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September 28, 2017

Charter School Board  
Central Indiana Military Academy, Inc.  
d/b/a Anderson Preparatory Academy  
101 W 29<sup>th</sup> St.  
Anderson, IN 46016

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 Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory 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 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

**CENTRAL INDIANA MILITARY ACADEMY, INC.**  
**d/b/a ANDERSON PREPARATORY 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  
Central Indiana Military Academy, Inc.

We have audited the accompanying financial statements of Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy, which comprise the statements of financial position as of June 30, 2017 and 2016, 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 Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy as of June 30, 2017 and 2016, 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".

September 22, 2017  
Indianapolis, Indiana

**CENTRAL INDIANA MILITARY ACADEMY, INC.**  
**d/b/a ANDERSON PREPARATORY ACADEMY**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 699,209	\$ 719,964
Grants receivable	47,326	-
Prepaid expenses	47,426	43,837
<i>Total current assets</i>	<u>793,961</u>	<u>763,801</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	320,000	320,000
Buildings and improvements	3,143,177	3,012,555
Furniture and equipment	2,108,669	1,476,034
Textbooks	143,963	143,963
Vehicles	41,750	41,750
Less: accumulated depreciation	<u>(2,105,831)</u>	<u>(1,749,104)</u>
<i>Property and equipment, net</i>	<u>3,651,728</u>	<u>3,245,198</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,445,689</u>	<u>\$ 4,008,999</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 142,443	\$ 135,628
Current portion of capital lease obligations	82,308	59,950
Accounts payable and accrued expenses	334,047	295,555
Refundable advances	3,046	19,485
<i>Total current liabilities</i>	<u>561,844</u>	<u>510,618</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	1,549,318	1,691,781
Capital lease obligations, net of current portion	<u>226,416</u>	<u>119,886</u>
<i>Total long-term liabilities</i>	<u>1,775,734</u>	<u>1,811,667</u>
<i>Total liabilities</i>	<u>2,337,578</u>	<u>2,322,285</u>
<b>NET ASSETS</b>		
Unrestricted	2,026,194	1,595,915
Temporarily restricted	<u>81,917</u>	<u>90,799</u>
<i>Total net assets</i>	<u>2,108,111</u>	<u>1,686,714</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,445,689</u>	<u>\$ 4,008,999</u>

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

**CENTRAL INDIANA MILITARY ACADEMY, INC.**  
**d/b/a ANDERSON PREPARATORY ACADEMY**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2017 and 2016**

	2017			2016		
	<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	\$ 5,461,128	\$ -	\$ 5,461,128	\$ 5,456,238	\$ -	\$ 5,456,238
Grant revenue	1,222,702	-	1,222,702	1,091,099	-	1,091,099
Student fees	128,035	72,877	200,912	135,445	80,149	215,594
Contributions	33,319	-	33,319	17,369	-	17,369
In-kind contributions	280,703	-	280,703	30,500	-	30,500
Fundraising and other income	137,615	108,995	246,610	146,313	102,711	249,024
Net assets released from restrictions	190,754	(190,754)	-	182,243	(182,243)	-
<i>Total revenue and support</i>	7,454,256	(8,882)	7,445,374	7,059,207	617	7,059,824
<b>EXPENSES</b>						
Program services	5,719,895	-	5,719,895	5,282,006	-	5,282,006
Management and general	1,304,082	-	1,304,082	1,220,877	-	1,220,877
<i>Total expenses</i>	7,023,977	-	7,023,977	6,502,883	-	6,502,883
<b>CHANGE IN NET ASSETS</b>	430,279	(8,882)	421,397	556,324	617	556,941
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,595,915	90,799	1,686,714	1,039,591	90,182	1,129,772
<b>NET ASSETS, END OF YEAR</b>	\$ 2,026,194	\$ 81,917	\$ 2,108,111	\$ 1,595,915	\$ 90,799	\$ 1,686,714

