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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

November 14, 2017

Charter School Board  
Options Charter School – Noblesville, Inc.  
9945 Cumberland Pointe Blvd  
Noblesville, IN 46060

We have reviewed the report prepared by Options Charter School – Noblesville, Inc. and opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Options Charter School – Noblesville, Inc. 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.

In our opinion, Donovan CPAs prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter 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, 2017 and 2016



## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position.....	3
Statements of Activities and Change in Net Assets.....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 11



# Donovan CPAs

## *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, 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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**[www.cpadonovan.com](http://www.cpadonovan.com)**

**Westside Office** | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

**Northside Office** | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

## **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, 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, prominent "D" at the beginning.

Indianapolis, Indiana  
October 27, 2017

**OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 667,146	\$ 639,150
Accounts receivable	-	34,165
Due from Options Charter School - Carmel, Inc.	16,904	16,904
Prepaid expenses	<u>19,606</u>	<u>11,594</u>
<i>Total current assets</i>	<u>703,656</u>	<u>701,813</u>
<b>PROPERTY AND EQUIPMENT</b>		
Buildings and improvements	2,054,997	1,928,004
Furniture and equipment	621,681	604,406
Less: accumulated depreciation	<u>(618,933)</u>	<u>(539,898)</u>
<i>Property and equipment, net</i>	<u>2,057,745</u>	<u>1,992,512</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,761,401</u></u>	<u><u>\$ 2,694,325</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 200,800	\$ 100,400
Accounts payable and accrued expenses	83,121	125,276
Refundable advance	<u>9,550</u>	<u>-</u>
<i>Total current liabilities</i>	293,471	225,676
<b>NOTES PAYABLE, NET OF CURRENT PORTION</b>	<u>1,706,804</u>	<u>1,907,604</u>
<i>Total liabilities</i>	2,000,275	2,133,280
<b>NET ASSETS, UNRESTRICTED</b>	<u>761,126</u>	<u>561,045</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,761,401</u></u>	<u><u>\$ 2,694,325</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 1,719,211	\$ 1,555,621
Grant revenue	383,826	366,373
Student fees	10,641	8,729
Contribution from Options in Education Foundation, Inc.	10,820	13,794
Other income	25,392	23,700
	<u>2,149,890</u>	<u>1,968,217</u>
 <i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	1,245,533	1,111,135
Management and general	704,276	576,140
	<u>1,949,809</u>	<u>1,687,275</u>
 <i>Total expenses</i>		
<b>CHANGE IN NET ASSETS</b>	200,081	280,942
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>561,045</u>	<u>280,103</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 761,126</u>	<u>\$ 561,045</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, 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>
<b>FUNCTIONAL EXPENSES</b>						
Salaries and wages	\$ 485,042	\$ 391,463	\$ 876,505	\$ 442,646	\$ 328,520	\$ 771,166
Employee benefits	161,065	129,990	291,055	125,827	93,386	219,213
Hope Source expenses	337,446	-	337,446	173,899	-	173,899
Occupancy	77,792	13,087	90,879	201,462	33,891	235,353
Equipment	29,565	-	29,565	53,444	-	53,444
Professional services	25,173	25,726	50,899	17,455	33,639	51,094
Depreciation	67,654	11,381	79,035	36,174	6,085	42,259
Classroom and office supplies	27,369	22,089	49,458	22,885	16,985	39,870
Authorizer oversight fees	-	32,360	32,360	-	30,771	30,771
Insurance	-	23,597	23,597	-	14,655	14,655
Transportation	2,080	1,678	3,758	2,031	1,508	3,539
Interest	-	22,727	22,727	-	3,481	3,481
Foundation expenses	10,820	-	10,820	13,794	-	13,794
Other	21,527	30,178	51,705	21,518	13,219	34,737
<i>Total functional expenses</i>	<u>\$ 1,245,533</u>	<u>\$ 704,276</u>	<u>\$ 1,949,809</u>	<u>\$ 1,111,135</u>	<u>\$ 576,140</u>	<u>\$ 1,687,275</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 200,081	\$ 280,942
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	79,035	42,259
Changes in certain assets and liabilities:		
Accounts receivable	34,165	(21,445)
Prepaid expenses	(8,012)	(11,178)
Accounts payable and accrued expenses	(42,155)	5,577
Refundable advance	9,550	-
	<u>272,664</u>	<u>296,155</u>
<i>Net cash provided by operating activities</i>		
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(144,268)</u>	<u>(1,938,981)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from notes payable	-	2,008,004
Principal paid on notes payable	<u>(100,400)</u>	<u>-</u>
	<u>(100,400)</u>	<u>2,008,004</u>
<i>Net cash provided by (used in) financing activities</i>		
<b>NET CHANGE IN CASH</b>	27,996	365,178
<b>CASH, BEGINNING OF YEAR</b>	<u>639,150</u>	<u>273,972</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 667,146</u></u>	<u><u>\$ 639,150</u></u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 16,669	\$ -

