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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)

January 25, 2018

Charter School Board  
Neighborhood Charter Network, Inc.  
3725 Kiel Ave.  
Indianapolis, IN 46224

We have reviewed the Supplemental Audit Report for Neighborhood Charter Network, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Pages 3 through 4 contain three audit results and comments. Management's response is on page 6.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**SUPPLEMENTAL AUDIT REPORT  
OF  
NEIGHBORHOOD CHARTER NETWORK, INC.**

MARION COUNTY, INDIANA

July 1, 2016 to June 30, 2017



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**NEIGHBORHOOD CHARTER NETWORK, INC.**  
**MARION COUNTY, INDIANA**  
**School Officials**  
**July 1, 2016 to June 30, 2017**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Dennis Casey	07/01/16 – 06/30/17
Executive Director	Kevin Kubacki	07/01/16 – 06/30/17
Treasurer	Terry Baker	07/01/16 – 06/30/17



# Donovan CPAs

The Board of Directors  
Neighborhood Charter Network, Inc.

We have audited the financial statements of Neighborhood Charter Network, Inc., (“NCN”) as of and for the year ended June 30, 2017, and have issued our report thereon dated December 19, 2017. As part of our audit, we tested the School’s compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Indianapolis, Indiana  
December 20, 2017

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

**Westside Office** | 5151 E. U.S. HWY 36, Avon, IN 46123 | 317.745.6411

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

# **NEIGHBORHOOD CHARTER NETWORK, INC.**

## **MARION COUNTY, INDIANA**

### **Audit Results and Comments**

**July 1, 2016 to June 30, 2017**

#### **RECEIPTS AND DEPOSITS**

We tested the receipts and deposits process for both Neighborhood Charter Network, Inc. schools. We tested 25 receipts for each school for a total of 50 receipts. While all 50 receipts we tested were deposited into the bank, we noted on Kindezi Academy that four were not deposited timely, with delays ranging from 31 to 36 days.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

#### **REQUIRED REPORTS**

We examined the Form 9 reports submitted by both Neighborhood Charter Network, Inc. schools for the period July 1, 2016 to June 30, 2017. We noted that neither of the schools were in compliance, as the Form 9 did not accurately reflect grant activity during the year.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**NEIGHBORHOOD CHARTER NETWORK, INC.**  
**MARION COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2016 to June 30, 2017**

**MINIMUM INTERNAL CONTROL STANDARDS**

Per review and discussion with Neighborhood Charter Network Inc.'s personnel, we determined that neither Kindezi Academy nor Enlace Academy were in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

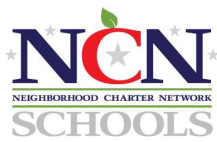
After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

**NEIGHBORHOOD CHARTER NETWORK, INC.**  
**MARION COUNTY, INDIANA**  
**Exit Conference**  
**July 1, 2016 to June 30, 2017**

The contents of this report were discussed on December 19, 2017 with Terry Baker (Board Treasurer), Kevin Kubacki (Executive Director), Denise Castellanos (Director of Operations), and Brian Anderson (Consultant). The Official Response has been made a part of this report and may be found on page 6.



December 20, 2017

Donovan CPAs  
9292 N. Meridian Street, Suite 150  
Indianapolis, IN 46260

The Neighborhood Charter Network has already or will take the following actions to address the FY2017 supplemental audit report comments:

1. We are working to ensure our processes for depositing funds on a timely basis are followed at Kindezi Academy as they have been at Enlace Academy.
2. We will continue to manage the differences in timing and required reporting that exist for charter schools in the state of Indiana. As part of that, we will monitor our cash basis fund reporting on our Form 9 submission and adjust as necessary. Adjustments are typically required when we either make accrual-based receivable and payable adjustments or when we receive retroactive grant budget approvals after a reporting deadline has already passed.
3. We will comply with the new internal control standards that were introduced for legislative bodies of a political subdivision in the 2017 fiscal year. The October 26<sup>th</sup>, 2017 memo from the State Board of Accounts to all charter schools clarified that they view charter schools as subject to this newly implemented law. Our business manager received the required training last year and we will ensure that others required to receive the training will do so.

Sincerely,

A handwritten signature in black ink that reads 'Kevin Kubacki'.

Kevin Kubacki, Executive Director  
The Neighborhood Charter Network