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December 28, 2017

Charter School Board  
Better Blended Learning for Indiana, Inc.  
d/b/a Nexus Academy of Indianapolis  
6101 N. Keystone Avenue, Suite 302  
Indianapolis, IN 46220


We have reviewed the report prepared by Better Blended Learning for Indiana, Inc. d/b/a Nexus Academy of Indianapolis 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 Better Blended Learning for Indiana, Inc. d/b/a Nexus Academy of Indianapolis 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.

We call your attention to the Emphasis-of-Matter Regarding Going Concern paragraph included in the Independent Auditors' Report and further detailed in Note 2.

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.

In addition to the report presented herein, a Supplemental Audit Report for Better Blended Learning for Indiana, Inc. d/b/a Nexus Academy of Indianapolis was prepared in accordance with the guidelines established by the State Board of Accounts.

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, CPA  
State Examiner

**BETTER BLENDED LEARNING FOR INDIANA, INC.**  
**d/b/a NEXUS ACADEMY OF INDIANAPOLIS**

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  
Better Blended Learning for Indiana, Inc.

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

We have audited the accompanying financial statements of Better Blended Learning for Indiana, Inc. d/b/a Nexus Academy of Indianapolis, 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 Better Blended Learning for Indiana, Inc. d/b/a Nexus Academy of Indianapolis 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.

## **Emphasis-of-Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 2 to the financial statements, the School experienced a significant decrease in enrollment for the 2017-2018 school year. The drop in enrollment will not allow the School to meet its financial obligations during the 2017-2018 school year without additional funding and raises substantial doubt about the School's ability to continue as a going concern. Management's plans regarding this matter are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized 'D'.

Indianapolis, Indiana  
December 19, 2017

**BETTER BLENDED LEARNING OF INDIANA, INC.**  
**d/b/a NEXUS ACADEMY OF INDIANAPOLIS**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 265,852	\$ 199,169
Grants receivable	60,599	18,028
Other receivables	-	503
Prepaid expenses	<u>15,837</u>	<u>15,595</u>
<i>Total current assets</i>	<u>342,288</u>	<u>233,295</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	11,348	11,348
Furniture and equipment	119,972	119,972
Computer equipment	93,791	93,791
Less: accumulated depreciation	<u>(116,193)</u>	<u>(77,861)</u>
<i>Property and equipment, net</i>	<u>108,918</u>	<u>147,250</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 451,206</u></u>	<u><u>\$ 380,545</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Due to Connections Academy of Indiana, LLC	\$ 412,312	\$ 319,685
Accrued expenses	<u>27,978</u>	<u>49,975</u>
<i>Total current liabilities</i>	440,290	369,660
<b>NET ASSETS, UNRESTRICTED</b>	<u>10,916</u>	<u>10,885</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 451,206</u></u>	<u><u>\$ 380,545</u></u>

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

**BETTER BLENDED LEARNING OF INDIANA, INC.**  
**d/b/a NEXUS ACADEMY OF INDIANAPOLIS**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2017 and 2016**

	<u><b>2017</b></u>	<u><b>2016</b></u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 758,875	\$ 860,361
Grant revenue	108,742	234,559
Contributions from Connections Academy of Indiana, LLC	<u>1,050,150</u>	<u>976,125</u>
<i>Total revenue and support</i>	<u>1,917,767</u>	<u>2,071,045</u>
<b>EXPENSES</b>		
Program services	1,696,800	1,816,512
Management and general	<u>220,936</u>	<u>254,168</u>
<i>Total expenses</i>	<u>1,917,736</u>	<u>2,070,680</u>
<b>CHANGE IN NET ASSETS</b>	31	365
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>10,885</u>	<u>10,520</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 10,916</u></u>	<u><u>\$ 10,885</u></u>

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

**BETTER BLENDED LEARNING OF INDIANA, INC.**

**d/b/a NEXUS ACADEMY OF INDIANAPOLIS**

**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	\$ 471,445	\$ -	\$ 471,445	\$ 446,375	\$ -	\$ 446,375
Employee benefits	130,371	-	130,371	129,983	-	129,983
Books and supplies	144,765	-	144,765	170,446	-	170,446
School administration/support services	234,753	127,303	362,056	235,346	146,413	381,759
Professional services	146,950	66,156	213,106	212,195	67,339	279,534
Staff development and recruitment	17,683	91	17,774	31,480	179	31,659
Repairs and maintenance	32,996	-	32,996	42,306	-	42,306
Equipment	4,613	-	4,613	23,706	-	23,706
Technology	233,434	-	233,434	252,363	-	252,363
Occupancy	197,091	-	197,091	194,967	-	194,967
Depreciation	38,332	-	38,332	37,805	-	37,805
Travel	9,956	-	9,956	1,881	-	1,881
Insurance	-	2,715	2,715	-	2,353	2,353
Sponsor fees	-	6,361	6,361	-	6,407	6,407
Other	34,411	18,310	52,721	37,659	31,477	69,136
	<u>34,411</u>	<u>18,310</u>	<u>52,721</u>	<u>37,659</u>	<u>31,477</u>	<u>69,136</u>
<i>Total functional expenses</i>	<u>\$ 1,696,800</u>	<u>\$ 220,936</u>	<u>\$ 1,917,736</u>	<u>\$ 1,816,512</u>	<u>\$ 254,168</u>	<u>\$ 2,070,680</u>