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

**CENTRAL INDIANA MILITARY ACADEMY, INC.**  
**d/b/a ANDERSON PREPARATORY ACADEMY**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>			<u>2016</u>		
	<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	\$ 3,213,157	\$ 666,789	\$ 3,879,946	\$ 2,940,636	\$ 605,447	\$ 3,546,083
Employee benefits	641,916	147,411	789,327	572,495	124,840	697,335
Staff development	54,134	2,650	56,784	24,762	5,430	30,192
Professional services	265,288	178,201	443,489	278,705	194,171	472,876
Property rental and maintenance	249,952	-	249,952	274,846	-	274,846
Authorizer oversight fees	-	123,562	123,562	-	124,051	124,051
Transportation	20,594	-	20,594	16,051	-	16,051
Classroom, kitchen and office supplies	362,896	29,011	391,907	393,276	26,332	419,608
Occupancy	410,372	-	410,372	354,442	-	354,442
Depreciation	356,727	-	356,727	287,230	-	287,230
Interest	95,924	-	95,924	104,031	-	104,031
Insurance	-	118,939	118,939	-	109,105	109,105
Other	48,935	37,519	86,454	35,532	31,501	67,033
<i>Total functional expenses</i>	<u>\$ 5,719,895</u>	<u>\$ 1,304,082</u>	<u>\$ 7,023,977</u>	<u>\$ 5,282,006</u>	<u>\$ 1,220,877</u>	<u>\$ 6,502,883</u>

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

**CENTRAL INDIANA MILITARY ACADEMY, INC.**

**d/b/a ANDERSON PREPARATORY ACADEMY**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 421,397	\$ 556,941
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	356,727	287,230
In-kind contribution of capitalized equipment	(280,703)	-
Changes in certain assets and liabilities:		
Grants receivable	(47,326)	38,641
Prepaid expenses	(3,589)	(9,673)
Accounts payable and accrued expenses	38,492	(352,690)
Refundable advances	(16,439)	19,485
	<u>468,559</u>	<u>539,934</u>
<i>Net cash provided by operating activities</i>		
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(287,754)</u>	<u>(235,760)</u>
<b>FINANCING ACTIVITIES</b>		
Principal reduction of capital lease obligations	(65,912)	(167,103)
Principal repayment of notes payable	<u>(135,648)</u>	<u>(128,914)</u>
	<u>(201,560)</u>	<u>(296,017)</u>
<i>Net cash used in financing activities</i>		
<b>NET CHANGE IN CASH</b>	(20,755)	8,157
<b>CASH, BEGINNING OF YEAR</b>	<u>719,964</u>	<u>711,807</u>
<b>CASH, END OF YEAR</b>	<u>\$ 699,209</u>	<u>\$ 719,964</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Property and equipment obtained under capital lease obligation	\$ 194,800	\$ 96,600
Property and equipment obtained via in-kind contribution	280,703	-
Cash paid for interest	95,924	104,031

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

**CENTRAL INDIANA MILITARY ACADEMY, INC.**  
**d/b/a ANDERSON PREPARATORY ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

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

General – Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory 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 serving grades kindergarten through twelve 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.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net 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.

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.

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.

Contributions and Fees – The School receives income from contributions, student fees, and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**CENTRAL INDIANA MILITARY ACADEMY, INC.**  
**d/b/a ANDERSON PREPARATORY 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 – Central Indiana Military Academy, Inc. has received a determination from the U.S. Internal Revenue Service 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.

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 generally are as follows:

Building and improvements	5 to 40 years
Furniture and equipment	3 years
Textbooks	4 years
Vehicles	5 years

Subsequent Events – The School evaluated subsequent events through September 22, 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 require.

**NOTE 2 - REVOLVING LINE OF CREDIT**

The School has a \$100,000 revolving line of credit to provide short-term financing, which is secured by all business assets. Bank advances on the credit line carry an interest rate of .75% above the lender's prime rate. There were no advances outstanding on the line of credit as of June 30, 2017 and 2016.

