



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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September 19, 2013

Charter School Board
Options Charter School – Noblesville, Inc.
9945 Cumberland Pointe Blvd.
Noblesville, IN 46062

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 Options Charter School – Noblesville, Inc., 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 Options Charter School – Noblesville, Inc. 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

OPTIONS CHARTER SCHOOL –
NOBLESVILLE, INC.

Financial Statements

June 30, 2012

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

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	5-10
Other Reports	11

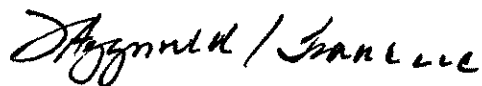
INDEPENDENT AUDITORS' REPORT

The Board of Directors
Options Charter School – Noblesville, Inc.

We have audited the accompanying statement of financial position of **Options Charter School – Noblesville, Inc.** 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 Options Charter School – Noblesville, 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 Options Charter School – Noblesville, 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.



June 7, 2012

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statement of Financial Position

<u>Assets</u>	<u>June 30, 2012</u>
Current assets:	
Cash	\$ 35,867
Accounts receivable:	
State tuition support	527,380
Grants	10,248
Total current assets	<u>573,495</u>
Furniture and equipment	501,485
Less: accumulated depreciation	<u>(377,929)</u>
Furniture and equipment, net	<u>123,556</u>
	<u>\$ 697,051</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 105,912
Due to Options Charter School - Carmel	1,096
Note payable	15,000
Current portion of capital lease obligation	20,392
Refundable advances	24,688
Total current liabilities	<u>167,088</u>
Accrued interest on Common School Fund loans	49,062
Capital lease obligation, net of current portion	20,393
Long-term debt	398,960
Total liabilities	<u>635,503</u>
Unrestricted net assets	<u>61,548</u>
	<u>\$ 697,051</u>

See accompanying notes to financial statements.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statement of Activities

	Year Ended June 30, 2012
<u>Revenue, Gains and Support</u>	
State education support	\$ 1,054,760
Grant revenue	284,122
Student fees	7,348
Other income	65,763
Total revenue, gains and support	<u>1,411,993</u>
<u>Expenses</u>	
Educational instruction	966,866
Administrative	511,257
Total expenses	<u>1,478,123</u>
Decrease in net assets	(66,130)
Net assets, beginning of year	<u>127,678</u>
Net assets, end of year	<u>\$ 61,548</u>

See accompanying notes to financial statements.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statement of Cash Flows

	Year Ended June 30, 2012
<u>Operating Activities</u>	
Change in net assets	\$ (66,130)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	42,602
Change in:	
Accounts receivable	(16,957)
Prepaid expense	5,078
Accounts payable and accrued expenses	(19,592)
Refundable advances	16,960
Net cash used by operating activities	<u>(38,039)</u>
<u>Investing Activities</u>	
Purchases of furniture and equipment	(23,975)
Net cash used by investing activities	<u>(23,975)</u>
<u>Financing Activities</u>	
Proceeds from note payable	15,000
Net cash provided by financing activities	<u>15,000</u>
Net decrease in cash	(47,014)
Cash, beginning of year	<u>82,881</u>
Cash, end of year	<u>\$ 35,867</u>
Supplemental disclosures:	
Cash payments for interest expense	\$ 773
Non-cash investing and financing activities:	
Assets acquired under capital lease	\$ 40,785

See accompanying notes to financial statements.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

General

Options Charter School – Noblesville, Inc. (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 and sponsored by Ball State University. The School commenced operations with the 2006-07 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 paid in equal monthly installments in January through December following the start of the school year. Revenue is recognized in the school year in which educational services are rendered.

Accounts Receivable

Accounts receivable relate primarily to activities funded under 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.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Options Charter School – Noblesville, 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.

Furniture 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 asset purchases with a unit cost of less than \$500 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 for furniture and equipment range from 3 to 7 years.

