



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B51323

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 19, 2018


Charter School Board
Muncie Public Charter School of Inquiry, Inc.
d/b/a Inspire Academy
2801 E 16th St
Muncie, IN 47302

We have reviewed the report prepared by Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy and opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy 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, Donovan CPAs prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy, was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 10
OTHER REPORT	11



Donovan CPAs

Independent Auditors' Report

The Board of Directors
Muncie Public Charter School of Inquiry, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy, which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

www.cpadonovan.com

Westside Office | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy as of June 30, 2018 and 2017, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The letters are stylized and connected, with a large initial "D".

Indianapolis, Indiana
November 1, 2018

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 280,133	\$ 150,890
Grants receivable	3,286	8,450
Other receivables	4,578	-
Prepaid expenses	<u>66,574</u>	<u>27,316</u>
<i>Total current assets</i>	<u>354,571</u>	<u>186,656</u>
PROPERTY AND EQUIPMENT		
Land	76,880	76,880
Building and improvements	194,404	174,113
Furniture and equipment	269,868	261,484
Textbooks	13,092	4,426
Less: accumulated depreciation	<u>(238,579)</u>	<u>(187,651)</u>
<i>Property and equipment, net</i>	<u>315,665</u>	<u>329,252</u>
TOTAL ASSETS	<u><u>\$ 670,236</u></u>	<u><u>\$ 515,908</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 91,673	\$ 61,106
Current portion of capital lease obligation	<u>1,116</u>	<u>1,054</u>
<i>Total current liabilities</i>	<u>92,789</u>	<u>62,160</u>
LONG-TERM LIABILITIES		
Note payable	225,000	225,000
Capital lease obligation, net of current portion	<u>1,924</u>	<u>3,044</u>
<i>Total long-term liabilities</i>	<u>226,924</u>	<u>228,044</u>
<i>Total liabilities</i>	<u>319,713</u>	<u>290,204</u>
NET ASSETS, UNRESTRICTED		
Undesignated	262,898	125,550
Invested in property and equipment, net of note payable and capital lease obligation	<u>87,625</u>	<u>100,154</u>
<i>Total unrestricted net assets</i>	<u>350,523</u>	<u>225,704</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 670,236</u></u>	<u><u>\$ 515,908</u></u>

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

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT		
State education support	\$ 1,590,996	\$ 1,310,734
Grant revenue	419,906	300,484
Student fees	21,234	17,707
Contributions	24,373	12,192
Other income	24,113	17,663
	<u>2,080,622</u>	<u>1,658,780</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	1,528,520	1,233,046
Management and general	427,283	380,683
	<u>1,955,803</u>	<u>1,613,729</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	124,819	45,051
NET ASSETS, BEGINNING OF YEAR	<u>225,704</u>	<u>180,653</u>
NET ASSETS, END OF YEAR	<u>\$ 350,523</u>	<u>\$ 225,704</u>

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

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 711,541	\$ 221,555	\$ 933,096	\$ 567,404	\$ 189,061	\$ 756,465
Employee benefits	168,503	52,448	220,951	132,838	45,121	177,959
Staff development	66,916	-	66,916	77,292	-	77,292
Professional services	196,149	79,076	275,225	131,411	74,713	206,124
Connectivity	26,675	-	26,675	39,506	-	39,506
Authorizer oversight fees	-	31,322	31,322	-	26,598	26,598
Food costs	69,642	-	69,642	67,667	-	67,667
Equipment	25,322	-	25,322	12,038	-	12,038
Classroom and office supplies	26,002	3,159	29,161	29,228	7,415	36,643
Occupancy	179,522	-	179,522	117,685	-	117,685
Depreciation	50,928	-	50,928	50,445	-	50,445
Interest	-	206	206	-	266	266
Insurance	-	15,709	15,709	-	15,475	15,475
Other	7,320	23,808	31,128	7,532	22,034	29,566
<i>Total functional expenses</i>	<u>\$ 1,528,520</u>	<u>\$ 427,283</u>	<u>\$ 1,955,803</u>	<u>\$ 1,233,046</u>	<u>\$ 380,683</u>	<u>\$ 1,613,729</u>

