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November 21, 2017

Charter School Board  
Rock Creek Community Academy, Inc.  
11525 Highway 31  
Sellersburg IN 47172

We have reviewed the report prepared by Rock Creek Community Academy, 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 Rock Creek Community Academy, 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

**ROCK CREEK COMMUNITY ACADEMY, INC.**

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  
Rock Creek Community Academy, Inc.

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

We have audited the accompanying financial statements of Rock Creek Community Academy, Inc., 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 Rock Creek Community Academy, Inc. 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 dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana  
October 16, 2017

**ROCK CREEK COMMUNITY ACADEMY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,002,012	\$ 803,665
Grants receivable	10,700	38,229
Accounts receivable	-	3,858
Prepaid expenses	54,457	34,961
	<hr/>	<hr/>
<i>Total current assets</i>	1,067,169	880,713
	<hr/>	<hr/>
<b>SECURITY DEPOSIT</b>	4,000	4,000
	<hr/>	<hr/>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	555,013	555,013
Furniture and equipment	586,602	552,555
Textbooks	358,464	330,654
Less: accumulated depreciation	(1,218,746)	(1,022,943)
	<hr/>	<hr/>
<i>Property and equipment, net</i>	281,333	415,279
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 1,352,502</u>	<u>\$ 1,299,992</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of note payable	\$ -	\$ 18,567
Accounts payable and accrued expenses	270,752	236,330
Deferred revenue	116,304	127,210
Refundable advances	1,333	-
	<hr/>	<hr/>
<i>Total current liabilities</i>	388,389	382,107
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Unrestricted	930,763	871,311
Temporarily restricted	33,350	46,574
	<hr/>	<hr/>
<i>Total net assets</i>	964,113	917,885
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,352,502</u>	<u>\$ 1,299,992</u>

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

**ROCK CREEK COMMUNITY ACADEMY, INC.**  
**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>
<b>REVENUE AND SUPPORT</b>						
State education support	\$ 3,150,312	\$ -	\$ 3,150,312	\$ 2,983,340	\$ -	\$ 2,983,340
Grant revenue	514,131	-	514,131	512,093	-	512,093
Student fees	252,046	49,286	301,332	220,764	57,280	278,044
Contributions	15,950	3,950	19,900	30,917	7,515	38,432
Fundraising income	33,271	68,153	101,424	11,279	65,274	76,553
Net assets released from restrictions	134,613	(134,613)	-	123,648	(123,648)	-
<i>Total revenue and support</i>	<u>4,100,323</u>	<u>(13,224)</u>	<u>4,087,099</u>	<u>3,882,041</u>	<u>6,421</u>	<u>3,888,462</u>
<b>EXPENSES</b>						
Program services	3,403,741	-	3,403,741	3,278,114	-	3,278,114
Management and general	637,130	-	637,130	581,629	-	581,629
<i>Total expenses</i>	<u>4,040,871</u>	<u>-</u>	<u>4,040,871</u>	<u>3,859,743</u>	<u>-</u>	<u>3,859,743</u>
<b>CHANGE IN NET ASSETS</b>	59,452	(13,224)	46,228	22,298	6,421	28,719
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>871,311</u>	<u>46,574</u>	<u>917,885</u>	<u>849,013</u>	<u>40,153</u>	<u>889,166</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 930,763</u>	<u>\$ 33,350</u>	<u>\$ 964,113</u>	<u>\$ 871,311</u>	<u>\$ 46,574</u>	<u>\$ 917,885</u>

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

**ROCK CREEK COMMUNITY ACADEMY, INC.**

**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	\$ 1,544,350	\$ 325,972	\$ 1,870,322	\$ 1,529,611	\$ 325,855	\$ 1,855,466
Employee benefits	369,696	66,296	435,992	382,203	63,017	445,220
Staff development	31,682	-	31,682	20,956	-	20,956
Professional services	409,592	75,586	485,178	280,662	61,134	341,796
Repairs and maintenance	39,244	-	39,244	52,096	-	52,096
Authorizer oversight fees	-	75,709	75,709	-	72,791	72,791
Food costs	53,322	-	53,322	59,067	-	59,067
Equipment	50,983	-	50,983	43,167	-	43,167
Classroom, kitchen, and office supplies	219,502	19,031	238,533	214,161	5,780	219,941
Occupancy	373,898	-	373,898	383,471	-	383,471
Depreciation	195,803	-	195,803	219,382	-	219,382
Field trips	53,840	-	53,840	47,897	-	47,897
Interest	-	661	661	-	3,742	3,742
Insurance	-	34,574	34,574	-	32,506	32,506
Advertising	-	18,342	18,342	-	-	-
Loss on disposal of assets	-	-	-	7,278	-	7,278
Other	61,829	20,959	82,788	38,163	16,804	54,967
<i>Total functional expenses</i>	<u>\$ 3,403,741</u>	<u>\$ 637,130</u>	<u>\$ 4,040,871</u>	<u>\$ 3,278,114</u>	<u>\$ 581,629</u>	<u>\$ 3,859,743</u>

