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November 13, 2018


Charter School Board
Avondale Meadows Academy, Inc.
d/b/a/ United Schools of Indianapolis
3980 Meadows Dr.
Indianapolis, IN 46205

We have reviewed the report prepared by Avondale Meadows Academy, Inc. d/b/a/ United Schools of Indianapolis and opined upon by Greenwalt CPAs, Inc., Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Avondale Meadows Academy, Inc. d/b/a/ United Schools of Indianapolis as of June 30, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Greenwalt CPAs, Inc. 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 Avondale Meadows Academy, Inc. d/b/a/ United Schools of Indianapolis, was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

AVONDALE MEADOWS ACADEMY, INC. D/B/A
UNITED SCHOOLS OF INDIANAPOLIS

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT
JUNE 30, 2018 AND 2017

GREENWALT CPAs

We Deliver Peace of Mind

AVONDALE MEADOWS ACADEMY, INC. D/B/A
UNITED SCHOOLS OF INDIANAPOLIS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Avondale Meadows Academy, Inc. d/b/a
United Schools of Indianapolis:

Report on the Financial Statements

We have audited the accompanying financial statements of Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis (a network of Indiana public charter schools, "USI"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 the financial statements based on our audits. We conducted our audits 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 of America, *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources* and *Guidelines of Audits of Charter Schools performed by Private Examiners* established by the Indiana State Board of Accounts. 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 auditor considers 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 USI'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USI as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 on our consideration of USI'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 the effectiveness of USI's 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 USI's internal control over financial reporting and compliance.

October 22, 2018

Greenwald CPAs, Inc.

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>	<u>LIABILITIES AND NET ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 1,829,478	\$ 2,600,081	Accounts payable	\$ 67,669	\$ 55,421
Cash restricted for middle school construction	<u>1,076,746</u>	<u>5,032,014</u>	Payroll and other accrued expenses	1,710,347	396,314
<i>Total cash</i>	2,906,224	7,632,095	Current portion of long-term debt	100,708	95,807
Investments	216,395	242,767	Current portion of capital lease obligations	<u>-</u>	<u>8,077</u>
Accounts receivable:			<i>Total current liabilities</i>	<u>1,878,724</u>	<u>555,619</u>
Grants	168,324	680,816	LONG-TERM LIABILITIES, NET		
Other	97,597	71,484	Long-term debt, net of current portion, unamortized bond discount, and deferred bond issuance costs	<u>20,629,876</u>	<u>20,704,425</u>
Prepaid expenses and deposits	<u>130,121</u>	<u>159,330</u>	<i>Total liabilities</i>	<u>22,508,600</u>	<u>21,260,044</u>
<i>Total current assets</i>	<u>3,518,661</u>	<u>8,786,492</u>	COMMITMENTS (NOTES 3 AND 9)		
CASH RESTRICTED FOR BOND REDEMPTION	<u>2,014,554</u>	<u>1,442,968</u>	NET ASSETS		
PROPERTY AND EQUIPMENT			Unrestricted	931,244	1,359,867
Land	564,800	564,800	Unrestricted board designated	<u>70,000</u>	<u>60,000</u>
Buildings and building improvements	13,407,082	13,367,925	<i>Total unrestricted net assets</i>	1,001,244	1,419,867
Furniture and equipment	1,288,322	1,127,754	Temporarily restricted	<u>260,041</u>	<u>1,105,995</u>
Textbooks	397,777	275,594	<i>Total net assets</i>	<u>1,261,285</u>	<u>2,525,862</u>
Computers and software	515,451	515,451			
Vehicles	5,000	5,000			
Construction in progress	5,075,360	44,875			
Accumulated depreciation	<u>(3,017,122)</u>	<u>(2,344,953)</u>			
<i>Total property and equipment, net</i>	<u>18,236,670</u>	<u>13,556,446</u>			
<i>Total assets</i>	<u>\$ 23,769,885</u>	<u>\$ 23,785,906</u>	<i>Total liabilities and net assets</i>	<u>\$ 23,769,885</u>	<u>\$ 23,785,906</u>

See accompanying notes to financial statements.