Subsequent Events

The School evaluated subsequent events through June 7, 2011, 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.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(2) Accounts Receivable

Accounts receivable from the State of Indiana for education support reflect the following amounts as of June 30, 2012:

Tuition support	\$388,475
Special education grant	<u>138,905</u>
	<u>\$527,380</u>

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to poverty data of the enrolled students. The payment schedule is determined by state law with tuition payable in equal monthly installments by the State of Indiana 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 loans from the Indiana Common School Fund (see Note 3).

(3) Long-Term Debt

Long-term debt at June 30, 2012 consisted of three notes payable to the Indiana Common School Fund, each of which requires semi-annual payments of principal and interest over a period of 20 years with interest at 4% per annum. In 2011, the Indiana Common School Fund granted a two-year moratorium on loan payments. Payments are scheduled to commence again on July 1, 2013. The last note matures January 1, 2033. These notes are secured by unpaid tuition support distributions (see Note 2).

Principal maturities of long-term debt are as follows:

<u>Year Ending June 30:</u>	
2013	\$ -
2014	21,139
2015	21,139
2016	21,139
2017	21,139
Thereafter	<u>314,404</u>
	<u>\$398,960</u>

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(4) Note Payable

The School has a \$125,000 revolving line of credit with First Merchants Bank that it shares with Options Charter School – Carmel, Inc., an organization related by common board membership. Drawings against the line of credit bear interest at 2.5% above the lender's prime rate (3.25% at June 30, 2012) and are secured by all School assets. The School had drawings against the line of credit as of June 30, 2012 of \$15,000. Options Charter School – Carmel, Inc. had no drawings against the line of credit as of June 30, 2012.

(5) Leases

The School leases its school facility, administrative offices and storage space, and certain office equipment under multi-year operating leases. The School is also responsible for utilities and insurance relating to the real estate leases. Options Charter School – Carmel, Inc. reimburses the School at the rate of \$2,750 per month for its share of the administrative offices. Net expense under these leases for the year ended June 30, 2012 was \$232,820. Future minimum obligations under these leases are as follows:

Year Ending June 30:

2013	\$259,439
2014	238,899
2015	219,525
2016	221,496
2017	226,140
Thereafter	230,880

The School also leases computer equipment under a capital lease agreement with LEAF Capital Funding, LLC.. At June 30, 2012 the cost and accumulated depreciation related to these assets were \$40,785 and \$0, respectively. Following is a schedule of future minimum lease obligations and the present value of net minimum lease payments as of June 30, 2012:

Year Ending June 30:

2012	\$26,172
2013	26,173
Less: amount representing interest	<u>(11,560)</u>
	<u>\$40,785</u>

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(6) 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 \$24,688.

(7) 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. Employees can elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. Under the plans, the School contributes 10.5% of compensation for electing teaching faculty to TRF, 14.5% of compensation for other electing employees to PERF, and 10.5% of compensation for electing personnel to the 403(b) plan. Substantially all full-time employees are eligible to participate. Retirement plan expense was \$53,536 for the year ended June 30, 2012.

(8) Related Party

The School is related to Options Charter School – Carmel, Inc. in that they have a common board of directors. The schools advance amounts to each other as needed to meet cash flow requirements. The net balance owing to Options Charter School – Carmel, Inc. as of June 30, 2012 was \$1,096.

(9) 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 \$23,308 for the year ended June 30, 2012. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(10) Risks and Uncertainties

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

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 receivable balance was due from the State of Indiana.

(11) 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 service for the year ended June 30, 2012:

	<u>Educational Instruction</u>	<u>Administrative</u>
Salaries, wages and employee benefits ...	\$571,707	375,187
Professional services	-	5,058
Authorizer oversight fee.....	-	23,308
Transportation	7,900	5,184
Equipment	50,956	-
Classroom and office supplies.....	30,962	20,319
Occupancy	247,997	33,019
Depreciation	37,596	5,006
Interest.....	-	16,731
Insurance	-	9,622
Other.....	<u>19,748</u>	<u>17,823</u>
	<u>\$966,866</u>	<u>511,257</u>

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

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 Options Charter School – Noblesville, 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*.