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

**BETTER BLENDED LEARNING OF INDIANA, INC.**  
**d/b/a NEXUS ACADEMY OF INDIANAPOLIS**  
**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	\$ 31	\$ 365
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,332	37,805
Changes in certain assets and liabilities:		
Grants receivable	(42,571)	101,508
Other receivables	503	(347)
Prepaid expenses	(242)	(347)
Deposits	-	14,952
Due to Connections Academy of Indiana, LLC	92,627	(105,110)
Accrued expenses	(21,997)	(3,209)
Deferred revenue	-	(2,226)
	66,683	43,391
<i>Net cash provided by operating activities</i>	66,683	43,391
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(38,564)
<b>NET CHANGE IN CASH</b>	66,683	4,827
<b>CASH, BEGINNING OF YEAR</b>	199,169	194,342
<b>CASH, END OF YEAR</b>	\$ 265,852	\$ 199,169

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

**BETTER BLENDED LEARNING FOR INDIANA, INC.**  
**d/b/a NEXUS ACADEMY OF INDIANAPOLIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

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

General – Better Blended Learning for Indiana, Inc. d/b/a Nexus Academy of Indianapolis (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 the Indiana Charter School Board. The School provides education to high school students in a blended form of on-line and in-person instruction.

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 school 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.

Contributions – Contributions received are measured at their fair values and are reported as an increase in net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Grants Receivable – Grants 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.

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:

Leasehold improvements	3 years
Furniture and equipment	7 years
Computer equipment	5 years

**BETTER BLENDED LEARNING FOR INDIANA, INC.**  
**d/b/a NEXUS ACADEMY OF INDIANAPOLIS**  
**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 – Better Blended Learning for Indiana, 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. The tax years ended after 2013 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 19, 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 - GOING CONCERN CONSIDERATION**

Enrollment for the 2017-2018 school year declined significantly. In the fall of 2017, enrollment was only 18 students. The level of enrollment coupled with the financial obligations of the School raises substantial doubt about the School's ability to continue as a going concern. Management has negotiated payment terms for outstanding financial obligations to assist with cash flow while working with its new management company, iLead Schools, to increase enrollment for the 2018-2019 school year. In addition, the termination agreement with its former management company, Connections Education, LLC, calls for monthly grants of \$17,500, which assists with cash flow needs of the School (Note 4). The accompanying financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.

**NOTE 3 - LEASE**

The School conducts its operations from a facility that is leased under a non-cancelable sublease with Connections Education, LLC ("Connections"). Connections was under contract to provide management services to the School for the years ended June 30, 2017 and 2016. The lease expires the earliest of (i) September 2020, or (ii) an assignment of the lease from Connections Education, LLC to the School. If the School ceases operations, the School is not liable for future obligations under the lease. The lease provides for an initial minimum monthly rental payment of \$11,676, which increases incrementally each year. The School is also responsible for its proportionate share of utilities, maintenance, and other costs of operation.

**BETTER BLENDED LEARNING FOR INDIANA, INC.**  
**d/b/a NEXUS ACADEMY OF INDIANAPOLIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 3 - LEASE, Continued**

Future minimum rental payments required under this lease are as follows for the years ending June 30:

2018	\$	150,971
2019		153,973
2020		157,051
2021		39,457

**NOTE 4 - COMMITMENTS**

The School operates under a charter granted by the Indiana Charter School Board (“ICSB”). As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to ICSB an annual administrative fee equal to 1% of state tuition payments received. The charter remains in effect until August 15, 2018, and is renewable thereafter by mutual consent. Payments under this agreement were \$6,361 and \$6,407 for the years ended June 30, 2017 and 2016, respectively.

During the 2017 and 2016 fiscal years, the School contracted with Connections to provide instructional materials and services as well as administrative and technology services. As compensation for these services, the School negotiates a schedule of fees for services for each year. Such fees were as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Enrollment/unit based fees	\$ 683,811	\$ 784,660
Revenue based fees	<u>198,997</u>	<u>227,509</u>
	<u>\$ 882,808</u>	<u>\$ 1,012,169</u>

Under this management agreement, Connections agreed to provide resources to the School in the form of fee reductions or cash payments sufficient to allow the School to complete the fiscal year with positive net assets. For the years ended June 30, 2017 and 2016, Connections provided contributions of \$1,050,150 and \$976,125, respectively, for this purpose.

The agreement between the School and Connections terminated effective June 30, 2017, at which time the School contracted with iLead Schools to manage the School for the 2017-2018 school year. Under the termination agreement with Connections, Connections agreed to make grants to the School of \$7,500 per month through June 30, 2018 as consideration for the School to maintain the lease of the School facility through June 30, 2018. In addition, Connections agreed to make grants to the School of \$10,000 per month through June 30, 2018 to employ the school leader. If the School’s operations were to cease, Connections’ obligations for both grants would terminate simultaneously.

**BETTER BLENDED LEARNING FOR INDIANA, INC.**  
**d/b/a NEXUS ACADEMY OF INDIANAPOLIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 5 - RETIREMENT PLAN**

School personnel were eligible to participate in a 401(k) retirement plan sponsored by Connections Education, LLC. Under the plan, the School matched 100% of employee contributions up to 3% of compensation and 50% of employee contributions for the next 3% of compensation. The School may also make additional discretionary contributions. No discretionary contributions were made in 2017 and 2016. Retirement plan expense was \$2,470 and \$3,740 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 6 - RISKS AND UNCERTAINTIES**

The School provides education services to families residing in Marion 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 and 2016, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits are maintained at PNC Bank and are insured up to the FDIC insurance limit.

**NOTE 7 - FUNCTIONAL EXPENSE REPORTING**

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

**BETTER BLENDED LEARNING FOR INDIANA, INC.**  
**d/b/a NEXUS ACADEMY OF INDIANAPOLIS**  
**OTHER REPORT**  
**For the Year Ended June 30, 2017**

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Better Blended Learning for Indiana, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.