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE AND SUPPORT						
State education support	\$ 7,971,801	\$ -	\$ 7,971,801	\$ 6,999,346	\$ -	\$ 6,999,346
Federal funding	1,861,655	-	1,861,655	1,678,172	-	1,678,172
Student fees	45,527	-	45,527	46,613	-	46,613
Contributions and grants	69,210	65,790	135,000	194,959	1,008,632	1,203,591
Investment income	57,383	-	57,383	8,958	-	8,958
In-kind	-	-	-	217,467	-	217,467
Other	47,274	-	47,274	69,976	-	69,976
Net asset released from restriction	911,743	(911,743)	-	144,629	(144,629)	-
<i>Total revenue and support</i>	<u>10,964,593</u>	<u>(845,953)</u>	<u>10,118,640</u>	<u>9,360,120</u>	<u>864,003</u>	<u>10,224,123</u>
EXPENSES (NOTE 8)						
Salaries and wages	5,429,390	-	5,429,390	4,365,085	-	4,365,085
Employee benefits and development	1,422,288	-	1,422,288	1,167,118	-	1,167,118
Professional services	841,527	-	841,527	793,074	-	793,074
Transportation	105,498	-	105,498	4,959	-	4,959
Food cost	635,738	-	635,738	620,261	-	620,261
Repairs and maintenance	91,511	-	91,511	58,549	-	58,549
Classroom, kitchen and office supplies	357,239	-	357,239	247,127	-	247,127
Information technology	225,255	-	225,255	160,587	-	160,587
Occupancy	540,748	-	540,748	388,378	-	388,378
Depreciation and amortization	680,378	-	680,378	592,867	-	592,867
Interest	889,904	-	889,904	1,064,699	-	1,064,699
Insurance	37,134	-	37,134	54,672	-	54,672
Other	126,607	-	126,607	143,869	-	143,869
<i>Total expenses</i>	<u>11,383,217</u>	<u>-</u>	<u>11,383,217</u>	<u>9,661,245</u>	<u>-</u>	<u>9,661,245</u>
CHANGE IN NET ASSETS BEFORE LOSS ON EXTINGUISHMENT OF DEBT	(418,624)	(845,953)	(1,264,577)	(301,125)	864,003	562,878
LOSS ON EXTINGUISHMENT OF DEBT	-	-	-	(563,269)	-	(563,269)
CHANGE IN NET ASSETS	(418,624)	(845,953)	(1,264,577)	(864,394)	864,003	(391)
NET ASSETS, BEGINNING OF YEAR	<u>1,419,867</u>	<u>1,105,995</u>	<u>2,525,862</u>	<u>2,284,261</u>	<u>241,992</u>	<u>2,526,253</u>
NET ASSETS, END OF YEAR	<u>\$ 1,001,243</u>	<u>\$ 260,042</u>	<u>\$ 1,261,285</u>	<u>\$ 1,419,867</u>	<u>\$ 1,105,995</u>	<u>\$ 2,525,862</u>

See accompanying notes to financial statements.

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,264,577)	\$ (391)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Depreciation and amortization	680,378	592,867
Unrealized and realized (gain) loss on investments	32,194	(64)
Loss on extinguishment of debt	-	563,269
Write off of bond issuance costs due to debt refinance	-	37,909
<i>Increase (decrease) in operating assets:</i>		
Grants receivable	512,492	(94,005)
Other receivables	(26,113)	(61,446)
Prepaid expenses and deposits	29,209	11,953
<i>(Increase) decrease in operating liabilities:</i>		
Accounts payable	12,248	48,100
Payroll and other accrued expenses	676,925	75,795
<i>Net cash and cash equivalents provided by operating activities</i>	<u>652,756</u>	<u>1,173,987</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(64,800)	(71,087)
Proceeds from sale of investments	58,978	1,081,929
Purchases of property and equipment	(4,723,494)	(397,978)
<i>Net cash and cash equivalents used in investing activities</i>	<u>(4,729,316)</u>	<u>612,864</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from bond issuance, net of debt refinanced	-	7,416,704
Payment of bond issuance costs	-	(288,038)
Principal repayment of long-term debt	(69,648)	(91,144)
Principal reduction of capital lease obligations	(8,077)	(31,572)
Payments made in relation to the extinguishment of capital lease obligations	-	(563,269)
<i>Net cash and cash equivalents provided by (used in) financing activities</i>	<u>(77,725)</u>	<u>6,442,681</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,154,285)	8,229,532
CASH AND CASH EQUIVALENTS AND CASH RESTRICTED FOR BOND REDEMPTION, BEGINNING OF YEAR	<u>9,075,063</u>	<u>845,531</u>
CASH AND CASH EQUIVALENTS AND CASH RESTRICTED FOR BOND REDEMPTION, END OF YEAR	4,920,778	9,075,063
CASH RESTRICTED FOR BOND REDEMPTION	<u>(2,014,554)</u>	<u>(1,442,968)</u>
TOTAL CASH AND CASH EQUIVALENTS IN CURRENT ASSETS	<u>\$ 2,906,224</u>	<u>\$ 7,632,095</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest expense	\$ 280,570	\$ 990,050
Cash paid for interest related to debt extinguishment	\$ -	\$ 74,649
NON-CASH OPERATING ACTIVITIES:		
In-kind contributions	\$ -	\$ 186,000
NON-CASH INVESTING ACTIVITIES:		
Property and equipment in other accrued expenses	\$ 637,108	\$ -
NON-CASH FINANCING ACTIVITIES:		
Total proceeds from bond issuance	\$ -	\$ 20,848,288
Loan and capital lease obligation payoff transferred directly between creditors via borrowings from bond issuance	\$ -	\$ (13,431,584)

See accompanying notes to financial statements.

AVONDALE MEADOWS ACADEMY, INC. D/B/A
UNITED SCHOOLS OF INDIANAPOLIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis ("USI") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. USI (formerly named Challenge Foundation Academy, Inc.) is the organizer of three charter schools located in Indianapolis, Indiana. Each of the schools is a public charter school established under Indiana Code 20-24 and sponsored by the Mayor's Office of the City of Indianapolis. USI's main source of revenue and support is from state and federal education funding.

Avondale Meadows Academy (Avondale), which opened in 2006, is a K-5 tuition-free quality public charter school founded on the Core Knowledge curriculum. The core focus is to provide an outstanding education for our children equipping them with the knowledge, wisdom, core values, and behaviors to be successful in life. The mission of Avondale is to provide a rigorous and relevant college-preparatory program, grounded in our belief in the ability of every child to succeed at high levels.

