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April 24, 2018


Charter School Board  
Herron High School, Inc.  
d/b/a Indianapolis Classical Schools  
110 East 16th Street  
Indianapolis, IN 46202

We have reviewed the report prepared by Herron High School, Inc. d/b/a Indianapolis Classical Schools and opined upon by Katz, Sapper & Miller, LLP, 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 Herron High School, Inc. d/b/a Indianapolis Classical Schools 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, Katz, Sapper & Miller, LLP 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 Herron High School, Inc. d/b/a Indianapolis Classical Schools 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



**HERRON HIGH SCHOOL, INC.  
d/b/a INDIANAPOLIS CLASSICAL SCHOOLS  
AND ITS WHOLLY-OWNED SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

June 30, 2017 and 2016

**HERRON HIGH SCHOOL, INC.  
d/b/a INDIANAPOLIS CLASSICAL SCHOOLS  
AND ITS WHOLLY-OWNED SUBSIDIARY**

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## *Independent Auditors' Report*

Board of Directors

Herron High School, Inc. d/b/a Indianapolis Classical Schools and its Wholly-Owned Subsidiary

We have audited the accompanying consolidated financial statements of Herron High School, Inc. d/b/a Indianapolis Classical Schools (an Indiana not-for-profit organization) and its Wholly-Owned Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, established by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Herron High School, Inc. d/b/a Indianapolis Classical Schools and its Wholly-Owned Subsidiary as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
March 14, 2018

**HERRON HIGH SCHOOL, INC. d/b/a INDIANAPOLIS CLASSICAL SCHOOLS  
AND ITS WHOLLY-OWNED SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2017 and 2016**

**ASSETS**

	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 1,251,321	\$ 561,723
Restricted cash	691,468	1,396,831
Certificates of deposit	100,000	175,000
Accounts receivable	15,400	
Grants receivable	152,034	83,179
Current portion of pledges receivable, net of allowance for uncollectible accounts of \$6,710 in 2017 and 2016	716,544	564,924
Prepaid expenses	41,195	37,844
Total Current Assets	2,967,962	2,819,501
<b>PROPERTY AND EQUIPMENT</b>		
Land	614,000	614,000
Buildings	9,297,614	9,142,639
Furniture and equipment	755,145	796,742
Computer and office equipment	595,071	564,950
Books and educational materials	154,606	122,592
Vehicles	28,245	
Construction in progress	211,764	153,739
	11,656,445	11,394,662
Less: Accumulated depreciation	(2,997,179)	(2,635,628)
Total Property and Equipment, net	8,659,266	8,759,034
<b>OTHER ASSETS</b>		
Long-term certificates of deposit		100,000
Restricted certificates of deposit	651,054	829,233
Net pledges receivable, net of current portion	220,846	495,181
Total Other Assets	871,900	1,424,414
<b>TOTAL ASSETS</b>	<b>\$12,499,128</b>	<b>\$13,002,949</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 112,478	85,852
Accrued expenses	378,532	315,364
Current maturities of long-term debt	243,441	230,779
Total Current Liabilities	734,451	631,995
<b>LONG-TERM DEBT, less current maturities and unamortized deferred financing costs</b>		
	5,424,876	5,668,315
Total Liabilities	6,159,327	6,300,310
<b>NET ASSETS</b>		
Unrestricted	2,858,516	3,117,774
Temporarily restricted	3,481,285	3,584,865
Total Net Assets	6,339,801	6,702,639
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$12,499,128</b>	<b>\$13,002,949</b>

See accompanying notes.

**HERRON HIGH SCHOOL, INC. d/b/a INDIANAPOLIS CLASSICAL SCHOOLS  
AND ITS WHOLLY-OWNED SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND SUPPORT</b>						
School lunch program	\$ 245,745		\$ 245,745	\$ 247,046		\$ 247,046
Student fees and fundraising	268,542		268,542	317,104		317,104
Contributions and grants	151,916	\$ 761,382	913,298	49,359	\$ 1,846,319	1,895,678
Federal and state support	6,338,040		6,338,040	5,884,059		5,884,059
Other income	27,878	17,000	44,878	7,630	9,101	16,731
Net assets released from restrictions by satisfaction of temporary restrictions	881,962	(881,962)		507,000	(507,000)	
Total Revenues and Support	<u>7,914,083</u>	<u>(103,580)</u>	<u>7,810,503</u>	<u>7,012,198</u>	<u>1,348,420</u>	<u>8,360,618</u>
<b>PROGRAM AND SUPPORTING SERVICE EXPENSES</b>						
Salaries and benefits	5,539,433		5,539,433	4,565,462		4,565,462
Instructional services	110,890		110,890	167,225		167,225
Information technology	74,580		74,580	25,740		25,740
Accounting services	25,000		25,000	101,063		101,063
Other outside services	417,041		417,041	254,144		254,144
Course materials and supplies	350,147		350,147	345,132		345,132
Nutritional support	271,454		271,454	255,534		255,534
Travel and entertainment	47,222		47,222	29,953		29,953
Vehicle and transportation expense	36,029		36,029	35,392		35,392
Rent and facilities	702,146		702,146	624,182		624,182
Depreciation	361,552		361,552	368,890		368,890
Interest expense	145,186		145,186	149,178		149,178
Insurance	63,484		63,484	73,739		73,739
Advertising	19,808		19,808	5,453		5,453
Small equipment purchases				21,027		21,027
Miscellaneous	9,369		9,369	11,507		11,507
Total Program and Supporting Service Expenses	<u>8,173,341</u>		<u>8,173,341</u>	<u>7,033,621</u>		<u>7,033,621</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(259,258)	(103,580)	(362,838)	(21,423)	1,348,420	1,326,997
<b>NET ASSETS</b>						
Beginning of Year	<u>3,117,774</u>	<u>3,584,865</u>	<u>6,702,639</u>	<u>3,139,197</u>	<u>2,236,445</u>	<u>5,375,642</u>
End of Year	<u>\$ 2,858,516</u>	<u>\$ 3,481,285</u>	<u>\$ 6,339,801</u>	<u>\$ 3,117,774</u>	<u>\$ 3,584,865</u>	<u>\$ 6,702,639</u>

