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March 31, 2016

Charter School Board
Rock Creek Community Academy, Inc.
11525 Highway 31
Sellersburg, IN 47172

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan P.C., 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 the Rock Creek Community Academy, 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
Paul D. Joyce, CPA
State Examiner

ROCK CREEK COMMUNITY ACADEMY, INC.

Financial Statements

June 30, 2015 and 2014



ROCK CREEK COMMUNITY ACADEMY, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rock Creek Community Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Rock Creek Community Academy, 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 **Rock Creek Community Academy, 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Donovan P.C.

Indianapolis, IN
February 2, 2016

ROCK CREEK COMMUNITY ACADEMY, INC.

Statements of Financial Position

	June 30	
Assets	2015	2014 (Restated)
Current assets:		
Cash	\$ 667,844	378,723
Grants receivable	16,233	171,808
Prepaid expenses	35,252	29,180
Total current assets	719,329	579,711
Security deposits	15,775	15,775
Property and equipment:		
Textbooks	317,320	294,670
Leasehold improvements	551,163	527,043
Furniture and equipment	491,899	480,135
Less: accumulated depreciation	(811,283)	(567,899)
Property and equipment, net	549,099	733,949
	\$ 1,284,203	1,329,435
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 210,463	208,114
Current portion of long-term debt	34,478	31,218
Deferred revenue	128,340	136,573
Refundable advances	3,189	10,000
Total current liabilities	376,470	385,905
Long-term debt	18,567	53,045
Total liabilities	395,037	438,950
Net assets:		
Unrestricted	849,013	871,855
Temporarily restricted	40,153	18,630
	889,166	890,485
	\$ 1,284,203	1,329,435

See accompanying notes to financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

Statements of Activities

	<u>Year Ended June 30, 2015</u>			<u>Year Ended June 30, 2014 (Restated)</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and Support</u>						
State education support	\$ 2,968,465	-	2,968,465	\$ 2,714,709	-	2,714,709
Grant revenue	265,276	-	265,276	413,380	-	413,380
Student fees	222,530	69,583	292,113	235,673	20,982	256,655
Contributions	4,434	3,976	8,410	9,335	7,400	16,735
Fundraising	4,197	93,413	97,610	41,745	41,430	83,175
Net assets released from restrictions	145,449	(145,449)	-	74,872	(74,872)	-
Total revenue and support	<u>3,610,351</u>	<u>21,523</u>	<u>3,631,874</u>	<u>3,489,714</u>	<u>(5,060)</u>	<u>3,484,654</u>
<u>Expenses</u>						
Program services	3,101,404	-	3,101,404	2,910,705	-	2,910,705
Management and general	531,789	-	531,789	500,245	-	500,245
Total expenses	<u>3,633,193</u>	<u>-</u>	<u>3,633,193</u>	<u>3,410,950</u>	<u>-</u>	<u>3,410,950</u>
Increase (decrease) in net assets	(22,842)	21,523	(1,319)	78,764	(5,060)	73,704
Net assets, beginning of year	<u>871,855</u>	<u>18,630</u>	<u>890,485</u>	<u>793,091</u>	<u>23,690</u>	<u>816,781</u>
Net assets, end of year	<u>\$ 849,013</u>	<u>40,153</u>	<u>889,166</u>	<u>\$ 871,855</u>	<u>18,630</u>	<u>890,485</u>

See accompanying notes to financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

Statements of Cash Flows

	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u> <u>(Restated)</u>
<u>Operating Activities</u>		
Change in net assets	\$ (1,319)	73,704
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	243,384	244,686
Change in:		
Grants receivable	155,575	(171,808)
Prepaid expenses	(6,072)	(25,710)
Security deposits	-	(4,590)
Accounts payable and accrued expenses	2,349	(6,324)
Deferred revenue	(8,233)	21,574
Refundable advances	(6,811)	10,000
Net cash provided by operating activities	<u>378,873</u>	<u>141,532</u>
<u>Investing Activities</u>		
Purchase of property and equipment	(58,534)	(253,111)
Net cash used by investing activities	<u>(58,534)</u>	<u>(253,111)</u>
<u>Financing Activities</u>		
Principal repayments of long-term debt	(31,218)	(28,287)
Net cash used by financing activities	<u>(31,218)</u>	<u>(28,287)</u>
Net increase (decrease) in cash	289,121	(139,866)
Cash, beginning of year	<u>378,723</u>	<u>518,589</u>
Cash, end of year	<u>\$ 667,844</u>	<u>378,723</u>
Supplementary information:		
Cash paid for interest	\$ 7,158	10,373

See accompanying notes to financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies

General

Rock Creek Community 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 Ball State University. The School, located in Sellersburg, Indiana, provided educational instruction to approximately 500 students in grades kindergarten to twelve during the 2014-15 academic 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 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.