Vision Academy at Riverside (Vision), which opened in 2014, is K-8. Vision will provide every scholar in its school a college-preparatory education. Vision couples a literacy-based, content-rich academic program with a unique Vision curriculum, focused on goal setting and individual passions. Vision also offers every scholar ample after-school and extra-curricular opportunities as well as a rich array of family involvement opportunities, designed to ensure every scholar has the skills and support to succeed in college and in life.

Avondale Meadows Middle School (AMMS), which opened in July 2017, is a free, public, neighborhood charter school serving grades 6 - 8. AMMS offers a strong Core Knowledge curriculum which complements Indiana's Academic Standards and Common Core Standards. This curriculum is integrated with and supported by enVision Mathematics and Reader's and Writer's Workshop, which is intended to prepare students for college.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements have been prepared on an accrual basis of accounting. 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.

FINANCIAL STATEMENT PRESENTATION

In accordance with Accounting Standards for the Preparation of Financial Statements for Not-for-Profit Organizations, USI is required to report information regarding its financial position and activities according to three classes of net assets restrictions:

AVONDALE MEADOWS ACADEMY, INC. D/B/A
UNITED SCHOOLS OF INDIANAPOLIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FINANCIAL STATEMENT PRESENTATION, CONTINUED

- Unrestricted net assets, which represent assets that the Board of Directors has discretionary control to use in carrying on the operations of the organization in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.
- Permanently restricted net assets, which represent donor-imposed-restrictions that neither expire by being used according to the donor's purpose or with the passage of time.

In addition, there are certain transactions that occur during the normal course of business between Avondale, Vision, and AMMS. These transactions have been eliminated for reporting purposes.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, USI considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were cash equivalents of \$1,732,959 and \$1,019,736 at June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, USI maintained cash in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) of \$250,000 by approximately \$3.3 million and \$7.6 million, respectively.

GRANTS AND ACCOUNTS RECEIVABLE

Grants receivable relate to activities funded under private grants and federal and state programs. Management believes that USI is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. All grants and accounts receivable are due within one year.

INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment income and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets.

Accounting Standards for Fair Value Measurement define fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Those standards also establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than

AVONDALE MEADOWS ACADEMY, INC. D/B/A
 UNITED SCHOOLS OF INDIANAPOLIS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

INVESTMENTS AND FAIR VALUE MEASUREMENTS, CONTINUED

quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Fair values measured on a recurring basis at June 30 are as follows:

	<u>2018 Totals</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
<u>INVESTMENTS</u>			
Corporate and government bonds	\$ 213,964	\$ 213,964	\$ -

	<u>2017 Totals</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
<u>INVESTMENTS</u>			
Corporate and government bonds	\$ 230,955	\$ 230,955	\$ -

Following is a description of the valuation methodologies used for assets measured at fair value. The methods for determining fair value have not changed in fiscal year 2018.

- Government and corporate bonds: Valued based on quoted market prices.

The cost of investments at June 30, 2018 and 2017 was \$1,246,323 and \$1,253,568, respectively.

PROPERTY AND EQUIPMENT

Purchases of property and equipment greater than \$1,000 that materially increase value or extend useful lives are capitalized and are recorded at cost. Computer purchases exceeding \$300 are recorded at cost and capitalized. Donated property and equipment is recorded at estimated fair market value on the date of contribution. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

AVONDALE MEADOWS ACADEMY, INC. D/B/A
UNITED SCHOOLS OF INDIANAPOLIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY AND EQUIPMENT, CONTINUED

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Construction in progress related to AMMS will be depreciated over the estimated useful lives of the respective assets once placed in service. Interest of \$286,963 was capitalized as a part of the construction in progress related to the AMMS as of June 30, 2018. There was no capitalized interest as of June 30, 2017. The estimated useful lives generally are as follows:

Buildings and improvements	40 years
Furniture, equipment, and vehicles	5 years
Textbooks	4 years
Computers and software	3 years

REVENUE RECOGNITION

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

A portion of USI's revenue is the product of cost reimbursement grants. Accordingly, USI recognizes revenue under these grants as costs are incurred.

CONTRIBUTIONS AND GRANTS

Contributions and grants received are measured at their fair values and are reported as an increase in net assets in the period they are promised. USI reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

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 statement of activities as net assets released from restrictions.

CONTRIBUTED SERVICES

Pursuant to the Not-for-Profit Organizations Revenue Recognition Accounting Standards, contributions of services are recognized if the services received (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 USI.

Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

AVONDALE MEADOWS ACADEMY, INC. D/B/A
UNITED SCHOOLS OF INDIANAPOLIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTED SERVICES, CONTINUED

In-kind contributions have been included in the statements of activities. They have been treated as non-cash activities for the purposes of the statements of cash flows. In-kind contributions for the years ended June 30 were:

	<u>2018</u>	<u>2017</u>
Avondale	\$ -	\$ 61,994
Vision	-	55,473
AMMS	-	100,000
	<u>\$ -</u>	<u>\$ 217,467</u>

There were no in-kind contributions during fiscal year 2018. \$86,000 of in-kind contributions represents nursing services and \$100,000 of in-kind contributions is for donated school administrative services for fiscal year 2017. Volunteers provide program services throughout the year that do not meet the recognition criteria for contributed services. These services include volunteering at events, picking up donations, and various clerical tasks. The value of these services has not been reflected in the statements of activities.