See accompanying notes.

**HERRON HIGH SCHOOL, INC. d/b/a INDIANAPOLIS CLASSICAL SCHOOLS  
AND ITS WHOLLY-OWNED SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2017 and 2016**

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (362,838)	\$ 1,326,997
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	361,552	368,890
Amortization of deferred financing costs in interest expense	2,819	2,819
Realized loss on disposal of property and equipment		7,910
Unrealized (gain) loss on certificates of deposit	3,180	(4,233)
Contribution of property and equipment	(28,245)	
Contributions restricted for long-term investment	(67,821)	(1,741,690)
(Increase) decrease in certain assets:		
Accounts receivable	(15,400)	
Grants receivable	(68,855)	236,530
Pledges receivable	(16,102)	(25,154)
Prepaid expenses	(3,351)	(23,058)
Increase (decrease) in certain liabilities:		
Accounts payable	17,826	(2,057)
Accrued expenses	63,168	(165,813)
Net Cash Used by Operating Activities	<u>(114,067)</u>	<u>(18,859)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(224,739)	(417,061)
Purchases of certificates of deposit		(1,100,000)
Sales of certificates of deposit	349,999	
(Increase) decrease in restricted cash	705,363	(349,780)
Net Cash Provided (Used) by Investing Activities	<u>830,623</u>	<u>(1,866,841)</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt repayments	(233,596)	(221,647)
Proceeds from contributions restricted for long-term investment	206,638	1,611,995
Net Cash Provided (Used) by Financing Activities	<u>(26,958)</u>	<u>1,390,348</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	689,598	(495,352)
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>561,723</u>	<u>1,057,075</u>
End of Year	<u><u>\$ 1,251,321</u></u>	<u><u>\$ 561,723</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 142,367	\$ 146,359
Noncash investing activities:		
Property and equipment acquired with accounts payable	8,800	11,521
Donated property and equipment	28,245	

See accompanying notes.

**HERRON HIGH SCHOOL, INC. d/b/a INDIANAPOLIS CLASSICAL SCHOOLS AND ITS  
WHOLLY-OWNED SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2017 and 2016**

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

**General:** Herron High School, Inc. d/b/a Indianapolis Classical Schools (the School) is a public charter school located in Indianapolis, Indiana providing classical liberal arts, college preparatory education. The School completed the certificate of assumed business name change with the State of Indiana, effective March 21, 2017. As of that date, the School does business under the name Indianapolis Classical Schools. The School is structured around an art history timeline and emphasizes the classical art and literature of many cultures. Through an integrated curriculum and classical methodology, the School believes all students can learn to think logically, express themselves creatively, appreciate aesthetics fully, and approach any subject intelligently.

**Principles of Consolidation:** The accompanying consolidated financial statements include the accounts of the School and Herron Main Building, LLC (the Main Building), a single member LLC. The School is the sole member of the Main Building. The Main Building had no activity for the years ended June 30, 2017 and 2016.

**Basis of Accounting:** The School prepares its consolidated financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues when they are earned and measurable in the accounting period when services are provided, and the recognition of expenses in the period in which they occur.

**Estimates:** Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

**Cash and Equivalents:** At times, balances in bank accounts may exceed federally insured limits. The School has not experienced any losses from its bank accounts. For purposes of the consolidated statements of cash flows, the School considers all highly liquid investments, if any, purchased with an original maturity of three months or less to be cash equivalents. Cash and equivalents do not include cash restricted by donors for long-term purposes.

**Investment Valuation and Income Recognition:** Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method. Realized and unrealized gains and losses on investments are included in the consolidated statements of activities.

**Revenue Recognition:** Revenues primarily come from resources provided under the Indiana Charter Schools Act (the Act). Under the Act, the School receives an amount per student in relation to the funding received by public schools. Funding from the State of Indiana is based on an enrollment estimate provided by the School in May prior to the start of the school year. The official enrollment is submitted in September and any differences from the estimates to the actual are reconciled in monthly payments through December. Enrollment is reported again in February and monthly payments for January to June are reconciled to reflect enrollment in February. Revenue is recognized in the year in which the educational services are rendered.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A portion of the School's revenue is based on cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amounts of costs and expenses at the time incurred. The School reports grants of cash and other assets as restricted support if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the grant is received, the School reports the support as unrestricted.

