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April 24, 2018

Charter School Board
Indiana Math and Science Academy- South Indianapolis, Inc.
2710 Bethel Ave
Indianapolis, IN 46203


We have reviewed the report prepared by Indiana Math and Science Academy- South Indianapolis, 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 Indiana Math and Science Academy- South Indianapolis, 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.

We call your attention to the Emphasis of Matter Regarding Basis of Accounting. As discussed in Note 2 to the financial statements, the School's Board of Directors elected to dissolve the School effective June 30, 2017. As a result, the School has changed its basis of accounting from the going-concern basis to the liquidation basis.

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 Indiana Math and Science Academy- South Indianapolis, 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

**INDIANA MATH AND SCIENCE ACADEMY –
SOUTH INDIANAPOLIS CHARTER SCHOOL, 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
Indiana Math and Science Academy – South Indianapolis Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Math and Science Academy – South Indianapolis Charter School, Inc., which comprise the statement of net assets in liquidation as of June 30, 2017, the statement of financial position as of June 30, 2016, the statement of changes in net assets in liquidation as of June 30, 2017, and the statements of activities and change in net deficiency, functional expenses, and cash flows for the years ended June 30, 2017 and 2016, 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 audit 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 Indiana Math and Science Academy – South Indianapolis Charter School, Inc. as of June 30, 2016, net assets in liquidation as of June 30, 2017, changes in net assets in liquidation as of June 30, 2017, and activities and change in net deficiency, functional expenses, and cash flows for the years ended June 30, 2017 and 2016 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Basis of Accounting

As discussed in Note 2 to the financial statements, the School's Board of Directors elected to dissolve the School effective June 30, 2017. As a result, the School has changed its basis of accounting from the going-concern basis to the liquidation basis.

DONOVAN

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

Indianapolis, Indiana
February 8, 2018

**INDIANA MATH AND SCIENCE ACADEMY -
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.
STATEMENT OF NET ASSETS IN LIQUIDATION**

June 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 23,851
Accounts receivable:	
Grants	63,037
Affiliated entities	107,227
Security deposit	<u>12,181</u>

TOTAL ASSETS

\$ 206,296

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 149,728
Accounts payable - affiliated entity	<u>56,568</u>

Total current liabilities

206,296

NET ASSETS

-

TOTAL LIABILITIES AND NET ASSETS

\$ 206,296

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

**INDIANA MATH AND SCIENCE ACADEMY -
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016**

ASSETS

CURRENT ASSETS

Cash	<u>\$ 175,431</u>
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PROPERTY AND EQUIPMENT

Furniture and equipment	507,699
Less: accumulated depreciation	<u>(255,738)</u>

<i>Property and equipment, net</i>	<u>251,961</u>
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OTHER ASSET

Security deposit	<u>12,181</u>
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TOTAL ASSETS

	<u><u>\$ 439,573</u></u>
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LIABILITIES AND NET DEFICIENCY

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 178,991
Accounts payable - affiliated entity	<u>11,078</u>

<i>Total current liabilities</i>	<u>190,069</u>
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LONG-TERM LIABILITIES

Line of credit	245,000
Deferred rent payable	<u>125,027</u>

<i>Total long-term liabilities</i>	<u>370,027</u>
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<i>Total liabilities</i>	560,096
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NET DEFICIENCY

	<u>(120,523)</u>
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TOTAL LIABILITIES AND NET DEFICIENCY

	<u><u>\$ 439,573</u></u>
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See independent auditors' report and accompanying notes to the financial statements

**INDIANA MATH AND SCIENCE ACADEMY -
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.**
STATEMENTS OF ACTIVITIES AND CHANGE IN NET DEFICIENCY
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT		
State education support	\$ 1,519,550	\$ 1,989,323
Grant revenue	586,221	577,443
Student fees	8,407	13,506
Contributions	<u>232,610</u>	<u>224,264</u>
<i>Total revenue and support</i>	<u>2,346,788</u>	<u>2,804,536</u>
EXPENSES		
Program services	1,949,735	2,277,959
Management and general	<u>601,108</u>	<u>688,112</u>
<i>Total expenses</i>	<u>2,550,843</u>	<u>2,966,071</u>
OTHER INCOME		
Forgiveness of line of credit	245,000	-
Gain on termination of lease agreement	45,166	-
Other income	<u>33,798</u>	<u>65,293</u>
<i>Total other income</i>	<u>323,964</u>	<u>65,293</u>
CHANGE IN NET DEFICIENCY	119,909	(96,242)
NET DEFICIENCY, BEGINNING OF YEAR	<u>(120,523)</u>	<u>(24,281)</u>
NET DEFICIENCY, END OF YEAR ON GOING-CONCERN BASIS	(614)	<u>\$ (120,523)</u>
CHANGE IN NET ASSETS IN LIQUIDATION	<u>614</u>	
NET ASSETS ON LIQUIDATION BASIS	<u>\$ -</u>	