ADVERTISING

Advertising expenses totaled \$44,772 and \$50,716 for fiscal years 2018 and 2017, respectively. USI's policy is to record advertising expenditures in the period in which they are incurred.

TAX STATUS

USI is exempt from income tax under the provisions of Section 501 (c)(3) of the Internal Revenue Code, however, USI would be subject to tax on income unrelated to its tax-exempt purpose. USI is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

SUBSEQUENT EVENTS

USI evaluated subsequent events through October 22, 2018, the date these financial statements were available to be issued.

AVONDALE MEADOWS ACADEMY, INC. D/B/A
 UNITED SCHOOLS OF INDIANAPOLIS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 AND 2017

2. LONG-TERM DEBT

Long-term debt consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
2017 Series Bonds	\$ 21,345,000	\$ 21,345,000
Equipment loan payable to IFF	<u>144,176</u>	<u>239,982</u>
Total long-term debt	21,489,176	21,584,982
Less: current portion	(100,708)	(95,807)
Less: unamortized discount on 2017 series bonds	(480,155)	(496,712)
Less: deferred loan costs	<u>(278,437)</u>	<u>(288,038)</u>
Long-term, net	<u>\$ 20,629,876</u>	<u>\$ 20,704,425</u>

In June 2018, USI obtained financing for the purpose of refinancing the previously existing Series 2013 bonds, pay off a development lease arrangement (See Note 3), and construct a new building for AMMS through the sale of Educational Facilities Multipurpose Revenue Bonds, Series 2017, issued by the Indiana Finance Authority. The Series 2017 bonds are payable in a series of escalating payments of principle and interest beginning in July 2019 and January 2018, respectively, with the final payment due in July 2047. The note carries an interest rate beginning at 5.0% and rising to 5.375% by July 2038. The loan is secured by land, building, and other business assets.

Approximately \$5,000,000 of the bonds' balance will be used in the construction of the AMMS building and grounds of which \$1,076,746 and \$5,032,014 was remaining at June 30, 2018 and 2017, respectively. The Series 2017 bonds require the establishment of a debt reserve fund of \$1,442,968 that will assist with final payment of the bonds. A bond escrow account with a balance of \$571,586 at June 30, 2018 was also established in conjunction with the Series 2017 bond agreement to secure against defeasance on the bonds.

The loan agreements contain certain covenants that limit USI's ability to incur indebtedness or guarantees, purchase or dispose of assets, or change the nature of the business. The agreement also contains financial maintenance covenants establishing a minimum debt service coverage ratio and days cash on hand requirement. USI was in compliance with all applicable debt covenants at June 30, 2018.

Costs associated with securing financing, have been deferred and are being amortized over the term of the bonds using the straight-line method.

AVONDALE MEADOWS ACADEMY, INC. D/B/A
UNITED SCHOOLS OF INDIANAPOLIS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 AND 2017

2. LONG-TERM DEBT, CONTINUED

The loan from Illinois Facilities Fund (IFF) is payable in monthly installments, including interest at 5% per annum, through November 2019. The loan is secured by a first position in all of USI's furniture, fixtures, and equipment.

Future maturities of long-term debt at June 30 are as follows:

2019	\$	100,708
2020		308,468
2021		285,000
2022		325,000
2023		365,000
Thereafter		<u>20,105,000</u>
	\$	<u>21,489,176</u>

3. CAPITAL AND OPERATING LEASES

USI had an agreement to lease its Vision building commencing September 1, 2014. The lease was accounted for as a capital lease. The lease required monthly escalating rental payments through the termination of the lease in 2043. USI was also responsible for all costs associated with the building, including insurance, taxes, repairs, maintenance, and utilities. This lease was paid in full as of June 30, 2017 in conjunction with the bond transaction described in Note 2.

USI leased certain items of equipment under a lease that was accounted for as a capital lease. The cost and accumulated depreciation relating to the leased equipment was recorded at \$82,425 and \$75,556 as of June 30, 2017. The capital lease was paid in full as of June 30, 2018.

USI also leases items of equipment and building space under operating leases with various expiration dates through June 2022. Total expense under operating leases for fiscal years 2018 and 2017 was \$144,883 and \$55,260, respectively.

Future minimum rental payments required under operating leases at June 30 are as follows:

2019	\$	77,135
2020		57,346
2021		57,346
2022		<u>38,918</u>
	\$	<u>230,745</u>

AVONDALE MEADOWS ACADEMY, INC. D/B/A
 UNITED SCHOOLS OF INDIANAPOLIS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 AND 2017

4. BOARD DESIGNATED NET ASSETS

The Charters for Avondale, Vision, and AMMS require that each establish an account held in escrow of \$30,000 no later than December of the third year of operations. The escrow is designated for any potential dissolution costs of the school. Board designated net assets were as follows at June 30:

	<u>2018</u>	<u>2017</u>
Avondale	\$ 30,000	\$ 30,000
Vision	30,000	30,000
AMMS	10,000	-
	<u>\$ 70,000</u>	<u>\$ 60,000</u>