**Grants Receivable** represent the uncollected portion of funds from grants awarded to the School. Grant receivables are reported net of an allowance for doubtful accounts. There were no allowances, as of June 30, 2017 and 2016, based on management's estimate of the amount of receivables that will actually be collected. Grants receivable are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

**Pledges Receivable** consist of gifts from various individuals payable in future installments. Pledges receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the statements of activities. An allowance of \$6,710 was recorded at June 30, 2017 and 2016.

**Property and Equipment** are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The School capitalizes additions of property and equipment with a useful life of more than one year. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 40 years. Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense was \$361,552 and \$368,890 for the years ended June 30, 2017 and 2016, respectively.

**Long-lived Assets**, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of long-lived assets have been necessary.

**Deferred Financing Costs** totaling \$112,770 at June 30, 2017 and 2016, are being amortized on the effective interest rate method. In 2017, the School retrospectively adopted the requirements of ASU 2015-03, *Interest: Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs*, to present debt issuance costs as a reduction of the carrying amount of the debt rather than an asset. Long-term debt was previously reported on the consolidated statement of financial position at \$5,753,824 with associated unamortized financing costs of \$88,328 included in assets. Amortization of the debt issuance costs is reported as interest expense in the consolidated statements of activities. At June 30, 2017 and 2016, deferred financing costs totaled \$112,770 and accumulated amortization totaled \$27,261 and \$24,442, respectively. Related amortization reported as interest expense was \$2,819 in 2017 and 2016.

**Contributed Materials and Services** are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying consolidated financial statements as in-kind contributions are offset by like amounts included in expense or additions to property and equipment.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School received \$107,651 and \$8,153 of in-kind contributions during the years ended June 30, 2017 and 2016, respectively.

Volunteers provide program services throughout the year that are not recognized as contributions in the consolidated financial statements since they do not meet the recognition criteria.

**Net Asset Classification:** The consolidated financial statements report the changes in each net asset class, based upon donor or grant restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted, and permanently restricted.

- **Unrestricted Net Assets** include general and board designated assets and liabilities of the School. The unrestricted net assets of the School may be used at the discretion of management to support the School's purposes and operations.
- **Temporarily Restricted Net Assets** include assets of the School related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates.
- **Permanently Restricted Net Assets** include assets of the School for which the donor has stipulated that the contribution be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

**Functional Expenses:** The costs of providing the various programs and other activities have been summarized in Note 13. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. The allocation is based on a formula contained within the grant documents.

Costs are allocated to the programs and supporting services. Management periodically evaluates its allocation method and revises it when necessary. Management and general expenses include those that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the School.

**Income Taxes:** The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Main Building is a disregarded entity for income tax purposes. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2017 and 2016.

The School files U.S. federal and Indiana information tax returns. The School is no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years before 2014.

**Concentration of Credit Risk:** Financial instruments that potentially subject the School to concentrations of credit risk consist primarily of temporary cash investments and grants receivable.

The School places its temporary cash investments with financial institutions. There was \$1,691,748 and \$1,707,479 in excess of insured limits at June 30, 2017 and 2016, respectively. The School has not experienced any losses in these accounts.

Concentrations of credit risk with respect to grants receivable are limited to the School's ability to accomplish the terms of the grants. Credit losses, if any, have been provided in the consolidated financial statements and have been within management's expectations.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating funds from the Indiana Department of Education amounted to 83% and 70% of the School's revenues and support for the years ended June 30, 2017 and 2016, respectively. A state funding formula is used to determine the amount of revenue a charter school receives. The formula is based on the number of students enrolled in the School during the year.

**Risks and Uncertainties:** The School provides educational services to students residing in Marion and surrounding counties in Indiana, and is subject to risks of economic and competitive forces at work within this geographic region.

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, non-compliance in regards to federal and state standards and regulations could result in a reduction of funding or repayment of disallowed costs.

**Advertising Costs** are expensed as incurred. Advertising expenses amounted to \$19,808 and \$5,453 for the years ended June 30, 2017 and 2016, respectively.

**Reclassifications:** Certain amounts in the 2016 consolidated financial statements have been reclassified to conform to the presentation of the 2017 consolidated financial statements.

**Subsequent Events:** Management has evaluated the consolidated financial statements for subsequent events occurring through March 14, 2018, the date the consolidated financial statements were available to be issued. See Notes 7, 15, and 17.

## NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

**Education:** The academic program of the School is designed to challenge every student to achieve on or above grade level performance in all academic subjects. While students may enter the school below grade level in many areas, the school is prepared for the challenge of equipping students with the knowledge, skills, and habits necessary for success in an academically rigorous college preparatory high school.

## NOTE 3 - FAIR VALUE MEASUREMENTS

The School has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

**Level 2** – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

### NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the School makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk. Also included in Level 3 are assets measured using a practical expedient that can never be redeemed at the practical expedient.

Following is a description of the valuation methodology used by the School for assets that are measured at fair value on a recurring basis. There have been no changes in the methodology used at June 30, 2017 and 2016.

**Certificates of Deposit:** Determined by discounting the related cash flows on current yields of similar investments with comparable durations considering the credit-worthiness of the issuer.

For those assets measured at fair value, management determines the fair value measurement policies and procedures in consultation with the School’s Board of Directors. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the School’s management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different fair value measurement at the reporting date.

