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September 28, 2017

Charter School Board
Muncie Public Charter School of Inquiry, Inc.
d/b/a Inspire Academy
2801 E 16th St
Muncie, IN 47302

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. 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 Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy, as of June 30, 2017, 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, 2017 and 2016



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Donovan CPAs

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, 2017 and 2016, 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 Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy as of June 30, 2017 and 2016, 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 dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana
September 14, 2017

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 150,890	\$ 118,499
Grants receivable	8,450	3,552
Other receivables	-	2,999
Prepaid expenses	<u>27,316</u>	<u>23,476</u>
<i>Total current assets</i>	<u>186,656</u>	<u>148,526</u>
PROPERTY AND EQUIPMENT		
Land	76,880	76,880
Building and improvements	174,113	150,545
Furniture and equipment	261,484	223,580
Textbooks	4,426	-
Less: accumulated depreciation	<u>(187,651)</u>	<u>(137,206)</u>
<i>Property and equipment, net</i>	<u>329,252</u>	<u>313,799</u>
TOTAL ASSETS	<u><u>\$ 515,908</u></u>	<u><u>\$ 462,325</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 61,106	\$ 51,572
Current portion of capital lease obligation	<u>1,054</u>	<u>996</u>
<i>Total current liabilities</i>	<u>62,160</u>	<u>52,568</u>
LONG-TERM LIABILITIES		
Note payable	225,000	225,000
Capital lease obligation, net of current portion	<u>3,044</u>	<u>4,104</u>
<i>Total long-term liabilities</i>	<u>228,044</u>	<u>229,104</u>
<i>Total liabilities</i>	290,204	281,672
UNRESTRICTED NET ASSETS	<u>225,704</u>	<u>180,653</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 515,908</u></u>	<u><u>\$ 462,325</u></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, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT						
State education support	\$ 1,310,734	\$ -	\$ 1,310,734	\$ 1,241,988	\$ -	\$ 1,241,988
Grant revenue	300,484	-	300,484	257,171	-	257,171
Student fees	17,707	-	17,707	12,023	-	12,023
Contributions	12,192	-	12,192	15,129	-	15,129
Other income	17,663	-	17,663	8,651	-	8,651
Net assets released from restrictions	-	-	-	7,945	(7,945)	-
<i>Total revenue and support</i>	<u>1,658,780</u>	<u>-</u>	<u>1,658,780</u>	<u>1,542,907</u>	<u>(7,945)</u>	<u>1,534,962</u>
EXPENSES						
Program services	1,233,046	-	1,233,046	1,312,480	-	1,312,480
Management and general	380,683	-	380,683	332,665	-	332,665
<i>Total expenses</i>	<u>1,613,729</u>	<u>-</u>	<u>1,613,729</u>	<u>1,645,145</u>	<u>-</u>	<u>1,645,145</u>
CHANGE IN NET ASSETS	45,051	-	45,051	(102,238)	(7,945)	(110,183)
NET ASSETS, BEGINNING OF YEAR	<u>180,653</u>	<u>-</u>	<u>180,653</u>	<u>282,891</u>	<u>7,945</u>	<u>290,836</u>
NET ASSETS, END OF YEAR	<u>\$ 225,704</u>	<u>\$ -</u>	<u>\$ 225,704</u>	<u>\$ 180,653</u>	<u>\$ -</u>	<u>\$ 180,653</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, 2017 and 2016

	2017			2016		
	<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	\$ 567,404	\$ 189,061	\$ 756,465	\$ 583,044	\$ 155,988	\$ 739,032
Employee benefits	132,838	45,121	177,959	134,645	39,431	174,076
Staff development	77,292	-	77,292	81,310	-	81,310
Professional services	131,411	74,713	206,124	101,446	57,933	159,379
Connectivity	39,506	-	39,506	37,662	-	37,662
Authorizer oversight fees	-	26,598	26,598	-	26,449	26,449
Food costs	67,667	-	67,667	90,843	-	90,843
Equipment	12,038	-	12,038	9,502	215	9,717
Classroom and office supplies	29,228	7,415	36,643	24,855	5,214	30,069
Occupancy	117,685	-	117,685	183,167	-	183,167
Depreciation	50,445	-	50,445	56,039	-	56,039
Interest	-	266	266	-	126	126
Insurance	-	15,475	15,475	-	24,793	24,793
Other	7,532	22,034	29,566	9,967	22,516	32,483
	<u>\$ 1,233,046</u>	<u>\$ 380,683</u>	<u>\$ 1,613,729</u>	<u>\$ 1,312,480</u>	<u>\$ 332,665</u>	<u>\$ 1,645,145</u>
<i>Total functional expenses</i>	<u>\$ 1,233,046</u>	<u>\$ 380,683</u>	<u>\$ 1,613,729</u>	<u>\$ 1,312,480</u>	<u>\$ 332,665</u>	<u>\$ 1,645,145</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 45,051	\$ (110,183)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	50,445	56,039
Change in certain assets and liabilities:		
Grants receivable	(4,898)	10,284
Other receivables	2,999	(396)
Prepaid expenses	(3,840)	291
Accounts payable and accrued expenses	<u>9,534</u>	<u>2,850</u>
<i>Net cash provided by (used in) operating activities</i>	99,291	(41,115)
INVESTING ACTIVITIES		
Purchases of property and equipment	(65,898)	(4,426)
FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(1,002)</u>	<u>(395)</u>
NET CHANGE IN CASH	32,391	(45,936)
CASH, BEGINNING OF YEAR	<u>118,499</u>	<u>164,435</u>
CASH, END OF YEAR	<u>\$ 150,890</u>	<u>\$ 118,499</u>
SUPPLEMENTAL INFORMATION		
Land and building obtained under a note payable	\$ -	\$ 225,000
Equipment obtained under a capital lease obligation	-	5,495
Cash paid for interest	266	126

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, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire 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 sponsored by Ball State University. In 2017, the School served students in grades kindergarten to eighth 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. There were no temporarily restricted net assets as of June 30, 2017 and 2016.

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, 2017 and 2016, 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, 2017 and 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. Tax years ending after 2013 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; four years for textbooks; and forty years for building and improvements.

Subsequent Events – The School evaluated subsequent events through September 14, 2017, 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

The School has 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:

2018	\$	-
2019		-
2020		75,000
2021		75,000
2022		75,000
		<hr/>
	\$	225,000
		<hr/>

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

NOTE 3 - LEASES

Capital Lease Obligation

The School leases equipment under a capital lease. At June 30, 2017, the cost and accumulated depreciation of the copier were \$5,495 and \$1,705, respectively.

Following is a schedule of future minimum lease payments under the capital lease for the years ending June 30 and present value of the net minimum lease payments as of June 30, 2017:

2018	\$	1,266
2019		1,266
2020		1,266
2021		771
		<hr/>
		4,569
Less: amount representing interest		<hr/>
		(471)
	\$	<hr/> <hr/>
		4,098

Operating Lease

During 2016, 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 year ended June 30, 2016 was \$165,000. The School terminated the lease effective June 30, 2016 (see Note 7 - Contingencies for further discussion).

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. Expense under this charter agreement was \$26,598 and \$26,449 for the years ended June 30, 2017 and 2016, respectively. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

NOTE 5 - 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.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

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, 2016 (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 2017 or 2016.

Retirement plan expense under all plans was \$34,016 and \$28,066 for the years ended June 30, 2017 and 2016, respectively.

NOTE 7 - 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 8 - 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.