Learning Schools of Indiana, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Matchbook Learning Schools of 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 in the report on pages 21 and 22. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 23 and 24.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 4.

In our opinion, Donovan CPAs 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 Matchbook Learning Schools of 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 black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Matchbook Learning Schools of Indiana, Inc.

Opinion

We audited the financial statements of Matchbook Learning Schools of Indiana, Inc. (the "School"), which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also issued our report dated February 29, 2024 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the School'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 the School's internal control over financial reporting and compliance.

Emphasis of Matters

As discussed in Note 3 to the financial statements, net assets as of June 30, 2022 have been adjusted to correct an error pertaining to grant revenues which should have been recognized during the year ended June 30, 2022 totaling \$222,790. This correction is reflected in the accompanying financial statements as a increase in grant revenue during the year ended June 30, 2022 and a corresponding increase in grants receivable and net assets as of June 30, 2022. Our opinion is not modified with respect to this matter.

As discussed in Note 4 to the financial statements, the School recorded in-kind contributions and offsetting expenses from Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools ("IPS"), a related party, totaling \$2,450,212 and \$2,582,022 during the years ended June 30, 2023 and 2022, respectively. These in-kind transactions represent approximately 21% of both total revenue and support and total expenses for the year ended June 30, 2023 (23% of both total revenue and support and total expenses in 2022). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented. Our opinion is not modified with respect to this matter.

DONOVAN



Indianapolis, Indiana
February 29, 2024

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,248,310	\$ 2,450,549
Grants receivable	750,238	554,243
Prepaid expenses	<u>76,436</u>	<u>14,236</u>
<i>Total current assets</i>	<u>3,074,984</u>	<u>3,019,028</u>
PROPERTY AND EQUIPMENT		
Building	4,650,950	-
Furniture and equipment	75,639	75,639
Software	149,629	149,629
Less: accumulated depreciation	<u>(218,113)</u>	<u>(208,466)</u>
<i>Property and equipment, net</i>	<u>4,658,105</u>	<u>16,802</u>
TOTAL ASSETS	<u>\$ 7,733,089</u>	<u>\$ 3,035,830</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 258,207	\$ 54,209
Accrued expenses	587,753	547,717
Note payable	<u>4,500,000</u>	<u>-</u>
<i>Total liabilities</i>	<u>5,345,960</u>	<u>601,926</u>
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Board-designated	1,912,500	1,912,500
Undesignated	<u>474,629</u>	<u>521,404</u>
<i>Total net assets, without donor restrictions</i>	<u>2,387,129</u>	<u>2,433,904</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,733,089</u>	<u>\$ 3,035,830</u>

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

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT		
Student-based allocation funding from Indianapolis Public Schools	\$ 5,693,798	\$ 5,464,175
Grants	3,350,928	3,349,516
In-kind contributions from Indianapolis Public Schools	2,450,212	2,582,022
Contributions	17,591	1,559
Interest	34,688	1,504
Other	15,572	24,551
	<u>11,562,789</u>	<u>11,423,327</u>
 <i>Total revenue and support</i>		
EXPENSES		
Program services	9,998,587	9,419,512
Management and general	1,610,977	1,924,367
	<u>11,609,564</u>	<u>11,343,879</u>
 <i>Total expenses</i>		
CHANGE IN NET ASSETS	(46,775)	79,448
NET ASSETS, BEGINNING OF YEAR	<u>2,433,904</u>	<u>2,354,456</u>
NET ASSETS, END OF YEAR	<u>\$ 2,387,129</u>	<u>\$ 2,433,904</u>

