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April 24, 2018


Charter School Board  
Lighthouse Academies of Northwest Indiana, Inc.  
29140 Chapel Park Drive  
Wesley Chapel, FL 33543

We have reviewed the report prepared by Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, 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.

In addition to the report presented herein, a Supplemental Audit Report for Lighthouse Academies of Northwest Indiana, Inc., 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

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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  
Lighthouse Academies of Northwest Indiana, Inc.

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

We have audited the accompanying financial statements of Lighthouse Academies of Northwest Indiana, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Lighthouse Academies of Northwest Indiana, 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.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Likewise, the schedules of financial position by school and schedules of activities and change in net assets by school on pages 14 through 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2018 on our consideration of Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in blue ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized "D" at the beginning.

Indianapolis, Indiana  
March 6, 2018

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,875,838	\$ 1,287,691
Cash - restricted for bond interest	118,605	-
Accounts receivable:		
Grants	600,265	408,837
Other	-	1,847
Prepaid expenses	<u>88,437</u>	<u>127,704</u>
<i>Total current assets</i>	<u>2,683,145</u>	<u>1,826,079</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>18,247,289</u>	<u>13,839,273</u>
<b>OTHER ASSETS</b>		
Cash - restricted for debt service	1,609,215	-
Cash - restricted for property repairs and replacement	<u>200,073</u>	<u>-</u>
<i>Total other assets</i>	<u>1,809,288</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 22,739,722</u>	<u>\$ 15,665,352</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,022,673	\$ 1,566,137
Current portion of note payable	66,667	116,667
Current portion of capital lease obligations	<u>-</u>	<u>55,070</u>
<i>Total current liabilities</i>	<u>2,089,340</u>	<u>1,737,874</u>
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligations, net of current portion	-	13,150,530
Bonds payable	19,950,000	-
Less: unamortized debt issuance costs	<u>(253,438)</u>	<u>-</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>19,696,562</u>	<u>13,150,530</u>
<i>Total liabilities</i>	21,785,902	14,888,404
<b>NET ASSETS</b>	<u>953,820</u>	<u>776,948</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 22,739,722</u>	<u>\$ 15,665,352</u>

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

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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	\$ 14,553,941	\$ 13,847,680
Grant revenue	4,960,406	4,721,301
Student fees	66,105	46,765
Contributions	7,184	5,634
Fundraising	50,747	17,419
Other	80,565	62,721
<i>Total revenue and support</i>	<u>19,718,948</u>	<u>18,701,520</u>
<b>EXPENSES</b>		
Program services	16,270,249	15,776,819
Management and general	3,245,923	3,266,623
Fundraising	25,904	12,333
<i>Total expenses</i>	<u>19,542,076</u>	<u>19,055,775</u>
<b>CHANGE IN NET ASSETS</b>	176,872	(354,255)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>776,948</u>	<u>1,131,203</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 953,820</u>	<u>\$ 776,948</u>

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

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>FUNCTIONAL EXPENSES</b>								
Salaries and wages	\$ 7,949,040	\$ 982,679	\$ -	\$ 8,931,719	\$ 7,798,114	\$ 1,117,444	\$ -	\$ 8,915,558
Employee benefits	1,774,768	314,188	-	2,088,956	1,600,320	236,210	-	1,836,530
Staff development and recruitment	64,004	-	-	64,004	73,207	-	-	73,207
Academic services - Lighthouse Academies	-	1,419,426	-	1,419,426	-	1,344,737	-	1,344,737
Authorizer oversight fee	-	297,266	-	297,266	-	287,723	-	287,723
Food service	1,064,872	-	-	1,064,872	1,085,293	-	-	1,085,293
Transportation service	1,128,636	-	-	1,128,636	1,172,436	-	-	1,172,436
Other professional services	603,957	143,213	-	747,170	291,488	132,981	-	424,469
Equipment rental	35,386	-	-	35,386	21,239	-	-	21,239
Classroom, kitchen, and office supplies	350,777	47,182	-	397,959	332,381	50,461	-	382,842
Occupancy	1,113,087	-	-	1,113,087	1,071,194	-	-	1,071,194
Depreciation	705,640	-	-	705,640	655,359	-	-	655,359
Amortization	4,608	-	-	4,608	-	-	-	-
Interest	1,419,032	-	-	1,419,032	1,631,169	-	-	1,631,169
Other	56,442	41,969	25,904	124,315	44,619	97,067	12,333	154,019
<i>Total functional expenses</i>	<u>\$ 16,270,249</u>	<u>\$ 3,245,923</u>	<u>\$ 25,904</u>	<u>\$ 19,542,076</u>	<u>\$ 15,776,819</u>	<u>\$ 3,266,623</u>	<u>\$ 12,333</u>	<u>\$ 19,055,775</u>