5. RESTRICTED NET ASSETS

Temporarily restricted net assets represent resources received from grantors and donors that were not expended for restricted purposes as of June 30, 2018 and 2017. Temporarily restricted net assets as of June 30 were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Teacher awards and bonuses	\$ 201,347	\$ 221,707
Implementation	2,010	550,656
Capacity building	-	270,000
Other programs	56,685	63,632
	<u>\$ 260,042</u>	<u>\$ 1,105,995</u>

Net assets were released from donor restrictions by incurring expenses or purchasing assets satisfying the restricted purpose. The following purpose restrictions were accomplished during the years ended June 30:

	<u>2018</u>	<u>2017</u>
Teacher awards and bonuses	\$ 20,360	\$ 7,485
Implementation	548,646	124,344
Capacity building	270,000	-
Other programs	72,737	12,800
	<u>\$ 911,743</u>	<u>\$ 144,629</u>

AVONDALE MEADOWS ACADEMY, INC. D/B/A
 UNITED SCHOOLS OF INDIANAPOLIS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 AND 2017

6. RETIREMENT PLANS

USI provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan 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. In 2018 and 2017, USI contributed 7.5% of compensation for teaching faculty to TRF. Should USI elect to withdraw from TRF, USI could be subject to a withdrawal fee. USI's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2017 (the latest year reported), TRF was more than 85% funded. A copy of the complete annual report for the year ended June 30, 2017 can be obtained at:

www.in.gov/inprs/files/2017INPRSCAFR_Web.pdf

USI also offers a 403(b) defined contribution retirement plan. Non-teaching personnel and teachers who opt to not participate in TRF are eligible for benefits under the 403(b) plan. Under the 403(b) plan, USI contributes 7.5% of employee's compensation.

For 2018 and 2017, retirement plan expense under both plans was \$325,225 and \$240,892, respectively.

7. RISKS AND UNCERTAINTIES

USI provides education services to families residing in Marion and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect USI. Additionally, USI is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on USI.

Financial instruments that potentially subject USI to concentrations of credit risk consist principally of revenues from the State of Indiana. For 2018 and 2017, the basic state tuition support was 61.6% and 63.0%, respectively. At June 30, 2018, substantially all of the grants receivable balance was due from the State of Indiana. At June 30, 2017, the 80.6% of grants receivable was due from one private funder.

8. FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising program services and management and general, and fundraising for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Program Services	\$ 8,278,515	\$ 7,523,300
Management and General	3,097,440	2,122,156
Fundraising	<u>7,262</u>	<u>15,789</u>
	<u>\$ 11,383,217</u>	<u>\$ 9,661,245</u>

AVONDALE MEADOWS ACADEMY, INC. D/B/A
 UNITED SCHOOLS OF INDIANAPOLIS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 AND 2017

9. COMMITMENTS

In fiscal year 2018, USI entered into purchase commitments for the design and construction of a building for AMMS and school security systems. USI has an outstanding commitment with vendors of approximately \$75,000 at June 30, 2018 for the projects. The building will be placed into service in fiscal year 2019.

10. FEDERAL, STATE, AND LOCAL GRANT AWARDS

In accordance with guidelines established by the Indiana State Board of Accounts, this federal, state, and local grant information was included to aid in the verification of Indiana financial assistance on the Annual Financial Report (AFR).

Program Name	Grantor Name	CFDA	Revenue	Expense	Funding Type
National School Lunch Program	Indiana Department of Education	10.555	\$667,884	\$629,314	Federal grant passed through state or local government
Title I, Part A Cluster	Indiana Department of Education	84.010	\$906,562	\$906,562	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B)	Indiana Department of Education	84.027	\$194,511	\$194,511	Federal grant passed through state or local government
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	\$92,699	\$92,699	Federal grant passed through state or local government
Basic Tuition Support	Indiana Department of Education	N/A	\$6,892,030	\$6,892,030	State or Local Government
State Special Education Grant	Indiana Department of Education	N/A	\$447,610	\$447,610	State or Local Government
Charter School Grant	Indiana Department of Education	N/A	\$497,500	\$497,500	State or Local Government
Medicaid Reimbursement	Indiana Department of Education	N/A	\$22,192	\$22,192	State or Local Government
State Lunch Match	Indiana Department of Education	N/A	\$1,645	\$1,645	State or Local Government

AVONDALE MEADOWS ACADEMY, INC. D/B/A
 UNITED SCHOOLS OF INDIANAPOLIS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 AND 2017

10. FEDERAL, STATE, AND LOCAL GRANT AWARDS, CONTINUED

Textbook Reimbursement	Indiana Department of Education	N/A	\$62,719	\$62,719	State or Local Government
Mediation Testing	Indiana Department of Education	N/A	\$14,178	\$14,178	State or Local Government
Non-English-Speaking Program	Indiana Department of Education	N/A	\$4,250	\$4,250	State or Local Government
Teacher Appreciation Grants	Indiana Department of Education	N/A	\$29,676	\$29,676	State or Local Government
		Total	\$9,833,456	\$9,794,886	

11. RECLASSIFICATION

Certain items in the fiscal year 2017 consolidated financial statements have ben retroactively reclassified to conform to the fiscal year 2018 presentation. These reclassifications had no effect on net assets at June 30, 2017.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of Avondale Meadows Academy, Inc. d/b/a
United Schools of Indianapolis:

We have audited the financial statements of USI as of and for the years ended June 30, 2018 and 2017, and our report thereon dated October 22, 2018, which expressed an unmodified opinion on those financial statements, appears on page one. 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 as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for the purpose of additional analysis and is not a required part of the financial statements. Exhibits I and II are presented for purposes of additional analysis, rather than to present financial position and results of operations by school, and are not a required part of the financial statements. The schedule of expenditures of federal awards and Exhibits I and II are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional 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 schedule of expenditures of federal awards for the year ended June 30, 2018, and the statements of financial position and activities by school as of and for the years ended June 30, 2018 and 2017, are fairly stated, in all material respects, in relation to the financial statements as a whole.

