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November 16, 2016

Charter School Board
Nexus Academy of Indianapolis
6101 N Keystone Ave #302
Indianapolis, IN 46220

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan P.C., Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. 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 Nexus Academy of Indianapolis, as of June 30, 2016, 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 the Nexus Academy of Indianapolis, 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

BETTER BLENDED LEARNING FOR INDIANA, INC.
d/b/a NEXUS ACADEMY OF INDIANAPOLIS

FINANCIAL STATEMENTS
Together with Independent Auditors' Report
For the Years Ended June 30, 2016 and 2015



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Independent Auditors' Report

The Board of Directors
Better Blended Learning for Indiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Better Blended Learning for Indiana, Inc. d/b/a Nexus Academy of Indianapolis, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 auditors' 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 auditors consider 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Better Blended Learning for Indiana, Inc. as of June 30, 2016 and 2015 and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana
November 1, 2016

BETTER BLENDED LEARNING OF INDIANA, INC.
d/b/a NEXUS ACADEMY OF INDIANAPOLIS
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 199,169	\$ 194,342
Grants receivable	18,028	119,536
Other receivables	503	156
Prepaid expenses	<u>15,595</u>	<u>15,248</u>
<i>Total current assets</i>	<u>233,295</u>	<u>329,282</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	11,348	11,348
Furniture and equipment	119,972	111,312
Computer equipment	93,791	63,887
Less: accumulated depreciation	<u>(77,861)</u>	<u>(40,056)</u>
<i>Property and equipment, net</i>	<u>147,250</u>	<u>146,491</u>
OTHER ASSETS		
Deposits	<u>-</u>	<u>14,952</u>
TOTAL ASSETS	<u><u>\$ 380,545</u></u>	<u><u>\$ 490,725</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Connections Academy of Indiana, LLC	\$ 319,685	\$ 424,795
Accrued expenses	49,975	53,184
Deferred revenue	<u>-</u>	<u>2,226</u>
<i>Total current liabilities</i>	369,660	480,205
NET ASSETS		
Unrestricted	<u>10,885</u>	<u>10,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 380,545</u></u>	<u><u>\$ 490,725</u></u>

See independent auditors' report and accompanying notes to the financial statements

BETTER BLENDED LEARNING OF INDIANA, INC.
d/b/a NEXUS ACADEMY OF INDIANAPOLIS
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT		
State education support	\$ 860,361	\$ 697,838
Grant revenue	234,559	252,142
Contributions from Connections Academy of Indiana, LLC	976,125	898,000
Other income	-	475
	<u>2,071,045</u>	<u>1,848,455</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	1,816,512	1,573,161
Management and general	254,168	273,635
	<u>2,070,680</u>	<u>1,846,796</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	365	1,659
NET ASSETS, BEGINNING OF YEAR	<u>10,520</u>	<u>8,861</u>
NET ASSETS, END OF YEAR	<u>\$ 10,885</u>	<u>\$ 10,520</u>

See independent auditors' report and accompanying notes to the financial statements

BETTER BLENDED LEARNING OF INDIANA, INC.
d/b/a NEXUS ACADEMY OF INDIANAPOLIS
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 446,375	\$ -	\$ 446,375	\$ 363,021	\$ -	\$ 363,021
Employee benefits	129,983	-	129,983	98,016	-	98,016
Books and supplies	170,446	-	170,446	138,981	-	138,981
School administration/support services	235,346	146,413	381,759	195,462	137,675	333,137
Professional services	212,195	67,339	279,534	169,468	97,665	267,133
Staff development and recruitment	31,480	179	31,659	43,403	199	43,602
Repairs and maintenance	42,306	-	42,306	33,089	-	33,089
Equipment	23,706	-	23,706	40,890	-	40,890
Technology	252,363	-	252,363	226,962	-	226,962
Occupancy	194,967	-	194,967	199,089	-	199,089
Depreciation	37,805	-	37,805	31,469	-	31,469
Travel	1,881	-	1,881	2,309	-	2,309
Insurance	-	2,353	2,353	-	907	907
Sponsor fees	-	6,407	6,407	-	10,215	10,215
Other	37,659	31,477	69,136	31,002	26,974	57,976
	<u>37,659</u>	<u>31,477</u>	<u>69,136</u>	<u>31,002</u>	<u>26,974</u>	<u>57,976</u>
<i>Total functional expenses</i>	<u>\$ 1,816,512</u>	<u>\$ 254,168</u>	<u>\$ 2,070,680</u>	<u>\$ 1,573,161</u>	<u>\$ 273,635</u>	<u>\$ 1,846,796</u>

See independent auditors' report and accompanying notes to the financial statements