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, 2017 and 2016

### 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 is sponsored by Ball State University. The School serves students in grades six to twelve by providing an alternative to traditional middle and 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 the 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 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.

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, 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.

**OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**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 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:

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

Reclassifications – There have been certain reclassifications in the statement of functional expenses for the prior year in order to have consistency with current year presentation. These reclassifications had no effect on total expenses or reported results of operations.

Subsequent Events – The School evaluated subsequent events through October 27, 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 - 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, 2017 or 2016.

**NOTE 3 - REFUNDABLE ADVANCE**

The School has been awarded a grant from the Lilly Foundation, Inc. for the purpose of establishing comprehensive counseling services for students. The grant must be utilized for its intended purpose no later than December 31, 2017, after which any remaining unused portion of the grant is subject to reversion to the grantor organization. The unused portion of the grant is shown as a refundable advance on the statements of financial position and had a balance of \$9,550 at June 30, 2017.

**OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 4 - NOTES PAYABLE**

Notes payable consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Note payable to State Board of Education, payable \$62,900 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in March 2016	\$ 1,195,104	\$ 1,258,004
Note payable to Options Charter School - Carmel, Inc., payable \$37,500 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in March 2016	<u>712,500</u>	<u>750,000</u>
	1,907,604	2,008,004
Less: current portion	<u>(200,800)</u>	<u>(100,400)</u>
Long-term portion	\$ <u>1,706,804</u>	\$ <u>1,907,604</u>

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 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:

2018	\$ 200,800
2019	200,800
2020	200,800
2021	200,800
2022	200,800
Thereafter	<u>903,604</u>
	\$ <u>1,907,604</u>

# **OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

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

### **NOTE 5 - 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 rent relating to the administrative offices. Expense under these leases for the years ended June 30, 2017 and 2016 was \$8,244 and \$118,328, respectively.

Future minimum obligations under the equipment leases are \$3,852 for the year ended June 30, 2018.

### **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 received. Expense under this charter agreement was \$32,360 and \$30,771 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 7 - 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, 2017 and 2016 was \$16,904. Options - Carmel paid the School \$15,386 and \$20,700 during the years ended June 30, 2017 and 2016, 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, 2017 and 2016, there was no balance outstanding under the line of credit. The School also has a note payable to Options - Carmel as described in Note 4.

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, 2017 and 2016, the School received financial assistance from the Foundation in the amounts of \$10,820 and \$13,794, respectively.

# **OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

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

### **NOTE 8 - 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, 2016 (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 \$95,731 and \$75,660 for the years ended June 30, 2017 and 2016, respectively.

### **NOTE 9 - 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.

Financial instruments that potentially subject the School to concentration of credit risk consist principally of receivables from the State of Indiana. At June 30, 2017 and 2016, 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 10 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain expenses have been allocated between program and management services.