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

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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	\$ 176,872	\$ (354,255)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	705,640	655,359
Amortization	4,608	-
Changes in certain assets and liabilities:		
Grants receivable	(191,428)	(57,316)
Other receivable	1,847	21,670
Prepaid expenses	39,267	(14,848)
Accounts payable and accrued expenses	415,298	325,731
	<u>1,152,104</u>	<u>576,341</u>
<i>Net cash provided by operating activities</i>		
	<u>1,152,104</u>	<u>576,341</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(132,112)</u>	<u>(401,530)</u>
<b>FINANCING ACTIVITIES</b>		
Principal repayment of capital lease obligations	(22,946)	(49,147)
Principal repayment of note payable	(50,000)	(50,000)
Increase in cash - restricted for bond interest	(118,605)	-
Increase in cash - restricted for debt service	(96,090)	-
Cash paid at bond closing	<u>(144,204)</u>	<u>-</u>
	<u>(431,845)</u>	<u>(99,147)</u>
<i>Net cash used in financing activities</i>		
	<u>(431,845)</u>	<u>(99,147)</u>
<b>NET CHANGE IN CASH</b>	588,147	75,664
<b>CASH, BEGINNING OF YEAR</b>	<u>1,287,691</u>	<u>1,212,027</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,875,838</u>	<u>\$ 1,287,691</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 1,419,032	\$ 1,631,169
Purchases of property and equipment financed through accrued expenses	41,238	-
Financed through bonds payable:		
Capital lease obligations retirement	13,182,654	-
Purpose restricted cash acquired	1,713,198	-
Increase in value of property and equipment	4,940,306	-
Debt issuance costs	258,046	-

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

# LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Lighthouse Academies of Northwest Indiana, Inc. ("LANWI"), a public benefit not-for-profit organization incorporated under the laws of the State of Indiana, is the organizer and governing body of two charter schools located in Indiana. Both schools are public charter schools established under Indiana Code 20-24 and sponsored by Ball State University. LANWI has entered into a service agreement with Lighthouse Academies, Inc., a not-for-profit organization incorporated in the State of Delaware, to provide educational, managerial, legal, and financial services to the schools that it operates.

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 schools receive an amount per student in relation to the funding received by other public schools in the same geographic areas. 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 LANWI's revenue is the product of cost reimbursement grants. Accordingly, LANWI recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

Grants Receivable – Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. LANWI believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Debt Issuance Costs – During 2017, LANWI incurred costs associated with securing financing under Indiana Finance Authority Education Facilities Revenue Bonds. Total costs incurred were \$258,046. Amortization is provided on a straight-line basis over the term of the bonds (27 years). Accumulated amortization as of June 30, 2017 was \$4,608. Amortization expense for the year ended June 30, 2017 was \$4,608. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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 .....	30 years
Furniture and equipment .....	3 to 5 years

Taxes on Income – Lighthouse Academies of Northwest 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 organization 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 LANWI 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. LANWI 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.

Subsequent Events – LANWI evaluated subsequent events through March 6, 2018, 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 - RESTRICTED CASH**

*Cash - restricted for bond interest* is reserved for the payment of interest on the bond semi-annually. Funds are placed in the account monthly to cover one-sixth of the semi-annual interest payment.

*Cash - restricted for debt service* is reserved for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements. Bond proceeds funded \$1,513,125 of the balance in this fund. LANWI is required to deposit \$16,015 monthly into this fund beginning January 2017 and ending November 2017.

*Cash - restricted for property repairs and replacement* was established with the bond proceeds and represents resources available for repairing and replacing facilities.

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment was comprised of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,245,200	\$ 1,245,200
Buildings and improvements	16,865,731	13,381,189
Furniture and equipment	<u>1,533,479</u>	<u>1,441,790</u>
	19,644,410	16,068,179
Less: accumulated depreciation	<u>(1,397,121)</u>	<u>(2,228,906)</u>
	<u>\$ 18,247,289</u>	<u>\$ 13,839,273</u>

**NOTE 4 - BONDS PAYABLE**

During 2017, LANWI refinanced its obligations related to its school facilities. Previously, as described in Note 6, LANWI had entered into a lease arrangement with CFM – NW Indiana, LLC. During 2017, LAI purchased its facilities with Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2016 with original amounts totaling \$19,950,000. Principal is payable in annual installments that increase from \$280,000 to \$1,575,000, beginning in December 2018 and maturing in December 2044. Interest payments are made semi-annually at rates ranging from 6.25% to 7.25% in accordance with the bond agreements. The bonds are secured by land, buildings, and improvements.

