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April 13, 2016

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

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 Carousel Family Services, Inc. d/b/a Veritas Academy, 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.

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.

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

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

Financial Statements

June 30, 2015 and 2014



CAROUSEL FAMILY SERVICES, INC.

d/b/a

VERITAS ACADEMY

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-12
Other Reports	13



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Carousel Family Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Carousel Family Services, Inc. d/b/a/ Veritas Academy**, 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 **Carousel Family Services, 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.

Donovan P.C.

Indianapolis, IN
February 1, 2016

CAROUSEL FAMILY SERVICES, INC.

d/b/a

VERITAS ACADEMY

Statements of Financial Position

<u>Assets</u>	June 30	
	2015	2014
Current assets:		
Cash	\$ 17,891	19,333
Grants receivable	8,645	17,637
Prepaid expenses	386	-
Total current assets	26,922	36,970
Property and equipment:		
Leasehold improvements	11,205	11,205
Furniture and equipment	70,353	37,419
Textbooks	35,049	31,285
Less: accumulated depreciation	(72,045)	(52,064)
Property and equipment, net	44,562	27,845
	\$ 71,484	64,815
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 183,477	200,483
Refundable advances	11,347	9,805
Current portion of long-term debt	12,000	-
Total current liabilities	206,824	210,288
Long-term debt	8,000	-
Total liabilities	214,824	210,288
Unrestricted net assets (deficiency)	(143,340)	(145,473)
	\$ 71,484	64,815

See accompanying notes to financial statements.

CAROUSEL FAMILY SERVICES, INC.

d/b/a

VERITAS ACADEMY

Statements of Activities

	Year Ended June 30	
	2015	2014
<u>Revenue and Support</u>		
State education support	\$ 824,629	814,970
Grant revenue	89,192	99,590
Student fees	14,985	23,962
Contributions	5,092	17,614
Other income	25,298	7,233
Total revenue and support	<u>959,196</u>	<u>963,369</u>
<u>Expenses</u>		
Program services	720,547	866,704
Management and general	236,516	238,035
Total expenses	<u>957,063</u>	<u>1,104,739</u>
Change in net assets	2,133	(141,370)
Net assets (deficiency), beginning of year	<u>(145,473)</u>	<u>(4,103)</u>
Net assets (deficiency), end of year	<u>\$ (143,340)</u>	<u>(145,473)</u>

See accompanying notes to financial statements.

CAROUSEL FAMILY SERVICES, INC.

d/b/a

VERITAS ACADEMY

Statements of Cash Flows

	<u>Year Ended June 30</u>	
	<u>2015</u>	<u>2014</u>
<u>Operating Activities</u>		
Change in net assets	\$ 2,133	(141,370)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donation of long-lived assets	-	(13,200)
Loss due to involuntary conversion of assets	-	2,910
Depreciation	19,981	21,537
Change in:		
Accounts receivable	8,992	(13,993)
Prepaid expense	(386)	-
Accounts payable and accrued expenses	(17,006)	95,187
Deferred revenue	-	(7,490)
Refundable advances	1,542	8,336
Net cash provided (used) by operating activities	<u>15,256</u>	<u>(48,083)</u>
<u>Investing Activities</u>		
Purchases of property and equipment	<u>(7,698)</u>	<u>(1,752)</u>
Net cash used by investing activities	<u>(7,698)</u>	<u>(1,752)</u>
<u>Financing Activities</u>		
Repayments of long-term debt	<u>(9,000)</u>	-
Net cash used by financing activities	<u>(9,000)</u>	-
Net decrease in cash	(1,442)	(49,835)
Cash, beginning of year	<u>19,333</u>	<u>69,168</u>
Cash, end of year	<u>\$ 17,891</u>	<u>19,333</u>
Supplemental disclosures:		
Equipment obtained by execution of note payable	\$ 29,000	-

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2015 and 2014

(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 and is sponsored by Ball State University.

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 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 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

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 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.

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	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 February 1, 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) Leases

The School leases its school facility under an operating lease. The facility lease is renewable annually. The School also leased a copier under an operating lease that was terminated in 2015. Expense under operating leases for the years ended June 30, 2015 and 2014 was \$68,274 and \$78,520, respectively.

(3) Long-Term Debt

Long-term debt as of June 30, 2015 consisted of a note payable to DeLage Landen Financial Services, Inc. The note is non-interest bearing, is payable in monthly installments of \$1,000 through February 2017, and is secured by the related equipment.

Future maturities of long-term debt are as follows:

<u>Year Ended June 30:</u>	
2016.....	\$12,000
2017	<u>8,000</u>
	<u>\$20,000</u>

(4) 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 \$11,347 and \$9,805, respectively.

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

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 7.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible 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

Retirement plan expense was \$58,287 and \$66,319 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 \$17,487 and \$16,208 for the years ended June 30, 2015 and 2014, respectively. 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

(7) Risks and Uncertainties

As reflected in the accompanying financial statements, the School incurred a significant loss for the year ended June 30, 2014 that created a deficiency in net assets of \$145,473 as of that date. Management has taken steps to reduce personnel, control operating costs, and operate within its approved budget. Marketing and promotional strategies designed to increase enrollment, and related funding, have also been successful. Through these efforts, the School substantially reduced the operating deficit in the year ended June 30, 2015, but continues to have a deficiency in net assets. Subsequent to June 30, 2015, management has also initiated actions to reduce debt obligations, invoice student fees, and pursue account balances for collection. Management believes that these actions will enable it to generate an operating surplus in subsequent years and continue to improve its financial position.

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, 2015 and 2014, 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

(8) Functional Expense Reporting

The costs of providing educational instruction have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management and general activities. Following is a summary of expenses comprising each program and service for the years ended June 30, 2015 and 2014:

	2015	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages	\$438,387	122,679
Employee benefits.....	86,406	21,321
Professional services.....	5,108	48,143
Staff development	9,838	788
Authorizer oversight fee	-	17,487
Food costs	10,551	-
Equipment.....	13,358	-
Classroom, kitchen and office supplies	17,333	2,749
Occupancy	119,177	-
Depreciation.....	19,981	-
Insurance	-	18,624
Other	408	4,725
	<u>\$720,547</u>	<u>236,516</u>

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

Notes to Financial Statements

(8) Functional Expense Reporting, Continued

	2014	
	Program Services	Management and General
Salaries and wages	\$517,151	99,499
Employee benefits.....	109,686	19,680
Professional services.....	22,285	65,280
Staff development	7,260	276
Authorizer oversight fee	-	16,208
Food costs	5,727	-
Equipment.....	9,591	-
Classroom, kitchen and office supplies	20,955	1,940
Occupancy	145,591	-
Depreciation.....	21,537	-
Insurance.....	-	22,075
Other	<u>6,921</u>	<u>13,077</u>
	<u>\$866,704</u>	<u>238,035</u>

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

Other Reports

Year Ended June 30, 2015

The report presented herein was 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*.