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

**INDIANA MATH AND SCIENCE ACADEMY -
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.
STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION**

NET DEFICIENCY AS OF JUNE 30, 2017 ON GOING-CONCERN BASIS	<u>\$ (614)</u>
INCREASE (DECREASE) IN NET ASSETS:	
Sale of textbooks	15,292
Other revenues	2,896
Liquidation expenses	<u>(17,574)</u>
 <i>Total increase in net assets</i>	 <u>614</u>
NET ASSETS AS OF JUNE 30, 2017 ON LIQUIDATION BASIS	 <u><u>\$ -</u></u>

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

**INDIANA MATH AND SCIENCE ACADEMY -
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2017 and 2016

	2017			2016		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 832,894	\$ 284,042	\$ 1,116,936	\$ 936,987	\$ 312,732	\$ 1,249,719
Employee benefits	191,511	50,485	241,996	240,251	59,474	299,725
Staff development and recruitment	1,162	-	1,162	335	-	335
Academic services	-	182,347	182,347	-	238,719	238,719
Food service	132,502	-	132,502	156,330	-	156,330
Transportation services	166,826	-	166,826	184,473	-	184,473
Other professional services	69,020	38,348	107,368	82,661	28,208	110,869
Textbooks	26,712	-	26,712	45,861	-	45,861
Classroom, kitchen, and office supplies	33,730	5,497	39,227	50,090	9,076	59,166
Occupancy	348,531	-	348,531	412,081	-	412,081
Equipment rental and expense	30,410	-	30,410	34,247	-	34,247
Depreciation	103,238	-	103,238	120,116	-	120,116
Insurance	-	12,334	12,334	-	8,834	8,834
Advertising	-	9,262	9,262	-	10,481	10,481
Other	13,199	18,793	31,992	14,527	20,588	35,115
<i>Total functional expenses</i>	<u>\$ 1,949,735</u>	<u>\$ 601,108</u>	<u>\$ 2,550,843</u>	<u>\$ 2,277,959</u>	<u>\$ 688,112</u>	<u>\$ 2,966,071</u>

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

**INDIANA MATH AND SCIENCE ACADEMY -
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.**

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Change in net deficiency	\$ 119,909	\$ (96,242)
Adjustments to reconcile change in net deficiency to net cash provided by (used in) operating activities:		
Forgiveness of line of credit	(245,000)	-
Forgiveness of deferred rent payable	(125,027)	-
Gain on sale of property and equipment	(14,116)	-
Donation of property and equipment	79,861	-
Depreciation	103,238	120,116
Change in certain assets and liabilities:		
Grants receivable	(63,037)	34,318
Affiliated entities receivable	(24,249)	-
Accounts payable and accrued expenses	(29,263)	(33,484)
Accounts payable - affiliated entity	45,490	11,078
Deferred rent payable	-	36,382
	(152,194)	72,168
<i>Net cash provided by (used in) operating activities</i>	(152,194)	72,168
INVESTING ACTIVITIES		
Purchases of property and equipment	-	(24,877)
FINANCING ACTIVITIES		
Net repayments on line of credit	-	(85,000)
NET CHANGE IN CASH	(152,194)	(37,709)
CASH, BEGINNING OF YEAR	175,431	213,140
CASH, END OF YEAR ON GOING-CONCERN BASIS	23,237	\$ 175,431
CHANGES IN NET ASSETS IN LIQUIDATION	614	
CASH, END OF YEAR IN LIQUIDATION	\$ 23,851	
SUPPLEMENTAL INFORMATION		
Proceeds from sale of property and equipment in affiliated entities receivable	\$ 82,978	\$ -

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

**INDIANA MATH AND SCIENCE ACADEMY –
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Indiana Math and Science Academy – South Indianapolis Charter School, Inc. (the "School") was a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operated a public charter school established under Indiana Code 20-24 and was sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis ("Mayor's Office"). The School provided educational instruction to approximately 200 students in grades kindergarten through eight during the 2016 - 17 academic school year. Effective June 30, 2017, the Board of Directors adopted a resolution to suspend operations and dissolve the corporation.

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.

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

Affiliated entities receivables relate primarily to amounts due from schools under common management by Concept Schools, Inc. for the sale of property and equipment.