The Indiana Finance Authority Educational Facilities Revenue Bond agreements contain certain covenants requiring:

- submission of audited financial statements within 150 days after the end of the fiscal year;
- a minimum 35 days cash on hand as of June 30, 2017 and 2018 and 45 days cash on hand thereafter; and
- meeting a minimum debt service coverage ratio of 1.15 to 1.00, measured annually.

LANWI was not in compliance with the covenant of submission of audited financial statements within 150 days after the end of the fiscal year for 2017. Management has discussed this issue with the bondholder and has obtained verbal agreement that the bond will not be called as a result.

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

2018	\$ -
2019	280,000
2020	295,000
2021	315,000
2022	335,000
Thereafter	<u>18,725,000</u>
	<u>\$ 19,950,000</u>

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE 5 - NOTE PAYABLE**

LANWI has a note payable due to Lighthouse Academies, Inc., which is under contract to manage the LANWI schools. The note provides for monthly interest payments at 4.5% per annum. Principal payments are due and payable at such times as LANWI has unencumbered funds to make a payment when considering other debts then currently owed. The note was to be paid evenly in three payments of \$83,333 in 2015, 2016, and 2017, however, only \$50,000 was paid on the note in both 2017 and 2016. The note is secured by certain items of personal property.

**NOTE 6 - LEASES**

Prior to 2017, LANWI had entered into a 30-year lease agreement with CFM – NW Indiana, LLC for its facilities, which was accounted for as a capital lease. Under the lease agreement, CFM – NW Indiana, LLC agreed to make improvements to the facilities at an approximate cost of \$6,300,000. The lease required LANWI to make rental payments equal to CFM – NW Indiana, LLC’s debt service obligation on bonds that it issued to purchase the facilities. In addition, LANWI was responsible for utilities, maintenance, and insurance. The facilities were purchased by LANWI from CFM – NW Indiana, LLC in December 2016 using proceeds from the bonds, as described in Note 4.

LANWI also leases certain items of equipment under operating leases. Total lease expense under operating leases for the years ended June 30, 2017 and 2016 was \$110,148 and \$59,637, respectively. Future minimum lease payments are as follows for the years ending June 30:

2018	\$	57,132
2019		57,132
2020		57,132
2021		24,916

**NOTE 7 - RETIREMENT PLAN**

All LANWI personnel are employees of Lighthouse Academies, Inc., which provides management services to LANWI. LANWI personnel are eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, LANWI matches 100% of employee contributions up to 4% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the LANWI Board of Directors. No discretionary contributions were made in 2017 or 2016. Retirement plan expense for the years ended June 30, 2017 and 2016 was \$127,098 and \$81,596, respectively.

**NOTE 8 - COMMITMENTS**

LANWI’s two schools operate under charters granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charters, LANWI has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received associated with its two schools. Expense under the charter agreements was \$297,266 and \$287,723 for the years ended June 30, 2017 and 2016, respectively.

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE 8 - COMMITMENTS, Continued**

LANWI has contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreements, LANWI has agreed to pay an amount equal to 7.5% of revenue, as defined, for such services. Expense under the agreements was \$1,419,426 and \$1,344,737 for the years ended June 30, 2017 and 2016, respectively. These agreements remain in effect so long as the school charters remain in effect.

**NOTE 9 - RISKS AND UNCERTAINTIES**

LANWI provides education services to families residing in Lake and surrounding counties of 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 LANWI. Additionally, LANWI is subject to monitoring and audit by state and federal agencies. These examinations may result in additional liability to be imposed.

Financial instruments that potentially subject LANWI to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2017 and 2016, substantially all receivable balances were due from the State of Indiana. Cash deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and are insured up to the FDIC insurance limit. As of June 30, 2017 and 2016, LANWI carried balances in its bank accounts in excess of FDIC insurance limits.