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the School’s assets that are measured at fair value on a recurring basis as of June 30, 2017:

<b>2017</b>	<b>Level 2</b>	<b>Total</b>
<b>Assets</b>		
Certificates of Deposit	<u>\$ 751,054</u>	<u>\$ 751,054</u>
Total Assets at Fair Value	<u>\$ 751,054</u>	<u>\$ 751,054</u>
<b>2016</b>	<b>Level 2</b>	<b>Total</b>
<b>Assets</b>		
Certificates of Deposit	<u>\$1,104,233</u>	<u>\$1,104,233</u>
Total Assets at Fair Value	<u>\$1,104,233</u>	<u>\$1,104,233</u>

At June 30, 2017 and 2016, the School had no other assets and no liabilities that are measured at fair value on a recurring basis.

### NOTE 4 - INVESTMENTS

Investments, including temporarily restricted assets, consisted of the following at June 30, 2017 and 2016:

	<b>2017</b>	
	<b>Cost</b>	<b>Fair Value</b>
Certificates of Deposit	<u>\$ 750,000</u>	<u>\$ 751,054</u>
	<b>2016</b>	
	<b>Cost</b>	<b>Fair Value</b>
Certificates of Deposit	<u>\$1,100,000</u>	<u>\$1,104,233</u>

#### NOTE 4 - INVESTMENTS (CONTINUED)

Investments are included in the consolidated statements of financial position at June 30, 2017 and 2016 as follows:

	2017	2016
Certificates of deposit	\$100,000	\$ 175,000
Long-term certificates of deposit		100,000
Restricted certificates of deposit	<u>651,054</u>	<u>829,233</u>
Total Investments	<u>\$751,054</u>	<u>\$1,104,233</u>

The School's investment income, included in other income on the consolidated statement of activities, consisted of \$3,180 of unrealized losses in for 2017 and \$4,233 of unrealized gains in 2016. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the consolidated financial statements.

#### NOTE 5 - GRANTS RECEIVABLE

Grants receivable at June 30, 2017 and 2016 represented amounts due relating to the following sources and are all due within one year:

	2017	2016
Title I	\$ 51,135	\$25,446
Clowes	50,000	
Special education	37,292	17,689
Title II	13,607	5,044
Indiana Secured School Safety Grant	<u></u>	<u>35,000</u>
Total Grants Receivable	<u>\$152,034</u>	<u>\$83,179</u>

#### NOTE 6 - PLEDGES RECEIVABLE

Pledges receivable were as follows at June 30, 2017 and 2016:

	2017	2016
Temporarily Restricted:		
Capital campaign	\$590,742	\$ 614,217
Replication at Heslar Naval Armory (see Note 16)	<u>346,648</u>	<u>445,888</u>
Total Temporarily Restricted	<u>937,390</u>	<u>1,060,105</u>
Total Pledges Receivable, Net	<u>\$937,390</u>	<u>\$1,060,105</u>
Expected to be collected in:		
Less than one year	\$723,254	\$ 571,634
One to five years	<u>234,834</u>	<u>525,275</u>
	958,088	1,096,909
Unamortized discounts	(13,988)	(30,094)
Allowances for uncollectible amounts	<u>(6,710)</u>	<u>(6,710)</u>
Total Pledges Receivable, Net	<u>\$937,390</u>	<u>\$1,060,105</u>

## NOTE 6 - PLEDGES RECEIVABLE (CONTINUED)

Pledges receivable are discounted at 2.5% at June 30, 2017 and 2016.

Pledges receivable are included in the consolidated statements of financial position at June 30, 2017 and 2016 as follows:

	2017	2016
Current portion of pledges receivable, net	\$716,544	\$ 564,924
Long-term pledges receivable, net of current portion	<u>220,846</u>	<u>495,181</u>
Total Pledges Receivable, Net	<u>\$937,390</u>	<u>\$1,060,105</u>

## NOTE 7 - OPERATING LEASES

The School has an operating lease with the Harrison Center of the Arts (the Center) that is renewed on an annual basis. The lease allows the School to use the Center's gymnasium. For the years ended June 30, 2017 and 2016, rent expense with the Center totaled \$20,750 and \$21,790, respectively. See Note 12.

The School has an operating lease with Marian University for space used by Riverside High School that is renewed on an annual basis. The lease allows the School to use the building at 2916 West 30<sup>th</sup> Street for the 2017-2018 school year while the permanent location for Riverside High School is renovated. The agreement requires total payment for basic rent of \$85,620. In addition, the School will reimburse Marian University for alarm, technology, and repair & maintenance costs. These costs are estimated to total \$9,444. The lease term is July 1, 2017 to June 30, 2018. See Note 15.

