



STATE OF INDIANA
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December 9, 2016

Charter School Board
Options Charter School - Noblesville
9945 Cumberland Pointe Blvd
Noblesville, IN 46060

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 Options Charter School - Noblesville, 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.

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

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
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, 2016 and 2015, 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.

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, 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, prominent initial "D".

Indianapolis, Indiana
December 2, 2016

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 639,150	\$ 273,972
Accounts receivable	34,165	12,720
Due from Options Charter School - Carmel, Inc.	16,904	16,904
Prepaid expenses	11,594	416
	<u>701,813</u>	<u>304,012</u>
<i>Total current assets</i>		
PROPERTY AND EQUIPMENT		
Buildings and improvements	1,928,004	12,039
Furniture and equipment	604,406	581,391
Less: accumulated depreciation	<u>(539,898)</u>	<u>(497,640)</u>
	<u>1,992,512</u>	<u>95,790</u>
<i>Property and equipment, net</i>		
TOTAL ASSETS	<u><u>\$ 2,694,325</u></u>	<u><u>\$ 399,802</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 100,400	\$ -
Accounts payable and accrued expenses	<u>125,276</u>	<u>119,699</u>
	225,676	119,699
<i>Total current liabilities</i>		
NOTES PAYABLE, NET OF CURRENT PORTION	<u>1,907,604</u>	<u>-</u>
	2,133,280	119,699
<i>Total liabilities</i>		
NET ASSETS, UNRESTRICTED	<u>561,045</u>	<u>280,103</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,694,325</u></u>	<u><u>\$ 399,802</u></u>

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.
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	\$ 1,555,621	\$ 1,316,572
Grant revenue	366,373	263,274
Student fees	8,729	10,736
Contribution from Options in Education Foundation, Inc.	13,794	15,816
Other income	<u>23,700</u>	<u>22,248</u>
<i>Total revenue and support</i>	<u>1,968,217</u>	<u>1,628,646</u>
EXPENSES		
Program services	1,111,135	910,040
Management and general	<u>576,140</u>	<u>597,372</u>
<i>Total expenses</i>	<u>1,687,275</u>	<u>1,507,412</u>
CHANGE IN NET ASSETS	280,942	121,234
NET ASSETS, BEGINNING OF YEAR	<u>280,103</u>	<u>158,869</u>
NET ASSETS, END OF YEAR	<u><u>\$ 561,045</u></u>	<u><u>\$ 280,103</u></u>

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

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	\$ 442,646	\$ 328,520	\$ 771,166	\$ 426,060	\$ 358,202	\$ 784,262
Employee benefits	125,827	93,386	219,213	136,456	114,722	251,178
Occupancy	201,462	33,891	235,353	246,122	41,404	287,526
Equipment	53,444	-	53,444	13,908	-	13,908
Professional services	191,354	33,639	224,993	16,836	20,543	37,379
Depreciation	36,174	6,085	42,259	31,847	5,357	37,204
Classroom and office supplies	22,885	16,985	39,870	15,810	13,292	29,102
Authorizer oversight fees	-	30,771	30,771	-	25,595	25,595
Insurance	-	14,655	14,655	-	13,566	13,566
Transportation	2,031	1,508	3,539	1,482	1,246	2,728
Interest	-	3,481	3,481	-	-	-
Foundation expenses	13,794	-	13,794	15,816	-	15,816
Other	21,518	13,219	34,737	5,703	3,445	9,148
<i>Total functional expenses</i>	<u>\$ 1,111,135</u>	<u>\$ 576,140</u>	<u>\$ 1,687,275</u>	<u>\$ 910,040</u>	<u>\$ 597,372</u>	<u>\$ 1,507,412</u>

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

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	\$ 280,942	\$ 121,234
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,259	37,204
Changes in certain assets and liabilities:		
Accounts receivable	(21,445)	(3,761)
Prepaid expenses	(11,178)	(416)
Accounts payable and accrued expenses	<u>5,577</u>	<u>26,450</u>
<i>Net cash provided by operating activities</i>	296,155	180,711
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,938,981)	(38,565)
FINANCING ACTIVITIES		
Proceeds from notes payable	<u>2,008,004</u>	<u>-</u>
NET CHANGE IN CASH	365,178	142,146
CASH, BEGINNING OF YEAR	<u>273,972</u>	<u>131,826</u>
CASH, END OF YEAR	<u>\$ 639,150</u>	<u>\$ 273,972</u>

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

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and 2015

NOTE 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 traditional high school programs.