**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 services, management and general, and fundraising.

SUPPLEMENTARY INFORMATION

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**  
**SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2017**

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 344,982
National School Lunch Program	10.555		<u>927,266</u>
<i>Total for cluster</i>			1,272,248
Fresh Fruit and Vegetable Program	10.582		<u>16,412</u>
<i>Total for federal grantor agency</i>			<u>1,288,660</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	16-9535/17-9535 16-9595/17-9595	2,301,780
Special Education Cluster			
Special Education - Grants to States	84.027	14216-561-PN01 14216-501-PN01 14216-561-PN01	147,578
English Language Acquisition State Grants	84.365		19,163
Improving Teacher Quality State Grants	84.367		<u>162,570</u>
<i>Total for federal grantor agency</i>			<u>2,631,091</u>
Total federal awards expended			\$ <u>3,919,751</u>

See independent auditors' report and accompanying notes to this schedule

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2017**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lighthouse Academies of Northwest Indiana, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lighthouse Academies of Northwest Indiana, Inc., it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Lighthouse Academies of Northwest Indiana, Inc.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**

**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**

**June 30, 2017**

	<u>Gary</u>	<u>East Chicago</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 1,502,626	\$ 373,212	\$ -	\$ 1,875,838
Cash - restricted for bond interest	94,884	23,721	-	118,605
Accounts receivable:				
Grants	423,379	176,886	-	600,265
Other	96,715	7,722	(104,437)	-
Prepaid expenses	56,435	32,002	-	88,437
<i>Total current assets</i>	<u>2,174,039</u>	<u>613,543</u>	<u>(104,437)</u>	<u>2,683,145</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>14,646,605</u>	<u>3,600,684</u>	<u>-</u>	<u>18,247,289</u>
<b>OTHER ASSETS</b>				
Cash - restricted for debt service	1,294,198	315,017	-	1,609,215
Cash - restricted for property repairs and replacement	160,961	39,112	-	200,073
<i>Total other assets</i>	<u>1,455,159</u>	<u>354,129</u>	<u>-</u>	<u>1,809,288</u>
<b>TOTAL ASSETS</b>	<u>\$ 18,275,803</u>	<u>\$ 4,568,356</u>	<u>\$ (104,437)</u>	<u>\$ 22,739,722</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 1,489,678	\$ 637,432	\$ (104,437)	\$ 2,022,673
Current portion of note payable	-	66,667	-	66,667
<i>Total current liabilities</i>	<u>1,489,678</u>	<u>704,099</u>	<u>(104,437)</u>	<u>2,089,340</u>
<b>LONG-TERM LIABILITIES</b>				
Bonds payable	16,050,000	3,900,000		19,950,000
Less: unamortized debt issuance costs	(203,894)	(49,544)	-	(253,438)
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>15,846,106</u>	<u>3,850,456</u>	<u>-</u>	<u>19,696,562</u>
<i>Total liabilities</i>	17,335,784	4,554,555	(104,437)	21,785,902
<b>NET ASSETS</b>	<u>940,019</u>	<u>13,801</u>	<u>-</u>	<u>953,820</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 18,275,803</u>	<u>\$ 4,568,356</u>	<u>\$ (104,437)</u>	<u>\$ 22,739,722</u>

See independent auditors' report

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**

**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**

**June 30, 2016**

	<u>Gary</u>	<u>East Chicago</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 1,055,555	\$ 232,136	\$ -	\$ 1,287,691
Accounts receivable:				
Grants	302,536	106,301	-	408,837
Other	123,805	1,847	(123,805)	1,847
Prepaid expenses	<u>81,161</u>	<u>46,543</u>	<u>-</u>	<u>127,704</u>
<i>Total current assets</i>	1,563,057	386,827	(123,805)	1,826,079
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>11,120,293</u>	<u>2,718,980</u>	<u>-</u>	<u>13,839,273</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,683,350</u>	<u>\$ 3,105,807</u>	<u>\$ (123,805)</u>	<u>\$ 15,665,352</u>
<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 1,202,885	\$ 487,057	\$ (123,805)	\$ 1,566,137
Current portion of note payable	-	116,667	-	116,667
Current portion of capital lease obligations	<u>45,002</u>	<u>10,068</u>	<u>-</u>	<u>55,070</u>
<i>Total current liabilities</i>	1,247,887	613,792	(123,805)	1,737,874
<b>LONG-TERM LIABILITIES</b>				
Capital lease obligations, net of current portion	<u>10,577,822</u>	<u>2,572,708</u>	<u>-</u>	<u>13,150,530</u>
<i>Total liabilities</i>	11,825,709	3,186,500	(123,805)	14,888,404
<b>NET ASSETS (DEFICIENCY)</b>	<u>857,641</u>	<u>(80,693)</u>	<u>-</u>	<u>776,948</u>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)</b>	<u>\$ 12,683,350</u>	<u>\$ 3,105,807</u>	<u>\$ (123,805)</u>	<u>\$ 15,665,352</u>