BETTER BLENDED LEARNING OF INDIANA, INC.
d/b/a NEXUS ACADEMY OF INDIANAPOLIS
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 365	\$ 1,659
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,805	31,469
Changes in certain assets and liabilities:		
Grants receivable	101,508	29,911
Other receivables	(347)	(156)
Prepaid expenses	(347)	(336)
Deposits	14,952	(14,952)
Due to Connections Academy of Indiana, LLC	(105,110)	(20,238)
Accounts payable and accrued expenses	(3,209)	21,852
Deferred revenue	<u>(2,226)</u>	<u>2,226</u>
 <i>Net cash provided by operating activities</i>	 43,391	 51,435
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(38,564)</u>	<u>(10,917)</u>
NET CHANGE IN CASH	4,827	40,518
CASH, BEGINNING OF YEAR	<u>194,342</u>	<u>153,824</u>
CASH, END OF YEAR	<u><u>\$ 199,169</u></u>	<u><u>\$ 194,342</u></u>

See independent auditors' report and accompanying notes to the financial statements

BETTER BLENDED LEARNING FOR INDIANA, INC.
d/b/a NEXUS ACADEMY OF INDIANAPOLIS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Better Blended Learning for Indiana, Inc. d/b/a Nexus Academy of Indianapolis (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 Indiana Charter School Board. The School provides education to high school students in a blended form of on-line and in-person instruction.

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 school 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.

Contributions – Contributions received are measured at their fair values and are reported as an increase in net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

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.

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	3 years
Furniture and equipment	7 years
Computer equipment	5 years

BETTER BLENDED LEARNING FOR INDIANA, INC.
d/b/a NEXUS ACADEMY OF INDIANAPOLIS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Better Blended Learning for Indiana, 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, 2016 and 2015, 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 ended after 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 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.

NOTE 2 - LEASES

The School conducts its operations from a facility that is leased under a non-cancelable sublease with Connections Education, LLC. Connections Education, LLC is affiliated with Connections Academy of Indiana, LLC, which is under contract to provide management services to the School. The lease expires in September 2020, but may be extended for an additional five-year period. The lease provides for an initial minimum monthly rental payment of \$11,676, which increases incrementally each year. The School is also responsible for its proportionate share of utilities, maintenance, and other costs of operation.

Future minimum rental payments required under this lease are as follows for the years ending June 30:

2017	\$	147,993
2018		150,971
2019		153,973
2020		157,051
2021		39,457

BETTER BLENDED LEARNING FOR INDIANA, INC.
d/b/a NEXUS ACADEMY OF INDIANAPOLIS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 3 - COMMITMENTS

The School operates under a charter granted by the Indiana Charter School Board (“ICSB”). As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to ICSB an annual administrative fee equal to 1% and 2% of state tuition payments received in 2016 and 2015, respectively. The charter remains in effect until August 15, 2018, and is renewable thereafter by mutual consent. Payments under this agreement were \$6,407 and \$10,215 for the years ended June 30, 2016 and 2015, respectively.

The School has contracted with Connections Academy of Indiana, LLC to provide instructional materials and services as well as administrative and technology services. As compensation for these services, the School negotiates a schedule of fees for services for each year of the term of agreement, which remains in effect until August 2018. Such fees are as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Enrollment/unit based fees	\$ 784,660	\$ 676,481
Revenue based fees	<u>227,509</u>	<u>166,762</u>
	<u>\$ 1,012,169</u>	<u>\$ 843,243</u>

Under this management agreement, Connections Academy of Indiana, LLC has agreed to provide resources to the School in the form of fee reductions or cash payments sufficient to allow the School to complete the fiscal year with positive net assets. For the years ended June 30, 2016 and 2015, Connections Academy of Indiana, LLC provided contributions of \$976,125 and \$898,000, respectively, for this purpose. The deficit funding provided by Connections Academy of Indiana, LLC is subject to repayment by the School, without interest, to the extent that resources are available. The School has received notification from Connections Academy of Indiana, LLC that it waived its right to recover the deficit funding provided to the School for the years ended June 30, 2016 and 2015.

NOTE 4 - RETIREMENT PLAN

School personnel are eligible to participate in a 401(k) retirement plan sponsored by Connections Education, LLC. Under the plan, the School will match 100% of employee contributions up to 3% of compensation and 50% of employee contributions for the next 3% of compensation. The School may also make additional discretionary contributions. No discretionary contributions were made in 2016 and 2015. Retirement plan expense was \$3,740 and \$1,941 for the years ended June 30, 2016 and 2015, respectively.

BETTER BLENDED LEARNING FOR INDIANA, INC.
d/b/a NEXUS ACADEMY OF INDIANAPOLIS
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 5 - 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, 2016 and 2015, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits are maintained at PNC Bank and are insured up to the FDIC insurance limit.

NOTE 6 - 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 between program and management services.

BETTER BLENDED LEARNING FOR INDIANA, INC.
d/b/a NEXUS ACADEMY OF INDIANAPOLIS
OTHER REPORT
For the Year Ended June 30, 2016

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

Supplemental Audit Report of Better Blended Learning for Indiana, Inc.
d/b/a Nexus Academy of Indianapolis

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*.