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.

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, 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. Tax years ending after 2012 are open to audit for both federal and state purposes.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of 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:

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

Subsequent Events – The School evaluated subsequent events through December 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.

NOTE 2 - LINE OF CREDIT

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 school assets. There was no balance outstanding under the line of credit as of June 30, 2016 or June 30, 2015.

NOTE 3 - NOTES PAYABLE

Notes payable as of June 30, 2016 consisted of the following:

Note payable to State Board of Education, payable \$62,990 semi-annually plus interest at 1.00% per annum, advanced in March 2016	\$ 1,258,004
Note payable to Options Charter School - Carmel, Inc., payable \$37,500 semi-annually plus interest at 1.00% per annum, advanced in March 2016	750,000
	<hr/>
	2,008,004
Less: current portion	<hr/>
	(100,400)
	<hr/>
Long-term portion	\$ <u>1,907,604</u>

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and 2015

NOTE 3 - NOTES PAYABLE, Continued

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

The note payable to Options Charter School – Carmel, Inc. ("Options – Carmel"), a related charter school, is also the result of the Common School Funds Charter School Innovation Fund Advancement program. Options – Carmel received a similar loan to the loan received by the School, and a portion of the loan was transferred to the School. The School has tentatively agreed to repay the loan following a similar payment schedule set by the State Board of Education.

Principal maturities of the notes payable are as follows for the years ending June 30:

2017	\$	100,400
2018		200,800
2019		200,800
2020		200,800
2021		200,800
Thereafter		<u>1,104,404</u>
	\$	<u>2,008,004</u>

NOTE 4 - LEASES

The School leased its school facility, administrative offices and storage space, and certain office equipment under multi-year operating leases. In March 2016, the School purchased the office building, thus eliminating the lease payments. The School was also responsible for utilities and insurance relating to the real estate leases. Options – Carmel 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, 2016 and 2015 was \$118,328 and \$219,745, respectively.

Future minimum obligations under equipment leases are as follows for the years ending June 30:

2017	\$	7,704
2018		3,852

NOTE 5 - 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 \$30,771 and \$25,595 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and 2015

NOTE 6 - RELATED PARTIES

The School is related to Options – Carmel in that they have a common Board of Directors. Both schools advance amounts to each other as needed to meet cash flow requirements. The net balance due from Options – Carmel as of June 30, 2016 and 2015 was \$16,904. Options – Carmel paid the School \$20,700 and \$22,248 during the years ended June 30, 2016 and 2015, respectively, for a portion of the administrative expenses. The School is also contingently liable as a guarantor with respect to a \$75,000 line of credit maintained by Options – Carmel. At June 30, 2016 and 2015, 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 overlapping board members and that the Foundation solicits support and assistance to benefit the School. In the years ended June 30, 2016 and 2015, the School received financial assistance from the Foundation in the amounts of \$13,794 and \$15,816, respectively.

NOTE 7 - 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, 2015 (the latest year reported), both TRF and PERF were more than 80% funded.

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 \$75,660 and \$83,286 for the years ended June 30, 2016 and 2015, respectively.

NOTE 8 - 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.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and 2015

NOTE 8 - RISKS AND UNCERTAINTIES, Continued

Financial instruments that potentially subject the School to concentration of credit risk consist principally of receivables from the State of Indiana. At June 30, 2016 and 2015, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits maintained at First Merchants Bank are insured up to the FDIC insurance limit.

NOTE 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.