



STATE OF INDIANA
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May 20, 2013

Charter School Board
Carousel Family Services, Inc. d/b/a Veritas Academy
530 E. Ireland Road
South Bend, IN 46614

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Carousel Family Services, Inc. d/b/a Veritas Academy, as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for Carousel Family Services, Inc. d/b/a Veritas Academy was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.

State Board of Accounts

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY

Financial Statements

June 30, 2012

Fitzgerald | Isaac LLC
Certified Public Accountants

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-11
Other Reports	12

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Carousel Family Services, Inc.

We have audited the accompanying statement of financial position of **Carousel Family Services, Inc. d/b/a Veritas Academy** as of June 30, 2012 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Carousel Family Services, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carousel Family Services, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fitzgerald / Isaac

March 27, 2013

CAROUSEL FAMILY SERVICES, INC.

d/b/a

VERITAS ACADEMY

Statement of Financial Position

<u>Assets</u>	<u>June 30, 2012</u>
Current assets:	
Cash and cash equivalents	\$ 98,938
Accounts receivable:	
State tuition support	320,036
Grants	6,106
Prepaid expense	200
Total current assets	<u>425,280</u>
Property and equipment:	
Leasehold improvements	11,205
Furniture and equipment	28,072
Textbooks	30,355
	<u>69,632</u>
Less: accumulated depreciation	<u>(18,513)</u>
Property and equipment, net	<u>51,119</u>
	<u>\$ 476,399</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 139,152
Current portion of long-term debt	8,969
Deferred revenue	10,569
Refundable advances	5,872
Total current liabilities	<u>164,562</u>
Long-term debt	<u>31,392</u>
Total liabilities	<u>195,954</u>
Unrestricted net assets	<u>280,445</u>
	<u>\$ 476,399</u>

See accompanying notes to financial statements.

CAROUSEL FAMILY SERVICES, INC.

d/b/a

VERITAS ACADEMY

Statement of Activities

	Year Ended June 30, 2012
<u>Revenue, Gains and Support</u>	
State education support	\$ 640,120
Grant revenue	222,437
Student fees	25,172
Contributions	9,628
Other income	12,385
	<u>909,742</u>
<u>Expenses</u>	
Program services:	
Educational instruction	918,757
Education support	71,754
Administrative	266,479
Total expenses	<u>1,256,990</u>
Decrease in net assets	(347,248)
Net assets, beginning of year	<u>627,693</u>
Net assets, end of year	<u>\$ 280,445</u>

See accompanying notes to financial statements.

CAROUSEL FAMILY SERVICES, INC.

d/b/a

VERITAS ACADEMY

Statement of Cash Flows

	Year Ended June 30, 2012
<u>Operating Activities</u>	
Decrease in net assets	\$ (347,248)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	17,544
Change in:	
Accounts receivable	169,556
Prepaid expense	21,830
Accounts payable and accrued expenses	15,659
Refundable advances	(18,871)
Net cash used by operating activities	<u>(141,530)</u>
<u>Investing Activities</u>	
Purchases of property and equipment	(35,881)
Net cash used by investing activities	<u>(35,881)</u>
<u>Financing Activities</u>	
Repayments on Common School Fund loans	(8,969)
Net cash used by financing activities	<u>(8,969)</u>
Net decrease in cash	(186,380)
Cash and cash equivalents, beginning of year	<u>285,318</u>
Cash and cash equivalents, end of year	<u>\$ 98,938</u>
Supplemental disclosures:	
Cash payments for interest expense	\$ 1,884

See accompanying notes to financial statements.

CAROUSEL FAMILY SERVICES, INC.

d/b/a

VERITAS ACADEMY

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

General

Carousel Family Services, Inc., d/b/a Veritas Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24-3-1 and is sponsored by Ball State University. The School commenced operations with the 2003-04 school year.

Accounting Estimates

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

Revenue Recognition

Revenues 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 public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in equal monthly installments in January through December following the start of the 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 amounts of costs and expenses at the time they are incurred.

Accounts Receivable

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

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

Taxes on Income

Carousel Family Services, 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 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, 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional 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. The tax years ending 2011, 2010, and 2009 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	15 years
Furniture and equipment	3 to 5 years
Textbooks and computers.....	4 years

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through March 27, 2013, 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.

(2) Accounts Receivable

Accounts receivable for state education support as of June 30, 2012 represent amounts due relating to the following sources:

Tuition support	\$282,883
Special education grant	28,958
Prime Time grant.....	<u>8,195</u>
	<u>\$320,036</u>

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students. The payment schedule is likewise determined by state law with tuition support payable in equal monthly installments in the calendar year following the start of the school year. Upon revocation or termination of the charter, the payment streams will cease and any unpaid amounts will be applied to the unpaid balance of notes from the Indiana Common School Fund (see Note 3).

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(3) Long-Term Debt

Long-term debt at June 30, 2012 consisted of a note payable to the Indiana Common School Fund requiring semi-annual payments of principal and interest over a period of 10 years, with interest at 4% per annum. The note matures on July 1, 2016 and is secured by unpaid tuition support distributions (see Note 2).

Principal maturities of long-term debt are as follows:

<u>Year Ended June 30:</u>	
2013	\$ 8,969
2014	8,969
2015	8,969
2016	8,969
2017	<u>4,485</u>
	<u>\$40,361</u>

(4) Leases

The School leases its school facility as well as certain items of office equipment under operating leases for terms from two to five years. Expense under operating leases for the year ended June 30, 2012 was \$83,423. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows:

<u>Year Ending June 30:</u>	
2013	\$79,050
2014	7,050
2015	3,525

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(5) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2012, the School had refundable grant advances in excess of expenditures of \$5,872.

(6) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System Board. Under the plans, the School contributes 10% of compensation for teaching faculty to TRF and 10% of compensation for other employees to PERF. Substantially all full-time employees are eligible to participate. Retirement plan expense was \$65,580 for the year ended June 30, 2012.

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was \$16,983 for the year ended June 30, 2012. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in St. Joseph 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. 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 that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2012, substantially all of the accounts receivable balance was due from the State of Indiana. All cash deposits are maintained at 1st Source Bank and are secured by FDIC insurance up to the legal limit.

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and/or service for the year ended June 30, 2012:

	<u>Educational</u> <u>Instruction</u>	<u>Education</u> <u>Support</u>	<u>Admini-</u> <u>strative</u>
Salaries and wages	\$550,597	37,667	109,800
Employee benefits.....	116,671	5,317	18,915
Professional services.....	30,287	1,455	62,899
Staff development	21,234	-	575
Authorizer oversight fee	-	-	16,983
Transportation	-	5,405	-
Food costs	-	12,549	-
Property rental.....	4,997	3,457	-
Classroom, kitchen and office supplies	19,117	5,904	6,820
Occupancy	158,310	-	-
Depreciation.....	17,544	-	-
Interest	-	-	1,884
Insurance	-	-	37,405
Other	-	-	11,198
	<u>\$918,757</u>	<u>71,754</u>	<u>266,479</u>

CAROUSEL FAMILY SERVICES, INC.

d/b/a

VERITAS ACADEMY

Other Reports

Year Ended June 30, 2012

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

Supplemental Audit Report of Carousel Family Services, Inc. d/b/a Veritas Academy

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*.