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December 22, 2016

Charter School Board  
Inspire Academy  
2801 E 16th St  
Muncie, IN 47302

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 Inspire 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.

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**

**d/b/a INSPIRE ACADEMY**

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015



**DONOVAN**  
CPAs | ADVISORS

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## *Independent Auditors' Report*

The Board of Directors  
Muncie Public Charter School of Inquiry, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy, 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 Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy as of June 30, 2016 and 2015, and the changes in its net assets, functional expenses, and 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  
December 16, 2016

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**

**d/b/a INSPIRE ACADEMY**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 118,499	\$ 164,435
Grants receivable	3,552	13,836
Other receivables	2,999	2,603
Prepaid expenses	<u>23,476</u>	<u>23,767</u>
<i>Total current assets</i>	<u>148,526</u>	<u>204,641</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	76,880	-
Building and improvements	150,545	-
Furniture and equipment	223,580	216,084
Less: accumulated depreciation	<u>(137,206)</u>	<u>(81,167)</u>
<i>Property and equipment, net</i>	<u>313,799</u>	<u>134,917</u>
<b>TOTAL ASSETS</b>	<u>\$ 462,325</u>	<u>\$ 339,558</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 51,572	\$ 48,722
Current portion of capital lease obligation	<u>996</u>	<u>-</u>
<i>Total current liabilities</i>	<u>52,568</u>	<u>48,722</u>
<b>LONG-TERM LIABILITIES</b>		
Note payable	225,000	-
Capital lease obligation, net of current portion	<u>4,104</u>	<u>-</u>
<i>Total long-term liabilities</i>	<u>229,104</u>	<u>-</u>
<i>Total liabilities</i>	<u>281,672</u>	<u>48,722</u>
<b>NET ASSETS</b>		
Unrestricted	180,653	282,891
Temporarily restricted	<u>-</u>	<u>7,945</u>
<i>Total net assets</i>	<u>180,653</u>	<u>290,836</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 462,325</u>	<u>\$ 339,558</u>

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**d/b/a INSPIRE ACADEMY**

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**

**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>			<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>						
State education support	\$ 1,241,988	\$ -	\$ 1,241,988	\$ 1,164,594	\$ -	\$ 1,164,594
Grant revenue	257,171	-	257,171	434,458	-	434,458
Student fees	12,023	-	12,023	11,092	-	11,092
Contributions	15,129	-	15,129	10,700	-	10,700
Other income	8,651	-	8,651	6,250	-	6,250
Net assets released from restrictions	7,945	(7,945)	-	54,123	(54,123)	-
<i>Total revenue and support</i>	<u>1,542,907</u>	<u>(7,945)</u>	<u>1,534,962</u>	<u>1,681,217</u>	<u>(54,123)</u>	<u>1,627,094</u>
<b>EXPENSES</b>						
Program services	1,312,480	-	1,312,480	1,208,814	-	1,208,814
Management and general	332,665	-	332,665	332,215	-	332,215
<i>Total expenses</i>	<u>1,645,145</u>	<u>-</u>	<u>1,645,145</u>	<u>1,541,029</u>	<u>-</u>	<u>1,541,029</u>
<b>CHANGE IN NET ASSETS</b>	(102,238)	(7,945)	(110,183)	140,188	(54,123)	86,065
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>282,891</u>	<u>7,945</u>	<u>290,836</u>	<u>142,703</u>	<u>62,068</u>	<u>204,771</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 180,653</u>	<u>\$ -</u>	<u>\$ 180,653</u>	<u>\$ 282,891</u>	<u>\$ 7,945</u>	<u>\$ 290,836</u>

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**

**d/b/a INSPIRE ACADEMY**

**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>
<b>FUNCTIONAL EXPENSES</b>						
Salaries and wages	\$ 583,044	\$ 155,988	\$ 739,032	\$ 529,276	\$ 117,318	\$ 646,594
Employee benefits	134,645	39,431	174,076	100,201	36,714	136,915
Staff development	81,310	-	81,310	72,475	-	72,475
Professional services	101,446	57,933	159,379	93,679	112,885	206,564
Connectivity	37,662	-	37,662	27,188	-	27,188
Authorizer oversight fees	-	26,449	26,449	-	20,469	20,469
Food costs	90,843	-	90,843	73,757	-	73,757
Equipment	9,502	215	9,717	20,494	3,159	23,653
Classroom and office supplies	24,855	5,214	30,069	55,387	4,899	60,286
Occupancy	183,167	-	183,167	183,505	-	183,505
Depreciation	56,039	-	56,039	49,156	-	49,156
Interest	-	126	126	-	93	93
Insurance	-	24,793	24,793	-	12,171	12,171
Other	9,967	22,516	32,483	3,696	24,507	28,203
<i>Total functional expenses</i>	<u>\$ 1,312,480</u>	<u>\$ 332,665</u>	<u>\$ 1,645,145</u>	<u>\$ 1,208,814</u>	<u>\$ 332,215</u>	<u>\$ 1,541,029</u>