**CENTRAL INDIANA MILITARY ACADEMY, INC.**  
**d/b/a ANDERSON PREPARATORY ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 3 - NOTES PAYABLE**

Notes payable were comprised of the following at June 30:

	<u>2017</u>	<u>2016</u>
Mortgage loan payable to MainSource Bank, payable in monthly installments of \$4,214 including interest at 4.85% per annum (adjustable annually beginning September 2019) through July 2026, secured by a mortgage on School facilities and all business assets	\$ 370,327	\$ 401,837
Mortgage loan payable to MainSource Bank, payable in monthly installments of \$3,224 including interest at 4.85% per annum (adjustable annually beginning September 2019) through March 2029, secured by a mortgage on School facilities and all business assets	329,301	357,486
Mortgage loan payable to MainSource Bank, payable in monthly installments of \$7,341 including interest at 4.85% per annum (adjustable annually beginning August 2019) through August 2026, secured by a mortgage on School facilities and all business assets	649,081	703,788
Mortgage loan payable to MainSource Bank, payable in monthly installments of \$3,761 including interest at 4.85% per annum (adjustable annually beginning August 2019) through July 2026, secured by a mortgage on School facilities and all business assets	<u>343,052</u>	<u>364,298</u>
	1,691,761	1,827,409
Less: current portion	<u>(142,443)</u>	<u>(135,628)</u>
Long-term portion	<u>\$ 1,549,318</u>	<u>\$ 1,691,781</u>

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

2018	\$ 142,443
2019	149,628
2020	156,978
2021	165,050
2022	173,351
Thereafter	<u>904,311</u>
	<u>\$ 1,691,761</u>

**CENTRAL INDIANA MILITARY ACADEMY, INC.**  
**d/b/a ANDERSON PREPARATORY ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 4 - LEASES**

The School leases various items of equipment under capital leases. At June 30, 2017, the cost and accumulated depreciation relating to these assets were \$764,519 and \$512,685, respectively (\$569,719 and \$471,730, respectively, at June 30, 2016).

Minimum future lease payments as of June 30, 2017 under capital leases and the present value of the net minimum lease payments are as follows for the years ending June 30:

2018	\$	98,328
2019		105,550
2020		80,487
2021		60,868
Less: amount representing interest		<u>(36,509)</u>
	\$	<u>308,724</u>

The School also leases various items of equipment under operating leases. Total expense under these operating leases for 2017 and 2016 was \$34,444 and \$34,317, respectively. Minimum future rental payments as of June 30, 2017 for all operating leases with initial, non-cancellable lease terms in excess of one year are as follows for the years ending June 30:

2018	\$	12,178
2019		7,104

**NOTE 5 - RETIREMENT PLANS**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan 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. For the years ended June 30, 2017 and 2016, the School contributed 7.5% of compensation for eligible teaching personnel to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2016 (the latest year reported), TRF was more than 80% funded.

All other employees are eligible to participate in a School-sponsored section 403(b) plan. Under this plan, the School contributes 6% of compensation, as defined in the plan document. Additional contributions may be made at the discretion of the Board of Directors. No discretionary contributions were made in 2017 or 2016. Retirement plan expense under both plans was \$249,843 and \$223,164 for the years ended June 30, 2017 and 2016, respectively.

**CENTRAL INDIANA MILITARY ACADEMY, INC.**  
**d/b/a ANDERSON PREPARATORY ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 6 - 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 \$123,562 and \$124,051 for the years ended June 30, 2017 and 2016, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

The School has contracted with a third party to provide network and technology services to the School. Under this contract, the School has committed to make annual payments of approximately \$75,000 through August 2020 with the option to purchase additional services for which the School is billed as services are provided. The School has the option to terminate the agreement with 30 days notice. Payments under this agreement were \$79,512 and \$79,969 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 7 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Madison 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, 2017, substantially all of the receivable balance was due from the State of Indiana. In addition, bank deposits are maintained primarily at MainSource Bank, and are insured up to the FDIC insurance limit.

**NOTE 8 - 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.