Greenwall CPAs, Inc.

October 22, 2018

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2018

Exhibit I
Page 1 of 2

	<u>ASSETS</u>					
	<u>AVONDALE</u>	<u>VISION</u>	<u>AMMS</u>	<u>USI</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
CURRENT ASSETS						
Cash and cash equivalents	\$ 540,618	\$ 577,529	\$ 204,626	\$ 506,705	\$ -	\$ 1,829,478
Cash restricted for middle school construction	-	-	1,076,746	-	-	1,076,746
<i>Total cash</i>	540,618	577,529	1,281,372	506,705	-	2,906,224
Investments	-	-	-	216,395	-	216,395
Accounts receivable:						
Grants	28,988	110,070	19,266	10,000	-	168,324
Other	38,426	50,939	8,232	-	-	97,597
Prepaid expenses and deposits	27,191	3,731	11,649	87,550	-	130,121
<i>Total current assets</i>	635,223	742,269	1,320,519	820,650	-	3,518,661
CASH RESTRICTED FOR BOND REDEMPTION	1,607,146	275,411	131,997	-	-	2,014,554
PROPERTY AND EQUIPMENT						
Land	564,800	-	-	-	-	564,800
Buildings and building improvements	4,747,065	8,652,691	7,326	-	-	13,407,082
Furniture and equipment	620,325	510,309	155,411	2,277	-	1,288,322
Textbooks	155,421	205,620	36,736	-	-	397,777
Computers and software	275,607	137,130	102,714	-	-	515,451
Vehicles	3,500	1,500	-	-	-	5,000
Construction in progress	-	-	5,075,360	-	-	5,075,360
Accumulated depreciation	(1,541,906)	(1,421,849)	(52,912)	(455)	-	(3,017,122)
<i>Total property and equipment, net</i>	4,824,812	8,085,401	5,324,635	1,822	-	18,236,670
<i>Total assets</i>	<u>\$ 7,067,181</u>	<u>\$ 9,103,081</u>	<u>\$ 6,777,151</u>	<u>\$ 822,472</u>	<u>\$ -</u>	<u>\$ 23,769,885</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES						
Accounts payable	\$ 18,157	\$ 8,164	\$ 33,792	\$ 7,556	\$ -	\$ 67,669
Payroll and other accrued expenses	329,385	437,390	859,607	83,965	-	1,710,347
Current portion of long-term debt	-	100,708	-	-	-	100,708
<i>Total current liabilities</i>	347,542	546,262	893,399	91,521	-	1,878,724
LONG-TERM LIABILITIES, NET						
Long-term debt, net of current portion, unamortized bond discount, and deferred bond issuance costs	5,599,943	10,176,755	4,853,178	-	-	20,629,876
<i>Total liabilities</i>	5,947,485	10,723,017	5,746,577	91,521	-	22,508,600
COMMITMENTS (NOTES 3 AND 9)						
NET ASSETS (ACCUMULATED DEFICIT)						
Unrestricted	1,055,234	(1,649,936)	1,006,342	519,604	-	931,244
Unrestricted board designated	30,000	30,000	10,000	-	-	70,000
<i>Total unrestricted net assets (accumulated deficit)</i>	1,085,234	(1,619,936)	1,016,342	519,604	-	1,001,244
Temporarily restricted	34,462	-	14,232	211,347	-	260,041
<i>Total net assets (accumulated deficit)</i>	1,119,696	(1,619,936)	1,030,574	730,951	-	1,261,285
<i>Total liabilities and net assets</i>	<u>\$ 7,067,181</u>	<u>\$ 9,103,081</u>	<u>\$ 6,777,151</u>	<u>\$ 822,472</u>	<u>\$ -</u>	<u>\$ 23,769,885</u>

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS
SCHEDULE OF ACTIVITIES BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit I
Page 2 of 2

