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December 22, 2016

Charter School Board
Mays Community Academy
929 South St
Mays, IN 46155

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 Mays Community Academy, 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 Mays Community 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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Year Ended June 30, 2016



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Independent Auditors' Report

The Board of Directors
Northern Rush County Schools, Incorporated

We have audited the accompanying financial statements of Northern Rush County Schools, Incorporated d/b/a Mays Community Academy, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets (deficiency), functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Northern Rush County Schools, Incorporated d/b/a Mays Community Academy as of June 30, 2016, and the changes in its net assets (deficiency), functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

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

Indianapolis, Indiana
December 14, 2016

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

CURRENT ASSETS

Cash	\$ 124,516
Grants receivable	<u>16,216</u>
 <i>Total current assets</i>	 <u>140,732</u>

PROPERTY AND EQUIPMENT

Land	88,400
Building and improvements	509,075
Furniture and equipment	153,344
Software and textbooks	65,018
Vehicles	5,000
Less: accumulated depreciation	<u>(69,534)</u>
 <i>Property and equipment, net</i>	 <u>751,303</u>

OTHER ASSETS

Security deposit	<u>3,900</u>
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TOTAL ASSETS

\$ 895,935

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of notes payable	\$ 132,157
Accounts payable and accrued expenses	<u>65,615</u>
 <i>Total current liabilities</i>	 197,772

NOTES PAYABLE, NET OF CURRENT PORTION

403,750

<i>Total liabilities</i>	601,522
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NET ASSETS, UNRESTRICTED

294,413

TOTAL LIABILITIES AND NET ASSETS

\$ 895,935

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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Year Ended June 30, 2016

REVENUE AND SUPPORT

State education support	\$ 697,545
Grant revenue	383,547
Student fees	41,398
Contributions	
Property donation	595,500
Other contributions	1,874
Other income	<u>1,137</u>
 <i>Total revenue and support</i>	 <u>1,721,001</u>

EXPENSES

Program services	972,493
Management and general	<u>451,341</u>
 <i>Total expenses</i>	 <u>1,423,834</u>

CHANGE IN NET ASSETS

297,167

NET DEFICIENCY, BEGINNING OF YEAR

(2,754)

NET ASSETS, END OF YEAR

\$ 294,413

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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES			
Salaries and wages	\$ 428,471	\$ 217,634	\$ 646,105
Employee benefits	126,380	34,840	161,220
Staff development	12,983	-	12,983
Professional services	27,768	108,320	136,088
Repairs and maintenance	-	32,916	32,916
Authorizer oversight fees	-	15,696	15,696
Food costs	48,977	-	48,977
Transportation	127,954	1,173	129,127
Information technology	26,552	-	26,552
Advertising	-	6,339	6,339
Classroom, kitchen, and office supplies	55,749	22,215	77,964
Occupancy	36,242	-	36,242
Depreciation	69,534	-	69,534
Interest	-	8,068	8,068
Insurance	5,776	-	5,776
Other	6,107	4,140	10,247
	<hr/>	<hr/>	<hr/>
<i>Total functional expenses</i>	<u>\$ 972,493</u>	<u>\$ 451,341</u>	<u>\$ 1,423,834</u>

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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED

d/b/a MAYS COMMUNITY ACADEMY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

OPERATING ACTIVITIES

Change in net assets	\$ 297,167
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Contributed property and equipment	(595,500)
Depreciation	69,534
Change in certain assets and liabilities:	
Grants receivable	(16,216)
Security deposit	(3,900)
Accounts payable and accrued expenses	<u>65,615</u>
<i>Net cash used in operating activities</i>	<u>(183,300)</u>

INVESTING ACTIVITIES

Purchases of property and equipment	<u>(220,651)</u>
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FINANCING ACTIVITIES

Proceeds from notes payable	675,000
Principal payments on notes payable	<u>(189,093)</u>
<i>Net cash provided by financing activities</i>	<u>485,907</u>

NET CHANGE IN CASH

81,956

CASH, BEGINNING OF YEAR

42,560

CASH, END OF YEAR

\$ 124,516

SUPPLEMENTAL INFORMATION

Cash paid for interest	\$ 8,068
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See independent auditors' report and accompanying notes to the financial statements

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Northern Rush County Schools, Incorporated d/b/a Mays Community Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a public charter school on July 1, 2015 under Indiana Code 20-24. The School serves grades kindergarten through six 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.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

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 paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

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 small equipment purchases 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:

Building and improvements	7 to 20 years
Furniture and equipment	5 to 7 years
Software and textbooks	3 to 5 years
Vehicles	5 years

Taxes on Income – Northern Rush County Schools, Incorporated 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 year ended June 30, 2016, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income, Continued – 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.

Subsequent Events – The School evaluated subsequent events through December 14, 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 require.

NOTE 2 - NOTES PAYABLE

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

Note payable to CentreBank, payable in monthly installments of \$17,168 including interest at 3.75% per annum, through January 2017.	\$ 110,907
Note payable to Indiana State Board of Education, payable \$21,250 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in December 2015, and maturing in July 2026. First payment due January 1, 2017.	425,000
	535,907
Less: current portion	(132,157)
Long-term portion	\$ 403,750

Principal maturities of long-term debt are as follows for the years ending June 30:

2017	\$ 132,157
2018	42,500
2019	42,500
2020	42,500
2021	42,500
Thereafter	233,750
	\$ 535,907

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - RETIREMENT PLANS

The School did not participate in a retirement plan during the year ended June 30, 2016. The School had applied for approval to participate in 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. Subsequent to year end, the School has been approved for both TRF and PERF.

NOTE 4 - 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. Payments under this charter agreement were \$15,696 for the year ended June 30, 2016. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

The School contracted with Indiana Charters LLC, a for-profit organization incorporated in the State of Indiana, to perform data management, financial, administrative, and general operational support services. Under the terms of the agreement, the School had agreed to pay a total of \$131,500 through June 2017 for such services. The contract commenced in July 2015. Expense under this contract was \$81,498 for the year ended June 30, 2016.

NOTE 5 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Rush 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, substantially all of the receivable balance was due from the State of Indiana. In addition, bank deposits are maintained primarily at CentreBank and MainSource Bank, and are insured up to the FDIC insurance limit.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 - PRIOR PERIOD FINANCIAL ACTIVITY

Prior to the School's initial year of operations, it borrowed \$50,000 from CentreBank to be used during the start-up phase of operations. The School used these funds to purchase equipment costing \$4,686 and incurred expenses of \$2,754. The School had a cash balance of \$42,560 as of June 30, 2015.

NOTE 7 - 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.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
OTHER REPORT
For the Year Ended June 30, 2016

The reports presented herein were prepared in addition to another official report prepared for the School is listed below:

Supplemental Audit Report of Northern Rush County Schools, Incorporated
d/b/a Mays Community 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*.