## NOTE 8 - LONG TERM DEBT

Long-term debt included the following at June 30, 2017 and 2016:

	2017	2016
Qualified School Construction Bonds (QSCBs) Series 2010A secured by real estate and assignments of leases and rents. The bond bears interest at 6.75% per annum (less a rebate of 5.27% from the U.S. Treasury; effective interest rate of 6.7% prior to rebate), payable in quarterly installments of \$91,486, including interest, maturing on July 1, 2025. (A)	\$3,470,790	\$3,597,081
Qualified School Construction Bonds (QSCBs) Series 2010B secured by real estate and assignments of leases and rents. The bond bears interest at 7.00% per annum (less a rebate of 5.17% from the U.S. Treasury; effective interest rate of 6.7% prior to rebate), payable in quarterly installments of \$5,592, including interest, maturing on July 1, 2025. (B)	139,276	151,361
Educational Facilities Revenue Bond, Series 2014. The loan bears interest at 3.17% per annum; effective interest rate of 3.4%, payable in quarterly installments of \$41,268, maturing on April 17, 2024.	<u>2,143,760</u>	<u>2,238,980</u>
	5,753,826	5,987,422
Less: Unamortized debt issuance costs	(85,509)	(88,328)
Less: Current maturities, net of current year amortization of \$2,819	<u>(243,441)</u>	<u>(230,779)</u>
Total Long-term Debt	<u>\$5,424,876</u>	<u>\$5,668,315</u>

## NOTE 8 - LONG TERM DEBT (CONTINUED)

(A) Under the American Recovery and Reinvestment Act of 2009, the Federal Treasury created QSCBs tax credit bonds, which provide federal subsidy equal to 5.27% interest.

(B) Under the American Recovery and Reinvestment Act of 2009, the Federal Treasury created QSCBs tax credit bonds, which provide federal subsidy equal to 5.17% interest.

At June 30, 2017, the principal maturities of long-term debt are as follows:

Year Ending	Series 2010A Bonds	Series 2010B Bonds	Series 2014 Bonds	Total
June 30, 2018	\$ 135,036	\$ 12,951	\$ 98,273	\$ 246,260
June 30, 2019	144,386	13,883	101,427	259,696
June 30, 2020	154,381	14,881	104,680	273,942
June 30, 2021	165,069	15,950	108,038	289,057
June 30, 2022	176,496	17,096	111,504	305,096
Thereafter	<u>2,695,422</u>	<u>64,515</u>	<u>1,619,838</u>	<u>4,379,775</u>
	<u>\$3,470,790</u>	<u>\$139,276</u>	<u>\$2,143,760</u>	<u>\$5,753,826</u>

Total interest expense was \$145,186 and \$149,178 for the years ended June 30, 2016 and 2016, respectively.

The Series 2010A and 2010B bonds were issued for the acquisition of land, renovation, installation and equipping of charter school facility, together with the purchase of equipment to be utilized therein. The Series 2014 bond was a refinance of a mortgage that was originally borrowed for the renovation, installation and equipping of the charter school facility.

The debt agreements require the School to maintain certain financial and non-financial covenants. The School was not in compliance with certain financial covenants at June 30, 2017, however, the School received a waiver from the Bank for these covenant violations through the debt transactions described in Note 15.

## NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Capital campaign	\$1,814,245	\$1,898,165
Replication at Heslar Naval Armory	1,419,222	1,392,449
Walton Family Foundation		228,953
The Mind Trust – Capacity Building Funds	200,000	
College visits	5,000	5,000
Lilly Endowment – Counseling	28,500	
CICF – Russell Masonry	9,000	50,000
Allen Whitehill Clowes Capital Grant	<u>5,318</u>	<u>10,298</u>
Total Temporarily Restricted Net Assets	<u>\$3,481,285</u>	<u>\$3,584,865</u>

The Walton Family Foundation grant was restricted for expenses associated with the opening of a second campus. The School applied for and was approved for an additional charter from the Office of the Mayor of Indianapolis. The School opened its second campus in August 2017 with 139 students in a temporary location. See Note 15.

## NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

The Mind Trust provided an award for capacity building funds for the 2017-2018 fiscal year. These funds are restricted for costs associated with the School's strategic growth plan, which includes growing Riverside High School to its full capacity.

## NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

For the years ended June 30, 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows:

	2017	2016
Capital campaign	\$139,202	\$139,413
Replication at Heslar Naval Academy	228,627	309,647
The Mind Trust – Riverside High School	237,700	
Lilly Endowment – Counseling	1,500	
CICF – Russell Masonry	41,000	
Community assistance		4,300
Walton Family Foundation	228,953	21,047
Allen Whitehill Clowes Capital Grant	<u>4,980</u>	<u>32,593</u>
Total Net Assets Released from Restrictions	<u>\$881,962</u>	<u>\$507,000</u>

## NOTE 11 - PENSION PLAN

### 403(b) Plan

The School's eligible faculty and administrative staff are participants in a 403(b) tax deferred annuity retirement plan. Quarterly discretionary contributions are made to the Plan. The School's contribution to the Plan, net of forfeitures, was \$380,386 and \$220,014 for the years ended June 30, 2017 and 2016, respectively.

### Indiana Public Retirement System

The School elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011.

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The plan is recorded as a multiemployer plan, which was established by the State of Indiana. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate. State statute (IC 5-10.2) governs, through the INPRS Board, most requirements of the system, and give the School authority to contribute to the plan. The retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus interest credited to the member's account. The School's required contribution rate is 7.5%. The School may elect to make additional contributions on behalf of the member. Retirement plan contributions for TRF was \$30,180 and \$27,964 for the years ended June 30, 2017 and 2016, respectively. The plan is not governed by ERISA and is not required to file a Form 5500. There were no surcharges imposed and there is no expiration date of the plan included in state statutes. Upon withdrawing from TRF, the School would be obligated for its proportionate share of the plan's unfunded vested benefits. The School has no intention of withdrawing from the plan.