	AVONDALE	VISION	AMMS	USI	ELIMINATIONS	TOTAL
REVENUE AND SUPPORT						
State education support	\$ 3,544,175	\$ 3,686,855	\$ 740,771	\$ -	\$ -	\$ 7,971,801
Federal funding	829,739	924,866	107,050	-	-	1,861,655
Student fees	26,623	8,857	10,047	-	-	45,527
Contributions and grants	86,950	317,737	350,250	10,063	(630,000)	135,000
Investment income	13,623	-	32,972	10,788	-	57,383
Other	15,559	38,231	410	441,054	(447,980)	47,274
<i>Total revenue and support</i>	<u>4,516,669</u>	<u>4,976,546</u>	<u>1,241,500</u>	<u>461,905</u>	<u>(1,077,980)</u>	<u>10,118,640</u>
EXPENSES						
Salaries and wages	2,193,071	2,160,119	600,312	475,888	-	5,429,390
Employee benefits and development	596,505	572,546	135,744	117,493	-	1,422,288
Professional services	474,183	467,303	155,356	192,665	(447,980)	841,527
Transportation	88	237	105,173	-	-	105,498
Food cost	266,135	312,703	56,900	-	-	635,738
Repairs and maintenance	28,080	42,972	20,459	-	-	91,511
Classroom, kitchen and office supplies	131,608	121,134	74,649	29,848	-	357,239
Information technology	6,554	12,899	12,194	193,608	-	225,255
Occupancy	215,581	175,813	149,354	-	-	540,748
Depreciation and amortization	213,091	405,709	61,123	455	-	680,378
Interest	313,821	576,083	-	-	-	889,904
Insurance	16,217	16,217	4,700	-	-	37,134
Other	42,955	43,917	25,563	644,172	(630,000)	126,607
<i>Total expenses</i>	<u>4,497,889</u>	<u>4,907,652</u>	<u>1,401,527</u>	<u>1,654,129</u>	<u>(1,077,980)</u>	<u>11,383,217</u>
CHANGE IN NET ASSETS	18,780	68,894	(160,027)	(1,192,224)	-	(1,264,577)
TRANSFER OF NET ASSETS	(2,196,980)	195,930	347,875	1,653,175	-	-
NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF YEAR	<u>3,297,896</u>	<u>(1,884,760)</u>	<u>842,726</u>	<u>270,000</u>	<u>-</u>	<u>2,525,862</u>
NET ASSETS (ACCUMULATED DEFICIT), END OF YEAR	<u>\$ 1,119,696</u>	<u>\$ (1,619,936)</u>	<u>\$ 1,030,574</u>	<u>\$ 730,951</u>	<u>\$ -</u>	<u>\$ 1,261,285</u>

ASSETS						
	AVONDALE	VISION	AMMS	USI	ELIMINATIONS	TOTAL
CURRENT ASSETS						
Cash	\$ 2,023,728	\$ 323,710	\$ 252,643	\$ -	\$ -	\$ 2,600,081
Cash restricted for middle school construction	-	-	5,032,014	-	-	5,032,014
<i>Total cash</i>	2,023,728	323,710	5,284,657	-	-	7,632,095
Investments	242,767	-	-	-	-	242,767
Accounts receivable:						
Grants	90,106	70,710	250,000	270,000	-	680,816
Interschool	280,000	-	-	-	(280,000)	-
Other	30,458	41,026	-	-	-	71,484
Prepaid expenses and deposits	76,308	75,227	7,795	-	-	159,330
<i>Total current assets</i>	2,743,367	510,673	5,542,452	270,000	(280,000)	8,786,492
CASH RESTRICTED FOR BOND REDEMPTION	1,442,968	-	-	-	-	1,442,968
PROPERTY AND EQUIPMENT						
Land	564,800	-	-	-	-	564,800
Buildings and building improvements	4,715,234	8,652,691	-	-	-	13,367,925
Furniture and equipment	614,056	500,228	13,470	-	-	1,127,754
Textbooks	86,621	183,056	5,917	-	-	275,594
Computers and software	275,607	137,130	102,714	-	-	515,451
Vehicles	3,500	1,500	-	-	-	5,000
Construction in progress	-	-	44,875	-	-	44,875
Accumulated depreciation	(1,328,814)	(1,016,139)	-	-	-	(2,344,953)
<i>Total property and equipment, net</i>	4,931,004	8,458,466	166,976	-	-	13,556,446
<i>Total assets</i>	<u>\$ 9,117,339</u>	<u>\$ 8,969,139</u>	<u>\$ 5,709,428</u>	<u>\$ 270,000</u>	<u>\$ (280,000)</u>	<u>\$ 23,785,906</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 14,758	\$ 24,883	\$ 15,780	\$ -	\$ -	\$ 55,421
Interschool payable	-	280,000	-	-	(280,000)	-
Payroll and other accrued expenses	211,809	180,595	3,910	-	-	396,314
Current portion of long-term debt	-	95,807	-	-	-	95,807
Current portion of capital lease obligations	-	8,077	-	-	-	8,077
<i>Total current liabilities</i>	226,567	589,362	19,690	-	(280,000)	555,619
LONG-TERM LIABILITIES, NET						
Long-term debt, net of current portion, unamortized bond discount, and deferred bond issuance costs	5,592,876	10,264,537	4,847,012	-	-	20,704,425
<i>Total liabilities</i>	5,819,443	10,853,899	4,866,702	-	(280,000)	21,260,044
COMMITMENTS (NOTES 3 AND 9)						
NET ASSETS (ACCUMULATED DEFICIT)						
Unrestricted	3,032,557	(1,914,760)	242,070	-	-	1,359,867
Unrestricted board designated	30,000	30,000	-	-	-	60,000
<i>Total unrestricted net assets (accumulated deficit)</i>	3,062,557	(1,884,760)	242,070	-	-	1,419,867
Temporarily restricted	235,339	-	600,656	270,000	-	1,105,995
<i>Total net assets (accumulated deficit)</i>	3,297,896	(1,884,760)	842,726	270,000	-	2,525,862
<i>Total liabilities and net assets</i>	<u>\$ 9,117,339</u>	<u>\$ 8,969,139</u>	<u>\$ 5,709,428</u>	<u>\$ 270,000</u>	<u>\$ (280,000)</u>	<u>\$ 23,785,906</u>