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**

**d/b/a INSPIRE ACADEMY**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (110,183)	\$ 86,065
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	56,039	49,156
Change in certain assets and liabilities:		
Grants receivable	10,284	(12,502)
Other receivables	(396)	(2,603)
Prepaid expenses	291	(4,267)
Accounts payable and accrued expenses	2,850	15,784
Refundable advances	-	(5,040)
	<u>(41,115)</u>	<u>126,593</u>
<i>Net cash provided by (used in) operating activities</i>		
	<u>(41,115)</u>	<u>126,593</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(4,426)	(89,786)
<b>FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligation	<u>(395)</u>	<u>-</u>
<b>NET CHANGE IN CASH</b>	(45,936)	36,807
<b>CASH, BEGINNING OF YEAR</b>	<u>164,435</u>	<u>127,628</u>
<b>CASH, END OF YEAR</b>	<u>\$ 118,499</u>	<u>\$ 164,435</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Land and building obtained under a note payable	\$ 225,000	\$ -
Equipment obtained under a capital lease obligation	5,495	-
Cash paid for interest	126	93

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

# MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

## d/b/a INSPIRE ACADEMY

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2016 and 2015

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Muncie Public Charter School of Inquiry, 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. In 2016, the School served students in grades kindergarten to seventh by providing an alternative to the traditional elementary school program.

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.

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.

Accounts Receivable – Accounts 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.

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.

Taxes on Income – Muncie Public Charter School of Inquiry, 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.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**

**d/b/a INSPIRE ACADEMY**

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

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 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 range from three to five years for furniture and equipment. The estimated useful lives on building and improvements is twenty years.

Subsequent Events – The School evaluated subsequent events through December 16, 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 - NOTE PAYABLE**

As of June 30, 2016, the School had a note payable due to The Roman Catholic Dioceses of Lafayette-in-Indiana, Inc. The note is payable in three equal installments of \$75,000 each on July 1, 2019, 2020, and 2021 and is non-interest bearing. The note is secured by the school building.

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

2017	\$	-
2018		-
2019		-
2020		75,000
2021		75,000
Thereafter		<u>75,000</u>
	\$	<u>225,000</u>

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**d/b/a INSPIRE ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 3 - LEASES**

*Capital Lease Obligation*

The School leases equipment under a capital lease. At June 30, 2016, the cost and accumulated depreciation of the copier were \$5,495 and \$332, respectively.

Following is a schedule of future minimum lease payments under the capital lease and present value of the net minimum lease payments as of June 30, 2016:

2017	\$	1,266
2018		1,266
2019		1,266
2020		1,266
2021		771
		5,835
Less: amount representing interest		(735)
	\$	5,100

*Operating Lease*

The School leased its facility under an operating lease. The facility lease required monthly payments over a 5-year term based on a rate of \$10 per square foot of leased space (18,000 square feet as of June 30, 2016). Expense under this lease for the years ended June 30, 2016 and 2015 was \$165,000 and \$180,000, respectively. The School terminated the lease effective June 30, 2016 (see Note 8 - Contingencies for further discussion).

**NOTE 4 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets as of June 30, 2015 of \$7,945 related to funds received from the Walton Family Foundation. The funds were to be used according to the approved budget for various program expenses. Grant related expenditures resulted in the full balance of temporarily restricted net assets being released from restrictions in 2016.

**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. Expense under this charter agreement was \$26,449 and \$20,469 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.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**

**d/b/a INSPIRE ACADEMY**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2016 and 2015**

**NOTE 6 - RETIREMENT PLANS**

The School offers retirement benefits 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, 2015 (the latest year reported), both TRF and PERF were more than 80% funded.

In lieu of TRF or PERF, all employees are eligible to participate in a Section 403(b) defined contribution retirement plan sponsored by the School. Under this plan, the School contributed 7% of compensation as defined through October 31, 2014. Since that time, the School has opted to match employee contributions at a rate of 2.33 to 1, but not to exceed 7% of compensation. Additional contributions may also be made to the plan at the discretion of the Board of Directors. No discretionary contributions were made in 2016 or 2015.

Retirement plan expense under all plans was \$28,066 and \$24,928 for the years ended June 30, 2016 and 2015, respectively.

**NOTE 7 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Delaware 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.

**NOTE 8 - CONTINGENCIES**

The School terminated its lease on its facility at 1620 S. Madison Street, Muncie, IN effective June 30, 2016, citing landlord non-performance. The lease was through June 30, 2018 and, as such, the School may be liable for remaining payments. As of the date of the audit report, there has been no legal claim filed by the lessor, The Housing Authority of the City of Muncie, Indiana.

**NOTE 9 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing 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.