## NOTE 12 - RELATED PARTIES

The School recorded related party transactions with other organizations in which one or more of the board members have an interest. The School leases space from the Center and incurs additional expenses related to productions and programs held during the year. One board member from the School is the Executive Director of the Center. Related party rent expense totaled \$20,750 and \$21,790 for the years ended June 30, 2017 and 2016, respectively. Additional payments to the Center totaled \$5,012 for the year ended June 30, 2017. The School also paid Claude McNeal Productions, owned by the Head of School's spouse, for instructional services for the theater program. The related expense was \$55,858 and \$36,028 for the years ended June 30, 2017 and 2016, respectively.

During May 2013, a member of the School's board of directors prepaid \$100,000 of the construction bond debt. Another board member then purchased the construction bond which was originally purchased by the Local Initiatives Support Corporation (LISC) in October 2010, thus repaying LISC and making the School his debtor. The bond bears an interest rate of 7.00% and matures in July 2025. At June 30, 2017 and 2016, the outstanding principal balance on the note was \$139,276 and \$151,361, respectively.

Gross pledges receivable from members of the board of directors totaled \$936,432 and \$1,086,242 at June 30, 2017 and 2016, respectively.

See Note 15 for related party transactions subsequent to year end.

## NOTE 13 - FUNCTIONAL EXPENSES

Expenses by functional classifications for the years ended June 30, 2017 and 2016, were as follows:

	2017	2016
Program services	\$6,536,223	\$5,402,568
General and administrative	1,132,486	1,263,080
Fundraising	<u>504,632</u>	<u>367,973</u>
Total Expenses	<u>\$8,173,341</u>	<u>\$7,033,621</u>

## NOTE 14 - CONCENTRATIONS

Contributions from one donor represented 46.5% of total contributions and grants during the year ended June 30, 2017. Contributions from two donors represented 78% of total contributions and grants during the year ended June 30, 2016.

## NOTE 15 - RIVERSIDE HIGH SCHOOL

In early 2014, the Board of Directors of the School formed a Replication Task Force to research potential facilities to open a second campus. As the result of these due diligence efforts, an application for a second campus was submitted to and approved by the Office of Mayor of Indianapolis. The second campus, called Riverside High School, will be located in the Heslar Naval Armory when construction is completed. The school opened for its first freshman class in August 2017, leasing space from Marian University for school year 2017-2018. See Note 7. The School, in partnership with Indiana Landmarks, will renovate the Heslar Naval Armory during fiscal year 2018 to accommodate 600 students, grades 9-12. As of June 30, 2017, the School has raised \$2,459,186 from individuals and foundations for Riverside High School. Pledges receivable, net of discounts and allowance, from this campaign at June 30, 2017 are \$346,648.

Effective October 23, 2017, the School established a wholly-owned subsidiary, Riverside High School RE MM, LLC (Manager), which was organized as a limited liability company under the laws of the state of Indiana to serve as the managing member of a newly formed affiliated entity, Riverside High School Real Estate, LLC (Landlord), in connection with the New Markets Tax Credit and Historic Tax Credit financing of Landlord.

## **NOTE 15 - RIVERSIDE HIGH SCHOOL (CONTINUED)**

Effective December 19, 2017, the School made a capital contribution to Manager for its 100% ownership interest in Manager in the amount of \$18,855. In addition, Manager made a capital contribution of \$18,855 to, has a 1.00% ownership interest in, and serves as managing member for, Landlord.

Effective October 23, 2017, the School established a wholly-owned subsidiary, Riverside High School, LLC (Riverside High School) which was organized as a limited liability company under the laws of the state of Indiana. On December 19, 2017, Riverside High School entered into a lease with Landlord (the Master Lease). Under the terms of the Master Lease, Riverside High School is the tenant of the property developed by the Landlord for use as a public charter high school and related ancillary facilities (the Property).

Effective December 19, 2017, the School entered into a Sub-Master Lease Agreement (the Sub Master Lease) with Riverside High School. Under the Sub Master Lease, Riverside High School leases the Property to the School.

### Leverage Loan Receivable

On December 19, 2017, the School entered into a loan agreement with COCRF Investor 113, LLC (the Fund) in the amount of \$6,108,240 (the Leverage Loan). The proceeds of the Leverage Loan were invested by the Fund to make a qualified equity investment in IR CDE Four, LLC, a Subsidiary Community Development Entity (Sub-CDE) who loaned the funds to the Landlord. Pursuant to the loan agreement, interest on the Leverage Loan accrues at fixed rate of 1.4767% per annum. The Fund will pay interest-only payments on the 10th day of the last month of each calendar quarter, commencing on March 10, 2018 through December 31, 2024. Commencing on March 10, 2025 through December 31, 2052 (the Maturity Date), quarterly payments will be due in an amount sufficient to fully amortize the principal balance of the Leverage Loan on the Maturity Date. The Leverage Loan is secured by a pledge of the Fund's membership interest in the Sub-CDE.

