



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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December 30, 2014

Charter School Board  
Enlace Academy, Inc.  
3725 North Kiel Avenue, 2nd Floor  
Indianapolis, IN 46224-1228

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2013 to June 30, 2014. 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 Enlace Academy, Inc., as of June 30, 2014, 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 Enlace Academy, 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**ENLACE ACADEMY, INC.**

*Financial Statements*

*June 30, 2014*

ENLACE ACADEMY, INC.

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Enlace Academy, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Enlace Academy, Inc.** which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enlace Academy, Inc. as of June 30, 2014 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.

A handwritten signature in black ink, appearing to read "Raymond Isaac LLC". The signature is written in a cursive, flowing style.

Indianapolis, IN  
October 31, 2014

ENLACE ACADEMY, INC.

Statement of Financial Position

<u>Assets</u>	<u>June 30, 2014</u>
Current assets:	
Cash	\$ 241,756
Grants receivable	41,737
Prepaid expenses	7,500
	<u>7,500</u>
	<u>\$ 290,993</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 44,049
Current portion of capital lease obligation	28,407
Total current liabilities	<u>72,456</u>
Capital lease obligation	5,014
Total liabilities	<u>77,470</u>
Net assets:	
Unrestricted net assets	27,133
Temporarily restricted	186,390
Total net assets	<u>213,523</u>
	<u>\$ 290,993</u>

See accompanying notes to financial statements.

ENLACE ACADEMY, INC.

Statement of Activities

	Year Ended June 30, 2014		
	Unrestricted	Temporarily Restricted	Total
<u>Revenue and Support</u>			
State education support	\$ 778,757	-	778,757
Grant revenue	399,209	-	399,209
Student fees	1,925	-	1,925
Contributions	47,167	-	47,167
Net assets released from restrictions	43,610	(43,610)	-
Total revenue and support	<u>1,270,668</u>	<u>(43,610)</u>	<u>1,227,058</u>
<u>Expenses</u>			
Program services	921,540	-	921,540
Management and general	357,622	-	357,622
Total expenses	<u>1,279,162</u>	<u>-</u>	<u>1,279,162</u>
Change in net assets	(8,494)	(43,610)	(52,104)
Net assets, beginning of year	<u>35,627</u>	<u>230,000</u>	<u>265,627</u>
Net assets, end of year	<u>\$ 27,133</u>	<u>186,390</u>	<u>213,523</u>

See accompanying notes to financial statements.

ENLACE ACADEMY, INC.

Statement of Cash Flows

	Year Ended June 30, 2014
<u>Operating Activities</u>	
Change in net assets	\$ (52,104)
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Equipment expensed under capital lease	72,925
Change in:	
Grants receivable	8,155
Prepaid expenses	(7,500)
Accounts payable and accrued expenses	2,214
Net cash provided by operating activities	<u>23,690</u>
<u>Financing Activities</u>	
Principal payments under capital lease obligation	(39,504)
Net cash used by financing activities	<u>(39,504)</u>
Net decrease in cash	(15,814)
Cash, beginning of year	<u>257,570</u>
Cash, end of year	<u>\$ 241,756</u>

See accompanying notes to financial statements.

ENLACE ACADEMY, INC.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

General

Enlace Academy, 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 is sponsored by the Mayor's Office of Indianapolis. The School commenced operations as a charter school as of July 1, 2013.

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.

Financial Statement Presentation

The School reports its financial position and activities according to three classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.
- Permanently restricted net assets, which represent net assets that are subject to restriction by gift instruments requiring that the principal be invested in perpetuity and only the income be expended, or assets donated with the provision that they not be sold.

ENLACE ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Grants Receivable

Grants 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.

Revenue Recognition

Revenues primarily 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 is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which 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.

ENLACE ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Enlace Academy, 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, 2014, 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 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.

Subsequent Events

The School evaluated subsequent events through October 31, 2014, 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.

ENLACE ACADEMY, INC.

Notes to Financial Statements

(2) Leases

The School leases computer equipment under a capital lease. The lease provides that the School obtains ownership of the equipment at the end of the lease term. The computer equipment has been expensed in accordance with the School's capitalization policy.

The following is a schedule of future minimum lease payments under this capital lease and the present value of net minimum lease payments as of June 30, 2014:

<u>Year Ending June 30:</u>	
2015 .....	\$30,458
2016 .....	<u>5,076</u>
Total minimum lease payments.....	35,534
Less: amount representing interest .....	<u>(2,113)</u>
	<u>\$33,421</u>

The School also leases its facility and certain items of office equipment under operating leases for terms of one to two years. Expense under these leases for the year ended June 30, 2014 was \$118,676. Future minimum lease obligations are \$96,329 payable in 2015.

(3) Retirement Plan

Retirement benefits for school employees are provided through a 403(b) defined contribution retirement plan provided by the Indiana Public Charter Schools Association. The School contributes 4% of defined compensation for all employees and will match 100% of employee contributions, not to exceed 3% of compensation. Retirement plan expense was \$15,119 for the year ended June 30, 2014.

ENLACE ACADEMY, INC.

Notes to Financial Statements

(4) Risks and Uncertainties

The School provides education 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. 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, 2014, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits are maintained at Key Bank and are insured up to the FDIC insurance limit.

ENLACE ACADEMY, INC.

Notes to Financial Statements

(5) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between programs and management services. Following is a summary of expenses comprising each program and service for the year ended June 30, 2014:

	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$ 331,067	205,792
Employee benefits .....	74,819	56,077
Advertising .....	-	6,098
Books and materials .....	155,673	14,870
Equipment and supplies.....	137,452	6,176
Food service expense.....	64,801	-
Insurance .....	16,547	-
Interest .....	-	3,339
Occupancy .....	112,500	-
Professional fees.....	23,922	42,450
Repairs and maintenance.....	3,500	-
Other.....	<u>1,259</u>	<u>22,820</u>
	\$ <u>921,540</u>	<u>357,622</u>

ENLACE ACADEMY, INC.

Other Reports

Year Ended June 30, 2014

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

Supplemental Audit Report of Enlace Academy, 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*.