



**STATE OF INDIANA**  
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December 29, 2015

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, 2014 to June 30, 2015. 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 Options Charter School – Noblesville, Inc., as of June 30, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

Paul D. Joyce, CPA  
State Examiner

**OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.**

*Financial Statements*

*June 30, 2015 and 2014*

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of **Options Charter School – Noblesville, Inc.**, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 **Options Charter School – Noblesville, Inc.** as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "H. J. ... / ...".

Indianapolis, IN  
October 2, 2015

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statements of Financial Position

Assets	June 30	
	2015	2014
Current assets:		
Cash	\$ 273,972	131,826
Accounts receivable:		
Grants	12,720	8,958
Due from Options Charter School - Carmel	16,904	16,904
Prepaid expenses	416	-
Total current assets	<u>304,012</u>	<u>157,688</u>
Property and equipment:		
Furniture and equipment	581,391	554,865
Leasehold improvements	12,039	-
Less: accumulated depreciation	<u>(497,640)</u>	<u>(460,435)</u>
Property and equipment, net	<u>95,790</u>	<u>94,430</u>
	<u>\$ 399,802</u>	<u>252,118</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 119,699	93,249
Total current liabilities	<u>119,699</u>	<u>93,249</u>
Unrestricted net assets	<u>280,103</u>	<u>158,869</u>
	<u>\$ 399,802</u>	<u>252,118</u>

See accompanying notes to financial statements.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statements of Activities

	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<u>Revenue and Support</u>		
State education support	\$ 1,316,572	1,230,781
Grant revenue	263,274	286,511
Student fees	10,736	7,711
Contributions	15,816	5,655
Other income	22,248	33,560
Total revenue and support	<u>1,628,646</u>	<u>1,564,218</u>
<u>Expenses</u>		
Program services	910,040	851,056
Management and general	597,372	541,551
Total expenses	<u>1,507,412</u>	<u>1,392,607</u>
Change in net assets	121,234	171,611
Net assets (deficiency), beginning of year	<u>158,869</u>	<u>(12,742)</u>
Net assets, end of year	<u><u>\$ 280,103</u></u>	<u><u>158,869</u></u>

See accompanying notes to financial statements.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statements of Cash Flows

	Year Ended June 30	
	2015	2014
<u>Operating Activities</u>		
Change in net assets	\$ 121,234	171,611
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	37,204	38,979
Change in:		
Accounts receivable	(3,761)	2,638
Prepaid expenses	(416)	-
Accounts payable and accrued expenses	26,450	(3,539)
Refundable advances	-	(141)
Net cash provided by operating activities	<u>180,711</u>	<u>209,548</u>
<u>Investing Activities</u>		
Purchases of property and equipment	(38,565)	(48,983)
Net cash used by investing activities	<u>(38,565)</u>	<u>(48,983)</u>
<u>Financing Activities</u>		
Principal payments on capital lease obligations	-	(21,517)
Principal payments on note payable	-	(49,300)
Proceeds from note payable	-	4,500
Net cash used by financing activities	<u>-</u>	<u>(66,317)</u>
Net increase in cash	142,146	94,248
Cash, beginning of year	<u>131,826</u>	<u>37,578</u>
Cash, end of year	<u>\$ 273,972</u>	<u>131,826</u>
Supplemental disclosures:		
Cash payments for interest expense	\$ -	4,540

See accompanying notes to financial statements.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(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 serves students in grades nine to twelve by providing an alternative to the traditional high school program.

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 other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which 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.

Accounts Receivable

Accounts receivable relate to activities funded under grants and legislation enacted by the State of Indiana and amounts due from a related party. 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 years ended June 30, 2015 and 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. The tax years ending after 2011 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 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 generally are as follows:

Leasehold improvements.....	40 years
Furniture and equipment .....	3 to 7 years

Subsequent Events

The School evaluated subsequent events through October 2, 2015, 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) Note Payable

The School has a \$75,000 revolving line-of-credit with First Merchants Bank. Drawings against the line-of-credit bear interest at 2.5% above the lender’s prime rate and are secured by all business assets. There was no balance outstanding under the line of credit as of June 30, 2015 or June 30, 2014.

(3) 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 \$1,725 per month for its share of expense relating to the administrative offices. Expense under these leases for the years ended June 30, 2015 and 2014 was \$219,745 and \$244,933, respectively. Future minimum obligations under these leases are as follows:

Year Ending June 30:

2016.....	\$	185,195
2017.....		189,839
2018.....		190,727

(4) Related Parties

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 due from Options Charter School – Carmel, Inc. as of June 30, 2015 and 2014 was \$16,904. The School is also contingently liable as a guarantor with respect to a \$75,000 line-of-credit maintained by Options Charter School – Carmel, Inc. At June 30, 2015 and 2014, there was no balance outstanding under the line-of-credit.

The School is also affiliated with Options in Education Foundation, Inc. (the “Foundation”) in that the Foundation and the School have certain over-lapping board members and that the Foundation solicits support and assistance to benefit the School. In the years ended June 30, 2015 and 2014, the School received financial assistance from the Foundation in the amounts of \$15,816 and \$5,655, respectively.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(5) Retirement Plans

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 10.5% of compensation for electing teaching faculty to TRF and 11.2% of compensation for other electing employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2014 (the latest year reported), both TRF and PERF were more than 80% funded. A copy of the complete annual report for the year ended June 30, 2014 can be obtained at:

[www.in.gov/inprs/files/2014INPRSCAFRBook\\_Web.pdf](http://www.in.gov/inprs/files/2014INPRSCAFRBook_Web.pdf)

Employees can also elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. The School contributes 10.5% of participant compensation to the 403(b) plan. Retirement plan expense was \$83,286 and \$81,323 for the years ended June 30, 2015 and 2014, respectively.

(6) 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 received. Expense under this charter agreement was \$25,595 and \$22,822 for the years ended June 30, 2015 and 2014. 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

(7) 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 concentration of credit risk consist principally of receivables from the State of Indiana. At June 30, 2015 and 2014, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits are maintained at First Merchants Bank and are insured up to the FDIC insurance limit.

(8) 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 program and management services. Following is a summary of expenses comprising each program and/or service for the years ended June 30, 2015 and 2014:

	<u>2015</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries, wages and employee benefits ...	\$562,516	472,924
Professional services .....	16,836	20,543
Authorizer oversight fee .....	-	25,595
Transportation .....	1,482	1,246
Equipment .....	13,908	-
Classroom and office supplies.....	15,810	13,292
Occupancy .....	246,122	41,404
Depreciation .....	31,847	5,357
Insurance .....	-	13,566
Other .....	<u>21,519</u>	<u>3,445</u>
	<u>\$910,040</u>	<u>597,372</u>

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(8) Functional Expense Reporting, Continued

	2014	
	<u>Program Services</u>	<u>Management and General</u>
Salaries, wages and employee benefits ...	\$ 496,736	416,953
Professional services .....	31,540	18,309
Authorizer oversight fee .....	-	22,822
Transportation .....	1,842	1,546
Equipment .....	14,186	-
Classroom and office supplies.....	17,581	14,758
Occupancy .....	241,516	40,629
Depreciation .....	33,366	5,613
Interest .....	-	4,540
Insurance .....	-	9,439
Other .....	<u>14,289</u>	<u>6,942</u>
	<u>\$851,056</u>	<u>541,551</u>

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Exit Conference

Year Ended June 30, 2015

The contents of this report were discussed on October 14, 2015 with Danny Marsh (Contracted Accountant), Sherrie Bly (Treasurer), Mike Gustin (President), and Andrew Ault (Board Member).