### IFF Loan Payable

On December 19, 2017 (the Closing Date), the School entered into a loan agreement with IFF in the amount of \$1,000,000 (the IFF Loan). The proceeds of the IFF Loan were used by the School to make the Leverage Loan to the Fund. Pursuant to the loan agreement, until and including December 31, 2022, interest on the IFF Loan accrues at a fixed rate of 6.625% per annum. From and after January 1, 2023 (the First Recalculation Date), and until and including the seventh annual anniversary of the Closing Date (the IFF Maturity Date), the outstanding principal of the IFF Loan shall bear interest at the First Recalculated Rate, as hereinafter defined. The First Recalculated Rate shall be a fixed interest rate, determined by IFF on the First Recalculation Date, equal to the greater of: (i) the sum of (x) the yield to maturity (based on asked quotations) of United States Treasury obligations with a maturity equal to the Maturity Date plus (y) three hundred basis points (3.00%) and (ii) 6.00%. If there are no United States Treasury obligations with a maturity equal to the Maturity Date, the yield to maturity shall be interpolated on a straight-line basis between the United States Treasury obligations having the nearest maturities shorter and longer than such average life. Beginning February 15, 2018 and ending on the Maturity Date, interest on the IFF Loan shall be paid in monthly installments on the fifteenth day of each month, payable in arrears. The outstanding principal plus all interest accrued shall be repaid as of the IFF Maturity Date.

### LISC Loan Guaranty

On December 19, 2017, Local Initiatives Support Corporation (LISC) entered into a loan agreement with Landlord in the amount of \$1,000,000 (the Federal Historic Bridge Loan). As a condition precedent to making the Federal Historic Bridge Loan, the School entered into a Guaranty Agreement with LISC (the LISC Guaranty). Under the LISC Guaranty, the School guarantees the punctual payment of all principal, interest, and other costs due under the Federal Historic Bridge Loan. As of December 31, 2017, no claims or payments had been made relative to the LISC Guaranty. The School has evaluated its exposure pursuant to the LISC Guaranty and has determined the maximum dollar amount of such exposure to be equal to the current principal balance of the Federal Historic Bridge loan in the amount of \$1,000,000 in addition to any accrued interest and penalties. The School has determined the likelihood of a default event to be remote after considering the forecasted amounts of Federal Historic Tax Credit equity to be generated from the project costs, which is the primary source of funds expected to be used for repayment of the Federal Historic Bridge Loan. Accordingly, no liability has been recorded relative to the indemnity.

## **NOTE 15 - RIVERSIDE HIGH SCHOOL (CONTINUED)**

### Additional Loans

As part of the above transaction, the School was required to infuse a certain amount of capital. In addition to the IFF Loan, the School entered into a loan agreement with the Redevelopment Commission of the City of Indianapolis – Marion County (TIF Loan) in the amount of \$1,500,000 and a related party loan in the amount of \$1,500,000. The proceeds of the TIF Loan and related party loan were used by the School to make the Leverage Loan to the Fund, in conjunction with the other sources noted above.

Pursuant to the agreement, the TIF Loan has a 0% interest rate through December 2026 (the first 8 years), during which period the School is responsible for interest-only payments. The TIF Loan bears interest at a rate of 2% from January 2027 through maturity on December 31, 2055. During this time period, the School is responsible for bi-annual principal and interest payments. The agreement defines various forgiveness stipulations for the interest and principal payments during this time period.

The related party loan, dated December 19, 2017, had an interest rate of 2.64%, and required payments of interest-only starting January 5, 2019 through maturity on December 31, 2027. As of March 14, 2018, the related party loan had been paid in full.

## **NOTE 16 - COMMITMENTS**

The School has a 5-year service contract requiring monthly payments of \$4,250 for connectivity and supporting services. The contract expires in June 2018. The Schools and Libraries program, also known as the E-rate program, makes telecommunications and information services more affordable for schools and libraries in America. Mandated by Congress in 1996 and implemented by the FCC in 1997, the E-rate provides discounted telecommunications, Internet access, and internal connections to eligible schools and libraries, funded by the Universal Service Fund. For the fiscal year ended June 30, 2017, the School received a 60% discount for internet connectivity.

## **NOTE 17 - INNOVATION AGREEMENT**

Effective July 1, 2017, Herron High School and Riverside High School entered into agreements with Indianapolis Public Schools to become Innovation Charter Schools. With this partnership, both schools have complete operational autonomy and continue to be authorized by the Office of the Mayor of Indianapolis. This partnership provides the opportunity to leverage additional resources, including additional state funding. The School continues to be governed by its own Board of Directors and continues to own all buildings. The School also continues to employ its staff and faculty and are independent of Indianapolis Public School's personnel policies.

## **SUPPLEMENTARY INFORMATION**

*Independent Auditors' Report  
on Supplementary Information*

Board of Directors

Herron High School, Inc. d/b/a Indianapolis Classical Schools and its Wholly-Owned Subsidiary

We have audited the consolidated financial statements of Herron High School, Inc. d/b/a Indianapolis Classical Schools and its Wholly-Owned Subsidiary as of and for the year ended June 30, 2017, and our report thereon dated March 14, 2018, which contained an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of financial position information by location and consolidated schedule of activities information by location is presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
March 14, 2018