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

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2023 and 2022

	2023			2022		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
In-kind expenses:						
Occupancy	\$ 1,039,751	\$ -	\$ 1,039,751	\$ 2,167,445	\$ -	\$ 2,167,445
Repairs and maintenance	629,183	-	629,183	71,247	-	71,247
Student transportation	545,154	-	545,154	252,718	-	252,718
Security services	-	105,309	105,309	-	90,612	90,612
Public engagement	88,916	-	88,916	-	-	-
Food service	41,899	-	41,899	-	-	-
<i>Total in-kind expenses</i>	<u>2,344,903</u>	<u>105,309</u>	<u>2,450,212</u>	<u>2,491,410</u>	<u>90,612</u>	<u>2,582,022</u>
Direct expenses:						
Salaries and wages	3,938,685	1,024,772	4,963,457	3,613,635	1,069,915	4,683,550
Employee benefits	1,059,470	241,125	1,300,595	916,048	348,455	1,264,503
Professional services	792,033	30,872	822,905	867,981	265,290	1,133,271
Curriculum	503,327	-	503,327	550,528	-	550,528
Food costs	450,180	-	450,180	353,809	-	353,809
Classroom and office supplies	253,371	3,580	256,951	173,766	2,939	176,705
Travel and meetings	98,466	121,102	219,568	52,463	97,440	149,903
Information technology	144,795	30,645	175,440	142,161	21,258	163,419
Repairs and maintenance	137,740	-	137,740	128,432	-	128,432
Insurance	76,219	217	76,436	21,570	-	21,570
Field trips	56,808	-	56,808	2,301	-	2,301
Occupancy	25,500	25,271	50,771	-	25,195	25,195
Interest	46,500	-	46,500	-	-	-
Staff development	28,741	11,882	40,623	47,841	-	47,841
Depreciation	7,940	1,707	9,647	28,097	1,707	29,804
Other	33,909	14,495	48,404	29,470	1,556	31,026
<i>Total direct expenses</i>	<u>7,653,684</u>	<u>1,505,668</u>	<u>9,159,352</u>	<u>6,928,102</u>	<u>1,833,755</u>	<u>8,761,857</u>
<i>Total functional expenses</i>	<u>\$ 9,998,587</u>	<u>\$ 1,610,977</u>	<u>\$ 11,609,564</u>	<u>\$ 9,419,512</u>	<u>\$ 1,924,367</u>	<u>\$ 11,343,879</u>

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

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (46,775)	\$ 79,448
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,647	29,804
Changes in certain assets and liabilities:		
Grants receivable	(195,995)	96,553
Prepaid expenses	(62,200)	(11,798)
Accounts payable	203,998	(123,470)
Accrued expenses	40,036	48,690
	<u> </u>	<u> </u>
<i>Net cash provided by (used in) operating activities</i>	(51,289)	119,227
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(150,950)</u>	<u>-</u>
NET CHANGE IN CASH	(202,239)	119,227
CASH, BEGINNING OF YEAR	<u>2,450,549</u>	<u>2,331,322</u>
CASH, END OF YEAR	<u>\$ 2,248,310</u>	<u>\$ 2,450,549</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 46,500	\$ -
Purchase of building financed through note payable	4,500,000	

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

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Matchbook Learning Schools of Indiana, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates as a public charter school under Indiana Code 20-24 and is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. The School served approximately 660 students in grades kindergarten through eighth during the 2022-2023 school year (735 students during the 2021-2022 school year).

The School operates under an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools ("IPS"), to operate a charter school within an IPS building. The agreement is for a term of five years, ending June 30, 2028, and renews automatically for an additional five-year term unless either party provides written notice at least 180 days prior to the expiration of the agreement. Under the agreement, IPS will pay to the School the amount the School would receive from the State of Indiana for state basic tuition support and complexity grant funding as if the School were a traditional charter school. The agreement can be terminated by either party within 30 days of written notice for material breach of the agreement, by IPS at the end of the school year for poor academic performance given written notice to the school 180 days prior, or by both parties by mutual consent effective as of a mutually agreeable date.

The School received valuable in-kind services from IPS during the years ended June 30, 2023 and 2022. The values of these services were estimated and have been reflected as in-kind contributions and expenses. See Note 4.

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

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

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

Included in net assets without donor restrictions are Board-designated net assets of \$1,912,500 as of both June 30, 2023 and 2022 to establish a "Future Needs Fund." These funds include \$30,000 for a required dissolution escrow account and may also be used at the Board's discretion to further the strategic objectives of the School or to finance unanticipated or unbudgeted future expenses.