Grants Receivable

Grants receivable relate primarily to activities funded under federal programs 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.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Financial Statement Presentation

The School reports its financial position and activities according to two 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.

Contributions and Fees

The School receives resources from participation fees and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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:

Textbooks	5 years
Leasehold improvements.....	5 to 8 years
Furniture and equipment	3 to 5 years

Deferred Revenue

Deferred revenue consists of student fees and textbook rentals received as part of the enrollment process for the subsequent academic school year.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Rock Creek Community 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 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. Tax years ending after 2011 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through February 2, 2016, 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) 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, 2015 and 2014, the School had refundable grant advances in excess of expenditures of \$3,189 and \$10,000, respectively.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(3) Long-Term Debt

Long-term debt as of June 30, 2015 and 2014 was comprised of a note payable to Mobilease Modular Space, Inc. This note represents an obligation for site improvements relating to the installation of modular classrooms. The note is payable in monthly installments of \$3,185, including interest at 10% per annum, through December 2016.

Principal maturities under this loan agreement are as follows:

Year Ending June 30:

2016	\$34,478
2017	<u>18,567</u>
	<u>\$53,045</u>

(4) Leases

The School leases its school facility, modular classrooms, and items of equipment under operating leases. Under the facility lease, the School is also responsible for repairs, maintenance, and utilities. Total expense under these operating leases for 2015 and 2014 was \$285,142 and \$272,655, respectively. Minimum future rental payments as of June 30, 2015 for all operating leases with initial, noncancellable lease terms in excess of one year are as follows:

Year Ending June 30:

2016	\$273,240
2017	215,800
2018	187,080
2019	132,000
2020	132,000

(5) Retirement Plan

The School maintains a Section 403(b) defined contribution retirement plan with Mass Mutual Financial Group for the benefit of its employees. Substantially all full-time employees are eligible to participate. Under the plan, the School contributes 7.5% of each participant's compensation for the plan year. Retirement plan expense for the years ended June 30, 2015 and 2014 was \$103,970 and \$106,706, respectively.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(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. The charter remains in effect until June 30, 2020, and is renewable thereafter by mutual consent. Payments under this charter agreement were \$68,111 and \$63,364 for the years ended June 30, 2015 and 2014, respectively.

(7) Accounting Correction

In 2015, the School discovered that expenses incurred in the 2014 fiscal year relating to certain cost-reimbursed grant programs were misclassified, resulting in an understatement of grant revenue in the 2014 fiscal year. The School has corrected this error by restating previously issued financial statements. The effect of this correction has been to increase grants receivable, grant revenue, and the change in net assets for the year ended June 30, 2014 by \$70,175.

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in Clark 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, 2015, substantially all of the grants receivable balance was due from the State of Indiana. Cash deposits are maintained at New Washington State Bank and normally exceed the FDIC insurance limit.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(9) 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 service for the years ended June 30, 2015 and 2014:

	<u>2015</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$1,442,585	284,476
Employee benefits	340,168	58,155
Professional fees.....	319,691	63,070
Staff development and recruitment	4,850	-
Authorizer oversight fee.....	-	68,411
Food costs.....	58,376	-
Equipment	31,452	-
Repairs and maintenance.....	46,010	-
Classroom, kitchen and office supplies ...	166,563	7,563
Occupancy	333,118	-
Depreciation	243,384	-
Field trips.....	78,066	-
Interest	-	7,158
Insurance	-	24,904
Other	<u>37,141</u>	<u>18,052</u>
	<u>\$3,101,404</u>	<u>531,789</u>

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	<u>2014</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$1,356,669	245,618
Employee benefits	332,636	55,347
Professional fees.....	279,183	70,700
Staff development and recruitment	7,937	-
Authorizer oversight fee	-	63,364
Food costs.....	42,765	-
Equipment	33,703	-
Repairs and maintenance.....	47,885	-
Classroom, kitchen and office supplies ...	136,604	11,284
Occupancy	314,027	-
Depreciation	243,384	-
Field trips.....	59,814	-
Interest	-	10,373
Insurance	-	25,315
Other	<u>56,098</u>	<u>18,244</u>
	<u>\$2,910,705</u>	<u>500,245</u>

ROCK CREEK COMMUNITY ACADEMY, INC.

CLARK COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2015

The contents of this report were discussed on February 4, 2016 with Sara Hauselman (Principal), Karen Rogers (Director of Accounting), Susan Miller (Business Manager), Jeff Dethy (Board President), and Dale Moss (Board Member).