**HERRON HIGH SCHOOL, INC. d/b/a INDIANAPOLIS CLASSICAL SCHOOLS  
AND ITS WHOLLY-OWNED SUBSIDIARY**

**CONSOLIDATED SCHEDULE OF FINANCIAL POSITION INFORMATION BY LOCATION  
June 30, 2017**

**ASSETS**

	<b>Herron</b>	<b>Riverside</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and equivalents	\$ 182,965	\$ 1,068,356	\$ 1,251,321
Restricted cash	691,468		691,468
Certificates of deposit	100,000		100,000
Accounts receivable		15,400	15,400
Grants receivable	152,034		152,034
Current portion of pledges receivable, net of allowance for uncollectible accounts of \$6,710 in 2017	590,695	125,849	716,544
Prepaid expenses	41,195		41,195
Total Current Assets	1,758,357	1,209,605	2,967,962
<b>PROPERTY AND EQUIPMENT</b>			
Land	614,000		614,000
Buildings	9,297,614		9,297,614
Furniture and equipment	752,645	2,500	755,145
Computer and office equipment	595,071		595,071
Books and educational materials	154,606		154,606
Vehicles		28,245	28,245
Construction in progress		211,764	211,764
	11,413,936	242,509	11,656,445
Less: Accumulated depreciation	(2,997,179)		(2,997,179)
Total Property and Equipment, net	8,416,757	242,509	8,659,266
<b>OTHER ASSETS</b>			
Restricted certificates of deposit	651,054		651,054
Net pledges receivable, net of current portion	47	220,799	220,846
Total Other Assets	651,101	220,799	871,900
<b>TOTAL ASSETS</b>	<b>\$ 10,826,215</b>	<b>\$ 1,672,913</b>	<b>\$ 12,499,128</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 109,066	\$ 3,412	\$ 112,478
Accrued expenses	377,681	851	378,532
Current maturities of long-term debt	243,441		243,441
Total Current Liabilities	730,188	4,263	734,451
<b>LONG-TERM DEBT, less current maturities and unamortized deferred financing costs</b>			
	5,424,876		5,424,876
Total Liabilities	6,155,064	4,263	6,159,327
<b>NET ASSETS</b>			
Unrestricted	2,609,088	249,428	2,858,516
Temporarily restricted	2,062,063	1,419,222	3,481,285
Total Net Assets	4,671,151	1,668,650	6,339,801
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,826,215</b>	<b>\$ 1,672,913</b>	<b>\$ 12,499,128</b>

**HERRON HIGH SCHOOL, INC. d/b/a INDIANAPOLIS CLASSICAL SCHOOLS  
AND ITS WHOLLY-OWNED SUBSIDIARY**

**CONSOLIDATED SCHEDULE OF ACTIVITIES INFORMATION BY LOCATION  
Year Ended June 30, 2017**

	Herron			Riverside			Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	
<b>REVENUES AND SUPPORT</b>							
School lunch program	\$ 245,745		\$ 245,745				\$ 245,745
Student fees and fundraising	268,542		268,542				268,542
Contributions and grants	154,393	\$ 272,982	427,375	\$ 485,923	\$ 485,923		913,298
Federal and state support	6,338,040		6,338,040				6,338,040
Other income	25,401	12,300	37,701		7,177	7,177	44,878
Net assets released from restrictions by satisfaction of temporary restrictions	186,682	(186,682)		\$ 695,280	(695,280)		
Total Revenues and Support	<u>7,218,803</u>	<u>98,600</u>	<u>7,317,403</u>	<u>695,280</u>	<u>(202,180)</u>	<u>493,100</u>	<u>7,810,503</u>
<b>PROGRAM AND SUPPORTING SERVICE EXPENSES</b>							
Salaries and benefits	5,142,713		5,142,713	396,720		396,720	5,539,433
Instructional services	110,890		110,890				110,890
Information technology	74,580		74,580				74,580
Accounting services	25,000		25,000				25,000
Other outside services	313,758		313,758	103,283		103,283	417,041
Course materials and supplies	321,205		321,205	28,942		28,942	350,147
Nutritional support	271,454		271,454				271,454
Travel and entertainment	46,990		46,990	232		232	47,222
Vehicle and transportation expense	36,029		36,029				36,029
Rent and facilities	622,351		622,351	79,795		79,795	702,146
Depreciation and amortization	361,552		361,552				361,552
Interest expense	145,186		145,186				145,186
Insurance	63,484		63,484				63,484
Advertising	19,808		19,808				19,808
Miscellaneous	9,250		9,250	119		119	9,369
Total Program and Supporting Service Expenses	<u>7,564,250</u>		<u>7,564,250</u>	<u>609,091</u>		<u>609,091</u>	<u>8,173,341</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(345,447)	98,600	(246,847)	86,189	(202,180)	(115,991)	(362,838)
<b>NET ASSETS</b>							
Beginning of Year	<u>2,954,535</u>	<u>1,963,463</u>	<u>4,917,998</u>	<u>163,239</u>	<u>1,621,402</u>	<u>1,784,641</u>	<u>6,702,639</u>
End of Year	<u>\$ 2,609,088</u>	<u>\$ 2,062,063</u>	<u>\$ 4,671,151</u>	<u>\$ 249,428</u>	<u>\$ 1,419,222</u>	<u>\$ 1,668,650</u>	<u>\$ 6,339,801</u>

## **OTHER REPORTS**

**HERRON HIGH SCHOOL, INC.  
d/b/a INDIANAPOLIS CLASSICAL SCHOOLS**

**OTHER REPORTS**

The report presented herein was prepared in addition to other official reports prepared for the school as listed below:

Supplemental Audit Report of Herron High School, Inc. d/b/a Indianapolis Classical Schools

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*.