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

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. The School utilizes a sweep account to invest excess cash in short-term investments which earn interest income. These short-term investments meet the definition of cash equivalents and totaled \$310,790 as of June 30, 2023. There were no cash equivalents as of June 30, 2022.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of assets and expenditures over \$1,000 that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The building is depreciated over thirty years. Furniture and equipment is depreciated over three to five years. Software is depreciated over three years.

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

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. The tax years ended after June 30, 2019 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 29, 2024, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 2 - REVENUE RECOGNITION

Revenue Recognition Policy – As discussed in Note 1, the majority of the School’s revenue and support is provided by IPS as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School receives monthly funding from IPS in accordance with a student-based allocation formula. Funding includes both fixed and variable components. The variable funding depends upon certain attributes including the number of students, student grades, poverty status, and other factors. Revenue is recognized in the year in which the services are rendered.

A significant portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grant is considered satisfaction of the performance obligations. The School also receives contributions and other income from other agencies and individuals, which are recorded in accordance with the terms of the underlying agreements.

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

NOTE 3 - PRIOR PERIOD ADJUSTMENT

Net assets as of June 30, 2022 have been adjusted to correct an error pertaining to grant revenues which should have been recognized during the year ended June 30, 2022 totaling \$222,790. This correction is reflected in the accompanying financial statements as a increase in grant revenue during the year ended June 30, 2022 and a corresponding increase in grants receivable and net assets as of June 30, 2022.

NOTE 4 - VALUATION OF IN-KIND SERVICES

The School recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$2,450,212 and \$2,582,022 during the years ended June 30, 2023 and 2022, respectively. These in-kind transactions represent approximately 21% of both total revenue and support and total expenses for the year ended June 30, 2023 (23% of both total revenue and support and total expenses in 2022). The values of these in-kind services are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented.

The only in-kind contributions received by the School are from IPS and are disaggregated on the statements of activities and change in net assets and there are no restrictions set on these amounts.

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 5 - NOTE PAYABLE

In March 2023, the School entered into a note payable agreement with BlueHub Loan Fund, with an initial principal balance of \$4,500,000 for the purchase of a building for a second school location. The loan required payments of interest only at a fixed rate of 6% through March 1, 2024, with a lump sum principal payment due March 31, 2024. Subsequent to year-end, the School repaid the note payable with proceeds from Educational Facilities Revenue Bonds (Note 11). Debt issuance costs incurred in the procurement of the note payable were expensed during the year ended June 30, 2023 given the note's short-term maturity.

NOTE 6 - RETIREMENT PLANS

The School maintains a defined contribution Section 401(k) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make matching contributions on the first 5% of elective contributions. Retirement plan expense was \$67,641 and \$81,386 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 - RISKS AND UNCERTAINTIES

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

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. The School also receives substantial financial assistance from IPS in the form of in-kind contributions covering occupancy, student transportation, security services, repairs and maintenance, food services, and public engagement. Changes to the Innovation Network Charter School Agreement with IPS could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2023 and 2022, all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at The National Bank of Indianapolis are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceeded the FDIC insurance limit as of June 30, 2023 and 2022, and regularly throughout the years then ended.

NOTE 8 - COMMITMENTS

The charter agreement requires the School to establish a cash escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2023, this escrow account has been established and fully funded. The escrow account is included in the balance of cash on the statements of financial position.

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 9 - LIQUIDITY

The School's financial assets include cash and grants receivable totaling \$2,998,548 and \$3,004,792 as of June 30, 2023 and 2022, respectively. The School has Board-designated net assets of \$1,912,500 as of June 30, 2023 and 2022 for the purpose of establishing a "Future Needs Fund." While these funds are not immediately available to meet general expenditures within one year, they may be released from designation at the Board's discretion. With the exception of the \$30,000 dissolution escrow account, the School considers all financial assets to be available for general expenditures.