See independent auditors' report

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**  
**SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL**  
**For the Year Ended June 30, 2017**

	<u>Gary</u>	<u>East Chicago</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
State education support	\$ 11,261,426	\$ 3,292,515	\$ 14,553,941
Grant revenue	3,917,334	1,043,072	4,960,406
Student fees	53,926	12,179	66,105
Contributions	-	7,184	7,184
Fundraising	11,534	39,213	50,747
Other	<u>71,374</u>	<u>9,191</u>	<u>80,565</u>
<i>Total revenue and support</i>	<u>15,315,594</u>	<u>4,403,354</u>	<u>19,718,948</u>
<b>EXPENSES</b>			
Program services	12,748,469	3,521,780	16,270,249
Management and general	2,484,747	761,176	3,245,923
Fundraising	<u>-</u>	<u>25,904</u>	<u>25,904</u>
<i>Total expenses</i>	<u>15,233,216</u>	<u>4,308,860</u>	<u>19,542,076</u>
<b>CHANGE IN NET ASSETS</b>	82,378	94,494	176,872
<b>NET ASSETS (DEFICIENCY), BEGINNING OF YEAR</b>	<u>857,641</u>	<u>(80,693)</u>	<u>776,948</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 940,019</u></u>	<u><u>\$ 13,801</u></u>	<u><u>\$ 953,820</u></u>

See independent auditors' report

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**  
**SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL**  
**For the Year Ended June 30, 2016**

	<u>Gary</u>	<u>East Chicago</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
State education support	\$ 10,742,801	\$ 3,104,879	\$ 13,847,680
Grant revenue	3,764,297	957,004	4,721,301
Student fees	38,687	8,078	46,765
Contributions	-	5,634	5,634
Fundraising	400	17,019	17,419
Other	<u>59,618</u>	<u>3,103</u>	<u>62,721</u>
<i>Total revenue and support</i>	<u>14,605,803</u>	<u>4,095,717</u>	<u>18,701,520</u>
<b>EXPENSES</b>			
Program services	12,227,510	3,549,309	15,776,819
Management and general	2,610,462	656,161	3,266,623
Fundraising	<u>-</u>	<u>12,333</u>	<u>12,333</u>
<i>Total expenses</i>	<u>14,837,972</u>	<u>4,217,803</u>	<u>19,055,775</u>
<b>CHANGE IN NET ASSETS</b>	(232,169)	(122,086)	(354,255)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,089,810</u>	<u>41,393</u>	<u>1,131,203</u>
<b>NET ASSETS (DEFICIENCY), END OF YEAR</b>	<u>\$ 857,641</u>	<u>\$ (80,693)</u>	<u>\$ 776,948</u>

See independent auditors' report



# Donovan CPAs

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Lighthouse Academies of Northwest Indiana, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lighthouse Academies of Northwest Indiana, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2018.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lighthouse Academies of Northwest Indiana, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lighthouse Academies of Northwest Indiana, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large initial "D".

Indianapolis, Indiana  
March 6, 2018



# Donovan CPAs

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors  
Lighthouse Academies of Northwest Indiana, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited Lighthouse Academies of Northwest Indiana, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Lighthouse Academies of Northwest Indiana, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lighthouse Academies of Northwest Indiana, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lighthouse Academies of Northwest Indiana, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Lighthouse Academies of Northwest Indiana, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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## Report on Internal Control over Compliance

Management of Lighthouse Academies of Northwest Indiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lighthouse Academies of Northwest Indiana, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN



Indianapolis, Indiana  
March 6, 2018

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2017**

**I. Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A Cluster Grants to Local Educational Agencies

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**II. Financial Statement Findings**

No matters are reportable.

**III. Federal Award Findings and Questioned Costs**

No matters are reportable.

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.**

**OTHER REPORT**

**For the Year Ended June 30, 2017**

The reports presented herein were prepared in addition to another official report prepared for Lighthouse Academies of Northwest Indiana, Inc. as listed below:

Supplemental Audit Report of Lighthouse Academies of Northwest 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*.