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

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 124,819	\$ 45,051
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	50,928	50,445
Change in certain assets and liabilities:		
Grants receivable	5,164	(4,898)
Other receivables	(4,578)	2,999
Prepaid expenses	(39,258)	(3,840)
Accounts payable and accrued expenses	<u>30,567</u>	<u>9,534</u>
<i>Net cash provided by operating activities</i>	167,642	99,291
INVESTING ACTIVITIES		
Purchases of property and equipment	(37,341)	(65,898)
FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(1,058)</u>	<u>(1,002)</u>
NET CHANGE IN CASH	129,243	32,391
CASH, BEGINNING OF YEAR	<u>150,890</u>	<u>118,499</u>
CASH, END OF YEAR	<u>\$ 280,133</u>	<u>\$ 150,890</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 206	\$ 266

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

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. In 2018, the School served approximately 220 students in grades pre-kindergarten to eighth by providing an alternative to the traditional elementary school program.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time. There were no temporarily restricted net assets as of June 30, 2018 and 2017.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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

Revenue Recognition – Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School 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 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 the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Taxes on Income – Muncie Public Charter School of Inquiry, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax exempt purpose. For the years ended June 30, 2018 and 2017, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income, Continued – Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2014 are open to audit for both federal and state purposes.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives range from three to five years for furniture and equipment; four years for textbooks; and forty years for building and improvements.

Subsequent Events – The School evaluated subsequent events through November 1, 2018, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 - CAPITAL LEASE

The School leases equipment under a capital lease. At June 30, 2018, the cost and accumulated depreciation of the copier were \$5,495 and \$3,079, respectively.

Following is a schedule of future minimum lease payments under the capital lease for the years ending June 30 and present value of the net minimum lease payments as of June 30, 2018:

2019	\$	1,266
2020		1,266
2021		850
		3,382
Less: amount representing interest		(342)
	\$	3,040

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

NOTE 3 - NOTE PAYABLE

The School has a note payable due to The Roman Catholic Dioceses of Lafayette-in-Indiana, Inc. The note is payable in three equal installments of \$75,000 each on July 1, 2019, 2020, and 2021 and is non-interest bearing. The note is secured by the school building.

NOTE 4 - COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was \$31,322 and \$26,598 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2022, and is renewable thereafter by mutual consent.

NOTE 5 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Delaware 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 the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

NOTE 6 - RETIREMENT PLANS

The School offers retirement benefits provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2017 (the latest year reported), both TRF and PERF were more than 80% funded.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 6 - RETIREMENT PLANS, Continued

In lieu of TRF or PERF, all employees are eligible to participate in a Section 403(b) defined contribution retirement plan sponsored by the School. Under this plan, the School contributed 7% of compensation as defined through October 31, 2014. Since that time, the School has opted to match employee contributions at a rate of 2.33 to 1, but not to exceed 7% of compensation. Additional contributions may also be made to the plan at the discretion of the Board of Directors. No discretionary contributions were made during the years ended June 30, 2018 or 2017.

Retirement plan expense under all plans was \$44,880 and \$34,016 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - CONTINGENCIES

The School terminated its lease on its facility at 1620 S. Madison Street, Muncie, Indiana effective June 30, 2016, citing landlord non-performance. The lease was through June 30, 2018 and, as such, the School may be liable for remaining payments. On July 10, 2018, the School received a demand letter from the lessor, The Housing Authority of the City of Muncie, Indiana, for payment in the amount of \$360,000. The School responded, via its attorney, on August 20, 2018 stating its opinion and offering to settle based on the following terms: (1) The Housing Authority of the City of Muncie, Indiana, would retain the original security deposit, and (2) the School tenders an additional lump sum payment of \$10,000. As of the date of this audit report, no response had been received from The Housing Authority of the City of Muncie, Indiana. The accompanying financial statements do not reflect any liability related to this situation.

NOTE 8 - FUNCTIONAL EXPENSE REPORTING

The costs of providing educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain expenses have been allocated between program services and management and general expenses.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
OTHER REPORT
For the Year Ended June 30, 2018

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

Supplemental Audit Report of Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy

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*.