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

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

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

NOTE 11 - SUBSEQUENT EVENT

Subsequent to June 30, 2023, the School entered into a note payable agreement for Educational Facilities Revenue Bonds, Series 2024 with Indiana Finance Authority. The bonds were acquired in January 2024 with an initial principal balance of \$20,505,000. The bonds are payable semi-annually, including interest at 5.5%, through June 2058. Bond proceeds were used in part to repay the note payable to BlueHub Loan Fund. The remaining bond proceeds will be used to build out and furnish both School buildings, install solar panels, create a debt service reserve fund, finance bond closing costs, and other occupancy-related capital expenditures.

SUPPLEMENTARY INFORMATION

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor Agency/Pass-Through Entity/Cluster Title/Program Title/ Project Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 119,205
National School Lunch Program	10.555		<u>405,991</u>
<i>Total U.S. Department of Agriculture</i>			<u>525,196</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A210014	53,173
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A220014	338,776
Title I, Part A: School Improvement Grants	84.377A		186,306
Title II, Supporting Effective Instruction State Grants	84.367	S367A220013	33,965
Title IV, Student Support and Academic Enrichment Program	84.424A	S424A220015	41,236
Special Education Cluster			
Special Education - Grants to States	84.027A	21611-621-PN01	141,492
Charter Schools Program	84.282		25,418
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	22,536
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	594,891
Elementary and Secondary School Emergency Relief Fund	84.425C		<u>5,785</u>
<i>Total U.S. Department of Education</i>			<u>1,443,578</u>
<i>Total federal awards expended</i>			<u>\$ 1,968,774</u>

See independent auditors' report and accompanying notes to this schedule

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Matchbook Learning Schools of Indiana, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The School elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

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

The Board of Directors
Matchbook Learning Schools of Indiana, Inc.

We audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Matchbook Learning Schools of Indiana, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 29, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

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Compliance and Other Matters

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

Matchbook Learning Schools of Indiana, Inc.'s Response to Finding

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

Purpose of this Report

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

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized 'D'.

Indianapolis, Indiana
February 29, 2024



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors
Matchbook Learning Schools of Indiana, Inc.

Opinion on Each Major Federal Program

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

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

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2023-002. Our opinion on the major federal programs is not modified with respect to these matters.

The School's response to the noncompliance finding identified in our audit is described in the Corrective Action Plan on page 24. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Basis for Opinion on Each Major Federal Program

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

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Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

DONOVAN



Indianapolis, Indiana
February 29, 2024

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A: Grants to Local Educational Agencies
84.425D & 84.425C	Education Stabilization Fund

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

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

II. Financial Statement Findings

FINDING 2023-001 LACK OF FINANCIAL OVERSIGHT
MATERIAL WEAKNESS

Condition

Several material adjustments were required to be proposed and recorded during the audit for the financial statements to be free of material misstatement. Those adjustments resulted in the following increases to the financial statements:

Assets	\$ 478,298
Liabilities	587,753
Net assets – beginning of year	222,790
Revenue	113,969
Expenses	446,214

Criteria

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

Cause

Matchbook Learning Schools of Indiana, Inc. (the “School”) did not have sufficient financial oversight to ensure all transactions were substantiated, grant revenues were recorded in the proper period, all accounts were reconciled timely and accurately, and grant claims were processed timely.

Effect

Material misstatements existed in the unadjusted financial records prior to the audit.

Recommendation

We recommend the School develop internal controls to ensure proper financial oversight is provided.

Views of Responsible Officials

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

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

III. Federal Award Findings and Questioned Costs

FINDING 2023-002 MAINTENANCE OF EFFORT (REPEAT FINDING)
SIGNIFICANT DEFICIENCY

Federal Program: Title I, Part A: Grants to Local Educational Agencies
Assistance Listing Number: 84.010

Condition

The Indiana Department of Education completes the maintenance of effort calculation using the Form 9 report issued by the School, which is a cash-basis report. Review of the School's Form 9 found the report to be unreliable. Expenditures per the Form 9 totaled approximately \$9,078,000 for the period of July 1, 2022 to June 30, 2023. Cash basis expenses per the School's financial records totaled approximately \$9,009,000.

Criteria

2 CFR part 200, Appendix XI, Compliance Supplement 2020, Section 4-84.000-13, states "An LEA may receive funds under an applicable program only if the SEA finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from state and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waved."