Property and Equipment – Purchases of assets and expenditures that materially increased value or extended useful lives were capitalized and were included in the accounts at cost. Routine maintenance and repairs and minor replacement costs were charged to expense as incurred.

Depreciation was provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives for furniture and equipment were three to five years.

All property and equipment was sold or disposed of by June 30, 2017.

Deferred Rent Payable – The operating lease on the school facility contained a provision for future rent increases. In accordance with accounting principles generally accepted in the United States of America, the School recorded monthly rent expense equal to the total payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid was reflected as deferred rent payable in the accompanying statement of financial position as of June 30, 2016.

Effective June 30, 2017, deferred rent payable was removed and a gain was recorded with the termination of the lease (see Note 4).

**INDIANA MATH AND SCIENCE ACADEMY –
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition – Revenues primarily came from resources provided under the Indiana Charter Schools Act. Under the Act, the School received an amount per student in relation to funding received by other public schools in the same geographic area. Funding from the State of Indiana was based on enrollment and was paid in monthly installments in July through June coinciding with the academic school year. Revenue was recognized in the year in which services were rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognized revenue under these grants in the amount of costs and expenses at the time they were incurred.

Taxes on Income – Indiana Math and Science Academy – South Indianapolis Charter School, 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 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 2013 and later are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 8, 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 - BASIS OF ACCOUNTING

Effective June 30, 2017, the Board of Directors adopted a resolution to suspend operations and dissolve the corporation. As a result, the School changed its basis of accounting from the going-concern basis to the liquidation basis, in which assets are carried at estimated net realizable value and liabilities are recorded at the amount of cash expected to be paid. Subsequent to June 30, 2017, the School liquidated assets and paid its obligations. The effects of these transactions are reflected in the accompanying statements of net assets in liquidation and changes in net assets in liquidation.

**INDIANA MATH AND SCIENCE ACADEMY –
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016**

NOTE 3 - LINE OF CREDIT

The School had \$330,000 available on a line of credit with Concept Schools, Inc. to fund operations. Concept Schools, Inc. was under contract to provide management services to the School (see Note 6). Drawings against the line of credit were unsecured and non-interest bearing. The balance owed as of June 30, 2016 was \$245,000. The entire balance was forgiven by Concept Schools, Inc. upon the closure of the School.

NOTE 4 - LEASES

The School executed a fifteen-year lease on a building used as its school facility under an operating lease agreement. The lease provided for monthly rental payments that increased 3% annually over the term of the agreement. Under the lease, the School was also responsible for all repairs, maintenance, utilities, and insurance. The lease was terminated effective June 30, 2017 upon the closure of the School. As part of the termination of the lease, the School transferred property and equipment with a total net book value of \$79,891 to the landlord in exchange for an agreement with the landlord to release the School from its remaining lease obligation.

Total lease expense for the years ended June 30, 2017 and 2016 was \$257,823 and \$288,662, respectively.

NOTE 5 - RETIREMENT PLAN

The School provided retirement benefits covering substantially all full-time employees. Retirement benefits were provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for teaching faculty to TRF and 11.2% of compensation for other employees to PERF. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2016 (the latest year reported), both TRF and PERF were more than 80% funded.

Retirement plan expense was \$65,102 and \$75,387 for the years ended June 30, 2017 and 2016, respectively.

**INDIANA MATH AND SCIENCE ACADEMY –
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016**

NOTE 6 - COMMITMENTS

The School operated under a charter granted by the Mayor's Office. As the sponsoring organization, the Mayor's Office exercised certain oversight responsibilities. This charter agreement was originally in effect until June 30, 2020. Effective June 30, 2017, with the dissolution of the corporation, the charter agreement terminated.

The School contracted with Concept Schools, Inc. to provide ongoing training and consultation, personnel, recruitment and admissions, and other services. Under the terms of the agreement, the School agreed to pay an amount equal to 12% of revenues, as defined, for such services. For fiscal year 2017, Concept Schools, Inc. agreed to reduce its entire fee of \$182,347 as well as contribute an additional \$50,263 in cash to the School. For fiscal year 2016, Concept Schools, Inc. agreed to reduce its fee by \$223,772. These fee reductions and cash donations are included in contribution revenue in the accompanying statements of activities and change in net deficiency. Expense under this agreement was \$182,347 and \$238,719 for the years ended June 30, 2017 and June 30, 2016, respectively.

NOTE 7 - 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 deficiency. Accordingly, certain expenses have been allocated between program services and management and general expenses.

**INDIANA MATH AND SCIENCE ACADEMY –
SOUTH INDIANAPOLIS CHARTER SCHOOL, INC.
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 Indiana Math and Science Academy –
South Indianapolis Charter School, 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*.