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

# ROCK CREEK COMMUNITY ACADEMY, 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	\$ 46,228	\$ 28,719
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	195,803	211,660
Loss on disposal of assets	-	7,278
Change in:		
Grants receivable	27,529	(21,996)
Accounts receivable	3,858	(3,858)
Prepaid expenses	(19,496)	291
Security deposit	-	11,775
Accounts payable and accrued expenses	34,422	25,867
Deferred revenue	(10,906)	(1,130)
Refundable advances	1,333	(3,189)
	<u>278,771</u>	<u>255,417</u>
<i>Net cash provided by operating activities</i>		
	<u>278,771</u>	<u>255,417</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(61,857)	(86,089)
Proceeds from sale of property and equipment	-	971
	<u>(61,857)</u>	<u>(85,118)</u>
<i>Net cash used in investing activities</i>		
	<u>(61,857)</u>	<u>(85,118)</u>
<b>FINANCING ACTIVITIES</b>		
Principal repayments of note payable	(18,567)	(34,478)
	<u>(18,567)</u>	<u>(34,478)</u>
<b>NET CHANGE IN CASH</b>	198,347	135,821
<b>CASH, BEGINNING OF YEAR</b>	<u>803,665</u>	<u>667,844</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,002,012</u>	<u>\$ 803,665</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 661	\$ 3,742

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

# ROCK CREEK COMMUNITY ACADEMY, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Rock Creek Community Academy, 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, located in Sellersburg, Indiana, provided educational instruction to approximately 500 students in grades kindergarten to twelve during the 2016-2017 academic year.

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 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 is 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.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs 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.

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.

Contributions and Fees – The School receives resources from participation 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 restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions.

# ROCK CREEK COMMUNITY ACADEMY, 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:

Textbooks	5 years
Leasehold improvements	5 to 8 years
Furniture and equipment	3 to 5 years

Deferred Revenue – Deferred revenue consists of student fees and textbook rentals received as part of the enrollment process for the subsequent academic school year.

Taxes on Income – Rock Creek Community 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.

Reclassifications – Certain figures for 2016 that were previously reported have been reclassified for comparative purposes.

Subsequent Events – The School evaluated subsequent events through October 16, 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 - REFUNDABLE ADVANCES

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2017, the School had refundable grant advances in excess of expenditures of \$1,333. There were no refundable advances at June 30, 2016.

# ROCK CREEK COMMUNITY ACADEMY, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

### NOTE 3 - NOTE PAYABLE

Note payable as of June 30, 2016 was comprised of a note payable to Mobilease Modular Space, Inc. This note represented an obligation for site improvements relating to the installation of modular classrooms. The note was payable in monthly installments of \$3,185, including interest at 10% per annum, through December 2016. The outstanding balance at June 30, 2016 was \$18,567. The note was repaid in full during 2017.

### NOTE 4 - LEASES

The School leases its school facility, modular classrooms, and items of equipment under operating leases. Under the facility lease, the School is also responsible for repairs, maintenance, and utilities. Total expense under these operating leases for 2017 and 2016 was \$283,254 and \$305,098, respectively. Minimum future rental payments as of June 30, 2017 for all operating leases with noncancellable lease terms in excess of one year are as follows for the years ending June 30:

2018	\$	187,080
2019		132,000
2020		132,000

### NOTE 5 - RETIREMENT PLAN

The School maintains a Section 403(b) defined contribution retirement plan with Mass Mutual Financial Group for the benefit of its employees. Substantially all full-time employees are eligible to participate. Under the plan, the School contributes 7.5% of each participant's compensation for the plan year. Retirement plan expense for the years ended June 30, 2017 and 2016 was \$134,537 and \$141,745, respectively.

### 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. The charter remains in effect until June 30, 2020, and is renewable thereafter by mutual consent. Payments under this charter agreement were \$75,709 and \$72,791 for the years ended June 30, 2017 and 2016, respectively.

**ROCK CREEK COMMUNITY ACADEMY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE 7 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Clark 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 grants receivable balance was due from the State of Indiana. Cash deposits are maintained at New Washington State Bank and normally exceed 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 statements of activities. Accordingly, certain expenses have been allocated between program and management services.