Cause

The School did not report expenses in line with the guidelines set by the Indiana Department of Education.

Effect

Maintenance of effort calculations prepared by the Indiana Department of Education could be impacted by incorrect reporting of expense transactions.

Recommendation

We recommend the School develop internal controls to ensure expenses are properly reported on the Form 9 report in line with guidelines.

Views of Responsible Officials and Planned Corrective Actions

The School's Corrective Action Plan is included on page 24.



mATCHBOOK
LEARNING

February 28, 2024

Donovan CPAs
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

**FINDING 2023-001 LACK OF FINANCIAL OVERSIGHT
MATERIAL WEAKNESS**

Matchbook Learning Schools of Indiana, Inc. is taking the following actions to address the FY 2023 findings of noncompliance with Federal grant awards.

1. We are transitioning to a new business services provider in the last quarter of fiscal year 2024 and part of that transition includes the additional outsourcing of our grants management.
2. As part of this transition, we will evaluate current procedures and focus on integrating our grants management processes with our financial accounting processes. We believe this will allow us to better track the differences in our reimbursement-based grants, cash-basis state reporting, and GAAP-based accounting principles. While the dual reporting requirements are unique to Indiana charter schools, we recognize the need to better adapt our processes to meet those overly complicated dual requirements.
3. During this transition we will make sure to maintain the parts of our processes that are strong and have allowed us to establish a strong financial base from which we strive to serve our students.

Individual Responsible – Don Stewart

Sincerely,

Matchbook Learning Schools of Indiana, Inc. Management
Donald Stewart, Director of Operations



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LEARNING

February 28, 2024

Donovan CPAs
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

FINDING 2023-002 MAINTENANCE OF EFFORT (REPEAT FINDING)
SIGNIFICANT DEFICIENCY

February 28, 2024

Donovan CPAs
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

Matchbook Learning Schools of Indiana, Inc. has already or will take the following actions to Address the Form 9 finding

1. We will continue to manage the differences in timing and required reporting that exist for charter schools in the state of Indiana. As part of that, we will monitor our cash basis fund reporting on our Form 9 submission and adjust as necessary. Adjustments are typically required when we either make accrual-based receivable and payable adjustments or when we receive retroactive grant budget approvals after a Form 9 reporting deadline has already passed. We are working on improving this reconciliation process so our individual fund Form 9 cash balances will be more accurately reflected when tied to our accrual-base fund balances.
2. We are transitioning to a new business services provider in the last quarter of fiscal year 2024. We will work with them to adjust our Form 9 reporting process.

Individual Responsible – Don Stewart

Sincerely,

Matchbook Learning Schools of Indiana, Inc. Management
Donald Stewart, Director of Operations

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2023

FINDING 2022-001 REPORTING
SIGNIFICANT DEFICIENCY

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

Condition

The United States Department of Education required the submission in May 2022 of a report covering the period of October 1, 2020 to June 30, 2021 outlining the various uses of Elementary and Secondary School Emergency Relief Funds. The School was unable to provide support for how the amounts submitted in this report were calculated. Totals reported for expenses were not in line with totals expended during the period.

Current Status

Corrective action was taken.

FINDING 2022-002 MAINTENANCE OF EFFORT (REPEAT FINDING)
SIGNIFICANT DEFICIENCY

Federal Program: Title I, Part A: Grants to Local Educational Agencies
Assistance Listing Number: 84.010

Condition

The Indiana Department of Education completes the maintenance of effort calculation using the Form 9 report issued by the School, which is a cash-basis report. Review of the School's Form 9 found the report to be unreliable. Expenditures per the Form 9 totaled approximately \$8,641,000 for the period of July 1, 2021 to June 30, 2022. Cash basis expenses per the School's financial records totaled approximately \$8,821,000.

Current Status

Repeat finding issued (Finding 2023-002).

MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

OTHER REPORT

For the Year Ended June 30, 2023

The reports presented herein were prepared in addition to another official report prepared for Matchbook Learning Schools of Indiana, Inc. as listed below:

Supplemental Audit Report of Matchbook Learning Schools of 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*.