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS
 SCHEDULE OF ACTIVITIES BY SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2017

	AVONDALE	VISION	AMMS	USI	TOTAL
REVENUE AND SUPPORT					
State education support	\$ 3,431,307	\$ 3,568,039	\$ -	\$ -	\$ 6,999,346
Federal funding	824,564	853,608	-	-	1,678,172
Student fees	37,703	8,910	-	-	46,613
Contributions and grants	162,167	46,424	725,000	270,000	1,203,591
Investment income	8,958	-	-	-	8,958
In-kind	61,994	55,473	100,000	-	217,467
Other	34,422	35,351	203	-	69,976
<i>Total revenue and support</i>	<u>4,561,115</u>	<u>4,567,805</u>	<u>825,203</u>	<u>270,000</u>	<u>10,224,123</u>
EXPENSES					
Salaries and wages	2,225,549	2,114,176	25,360	-	4,365,085
Employee benefits and development	606,215	556,104	4,799	-	1,167,118
Professional services	389,322	278,065	125,687	-	793,074
Transportation	3,051	1,908	-	-	4,959
Food cost	301,563	318,698	-	-	620,261
Repairs and maintenance	28,054	29,961	534	-	58,549
Classroom, kitchen and office supplies	145,243	93,643	8,241	-	247,127
Information technology	73,166	86,982	439	-	160,587
Occupancy	211,148	175,496	1,734	-	388,378
Depreciation and amortization	209,266	383,601	-	-	592,867
Interest	104,848	959,851	-	-	1,064,699
Insurance	17,484	37,188	-	-	54,672
Other	90,177	53,007	685	-	143,869
<i>Total expenses</i>	<u>4,405,086</u>	<u>5,088,680</u>	<u>167,479</u>	<u>-</u>	<u>9,661,245</u>
CHANGE IN NET ASSETS BEFORE LOSS ON EXTINGUISHMENT OF DEBT	156,029	(520,875)	657,724	270,000	562,878
LOSS ON EXTINGUISHMENT OF DEBT	-	(563,269)	-	-	(563,269)
CHANGE IN NET ASSETS	156,029	(1,084,144)	657,724	270,000	(391)
TRANSFER OF NET ASSETS	(571,279)	386,277	185,002	-	-
NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF YEAR	3,713,146	(1,186,893)	-	-	2,526,253
NET ASSETS (ACCUMULATED DEFICIT), END OF YEAR	<u>\$ 3,297,896</u>	<u>\$ (1,884,760)</u>	<u>\$ 842,726</u>	<u>\$ 270,000</u>	<u>\$ 2,525,862</u>

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	2017-2018-9645	\$ 266,172
		2017-2018-9935	309,252
		2017-2018-9040	53,890
<i>Total National Child Nutrition Cluster, School Lunch Program, and U.S. Department of Agriculture</i>			<u>629,314</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	17-9645	53,267
		18-9645	402,317
		17-9935	85,045
		18-9935	365,933
<i>Total Title I, Part A</i>			<u>906,562</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	18611-533-PN01	84,158
		18619-533-PN01	2,932
		18611-609-DN01	15,000
		18611-577-PN01	92,421
<i>Total Special Education Cluster (IDEA)</i>			<u>194,511</u>
Supporting Effective Instruction State Grants			
	84.367	S367A170013-9645	24,696
		S367A170013-9040	5,800
		S367A160013-9935	39,038
		S367A170013-9935	23,165
<i>Total Supporting Effective Instruction State Grants</i>			<u>92,699</u>
<i>Total Indiana Department of Education and U.S. Department of Education</i>			<u>1,193,772</u>
<i>Total expenditures of federal awards</i>			<u>\$ 1,823,086</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of USI under programs of the federal government for the year ended June 30, 2018. 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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of USI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of USI.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. INDIRECT COST RATE

USI has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Avondale Meadows Academy, Inc. d/b/a
United Schools of Indianapolis:

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 of America, the financial statements of Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis ("USI"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered USI'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 USI's internal control. Accordingly, we do not express an opinion on the effectiveness of USI'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether USI'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 USI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the USI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greenwald CPAs, Inc.

October 22, 2018



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Avondale Meadows Academy, Inc. d/b/a
United Schools of Indianapolis:

Report on Compliance for Each Major Federal Program

We have audited Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis' ("USI") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of USI's major federal programs for the year ended June 30, 2018. USI'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of USI'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 of America; and the audit 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). Those standards and the 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 USI'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 USI's compliance.

Opinion on Each Major Federal Program

In our opinion, USI 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, 2018.

Report on Internal Control Over Compliance

Management of USI 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 USI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 USI'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.

Greenwald CPAs, Inc.

October 22, 2018

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDIT RESULTS

Financial Statements

- 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified
- 2. Internal control over financial reporting:
 - Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
- 3. Noncompliance material to financial statements noted? yes no

Federal Awards

- 4. Internal control over major federal programs:
 - Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
- 5. Type of auditors' report issued on compliance for major federal programs: Unmodified
- 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no
- 7. Identification of major program:

	<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	10.555	Child Nutrition Cluster -
		National School Lunch Program
	84.027	Special Education Cluster -
		Grants to States (IDEA, Part B)
- 8. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
- 9. Auditee qualified as low-risk auditee? yes no

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS
OTHER REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

Supplemental Audit Report of Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis