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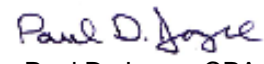
December 10, 2018

Charter School Board
Options Charter School – Noblesville, Inc.
9945 Cumberland Pointe Blvd
Noblesville, IN 46060

We have reviewed the report prepared by Options Charter School – Noblesville, Inc. and opined upon by Donovan CPAs, 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 Options Charter School – Noblesville, Inc. 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.

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


Paul D. Joyce, CPA
State Examiner

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Options Charter School - Noblesville, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Options Charter School - Noblesville, Inc., 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Options Charter School - Noblesville, Inc. 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 dark ink that reads "DONOVAN". The letters are cursive and connected, with a large initial "D".

Indianapolis, Indiana
November 29, 2018

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 909,132	\$ 667,146
Due from Options Charter School - Carmel, Inc.	16,904	16,904
Prepaid expenses	<u>16,293</u>	<u>19,606</u>
<i>Total current assets</i>	<u>942,329</u>	<u>703,656</u>
PROPERTY AND EQUIPMENT		
Buildings and improvements	2,192,612	2,054,997
Furniture and equipment	653,767	621,681
Less: accumulated depreciation	<u>(694,972)</u>	<u>(618,933)</u>
<i>Property and equipment, net</i>	<u>2,151,407</u>	<u>2,057,745</u>
TOTAL ASSETS	<u>\$ 3,093,736</u>	<u>\$ 2,761,401</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 200,800	\$ 200,800
Accounts payable and accrued expenses	105,531	83,121
Refundable advance	<u>4,069</u>	<u>9,550</u>
<i>Total current liabilities</i>	310,400	293,471
NOTES PAYABLE, NET OF CURRENT PORTION	<u>1,506,004</u>	<u>1,706,804</u>
<i>Total liabilities</i>	<u>1,816,404</u>	<u>2,000,275</u>
NET ASSETS, UNRESTRICTED		
Undesignated	832,729	610,985
Invested in property and equipment, net of notes payable	<u>444,603</u>	<u>150,141</u>
<i>Total net assets, unrestricted</i>	<u>1,277,332</u>	<u>761,126</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,093,736</u>	<u>\$ 2,761,401</u>

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.
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	\$ 2,357,867	\$ 1,719,211
Grant revenue	487,006	383,826
Student fees	19,057	10,641
Contribution from Options in Education Foundation, Inc.	23,242	10,820
Other income	693	25,392
	<u>2,887,865</u>	<u>2,149,890</u>
 <i>Total revenue and support</i>		
EXPENSES		
Program services	1,657,215	1,245,533
Management and general	714,444	704,276
	<u>2,371,659</u>	<u>1,949,809</u>
 <i>Total expenses</i>		
CHANGE IN NET ASSETS	516,206	200,081
NET ASSETS, BEGINNING OF YEAR	<u>761,126</u>	<u>561,045</u>
NET ASSETS, END OF YEAR	<u>\$ 1,277,332</u>	<u>\$ 761,126</u>

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

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	\$ 686,545	\$ 412,053	\$ 1,098,598	\$ 485,042	\$ 391,463	\$ 876,505
Employee benefits	218,237	130,983	349,220	161,065	129,990	291,055
Hope Source expenses	450,613	-	450,613	337,446	-	337,446
Occupancy	84,539	14,222	98,761	77,792	13,087	90,879
Equipment	42,667	-	42,667	29,565	-	29,565
Professional services	25,516	11,244	36,760	25,173	25,726	50,899
Depreciation	65,089	10,950	76,039	67,654	11,381	79,035
Classroom and office supplies	34,640	20,791	55,431	27,369	22,089	49,458
Authorizer oversight fees	-	44,451	44,451	-	32,360	32,360
Food service	15,094	-	15,094	-	-	-
Insurance	-	14,094	14,094	-	23,597	23,597
Transportation	4,906	2,945	7,851	2,080	1,678	3,758
Interest	-	17,571	17,571	-	22,727	22,727
Foundation expenses	23,242	-	23,242	10,820	-	10,820
Other	6,127	35,140	41,267	21,527	30,178	51,705
<i>Total functional expenses</i>	<u>\$ 1,657,215</u>	<u>\$ 714,444</u>	<u>\$ 2,371,659</u>	<u>\$ 1,245,533</u>	<u>\$ 704,276</u>	<u>\$ 1,949,809</u>

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

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	\$ 516,206	\$ 200,081
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	76,039	79,035
Changes in certain assets and liabilities:		
Accounts receivable	-	34,165
Prepaid expenses	3,313	(8,012)
Accounts payable and accrued expenses	22,410	(42,155)
Refundable advance	<u>(5,481)</u>	<u>9,550</u>
 <i>Net cash provided by operating activities</i>	612,487	272,664
 INVESTING ACTIVITIES		
Purchases of property and equipment	(169,701)	(144,268)
 FINANCING ACTIVITIES		
Principal paid on notes payable	<u>(200,800)</u>	<u>(100,400)</u>
 NET CHANGE IN CASH	241,986	27,996
 CASH, BEGINNING OF YEAR	<u>667,146</u>	<u>639,150</u>
 CASH, END OF YEAR	<u><u>\$ 909,132</u></u>	<u><u>\$ 667,146</u></u>
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 18,575	\$ 16,669

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Options Charter School - Noblesville, Inc. (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 is sponsored by Ball State University. The School serves approximately 290 students in grades six to twelve by providing an alternative to traditional middle and high school programs.

The School partners with The Hope Source to provide students with autism a hybrid treatment-education model of learning. The School provides education services to clientele of The Hope Source at The Hope Source's facility.

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

Revenue Recognition – Revenues 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 the 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.

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.

Taxes on Income – Options Charter School - Noblesville, 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.

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.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,500 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Buildings and improvements	40 years
Furniture and equipment	3 to 7 years

Subsequent Events – The School evaluated subsequent events through November 29, 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 - LINE OF CREDIT

The School has a \$75,000 revolving line of credit with First Merchants Bank. Drawings against the line of credit bear interest at 2.5% above the lender's prime rate and are secured by all school assets. There was no balance outstanding under the line of credit as of June 30, 2018 or 2017.

NOTE 3 - REFUNDABLE ADVANCE

The School was awarded a grant from the Lilly Foundation, Inc. to establish comprehensive counseling services for students. The unused portion of the grant as of June 30, 2018 and 2017 was \$4,069 and \$9,550, respectively, and was shown as a refundable advance on the statements of financial position.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Note payable to State Board of Education, payable \$62,900 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in March 2016	\$ 1,069,304	\$ 1,195,104
Note payable to Options Charter School - Carmel, Inc., payable \$37,500 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in March 2016	<u>637,500</u> 1,706,804	<u>712,500</u> 1,907,604
Less: current portion	<u>(200,800)</u>	<u>(200,800)</u>
Long-term portion	\$ <u>1,506,004</u>	\$ <u>1,706,804</u>

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

The note payable to Options Charter School - Carmel, Inc. ("Options - Carmel"), a related charter school, is also the result of the Common School Funds Charter School Innovation Fund Advancement program. Options - Carmel received a similar loan to the loan received by the School, and a portion of the loan was transferred to the School. The School has agreed to repay the loan following a similar payment schedule set by the State Board of Education.

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

2019	\$ 200,800
2020	200,800
2021	200,800
2022	200,800
2023	200,800
Thereafter	<u>702,804</u>
	\$ <u>1,706,804</u>

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 5 - 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 received. Expense under this charter agreement was \$44,451 and \$32,360 for the years ended June 30, 2018 and 2017, respectively. The charter remains in effect until June 30, 2023, and is renewable thereafter by mutual consent.

NOTE 6 - RELATED PARTIES

The School is related to Options - Carmel in that they have a common Board of Directors. Both schools advance amounts to each other as needed to meet cash flow requirements. The net balance due from Options - Carmel as of June 30, 2018 and 2017 was \$16,904. Options - Carmel paid the School \$15,386 during the year ended June 30, 2017, for a portion of the administrative expenses. The School received no such payment in 2018. The School is also contingently liable as a guarantor with respect to a \$75,000 line of credit maintained by Options - Carmel. At June 30, 2018 and 2017, there was no balance outstanding under the line of credit. In addition, the School has a note payable to Options - Carmel as described in Note 4.

The School is affiliated with Options in Education Foundation, Inc. (the "Foundation") in that the Foundation and the School have certain overlapping board members and that the Foundation solicits support and assistance to benefit the School. The School received financial assistance from the Foundation of \$23,242 and \$10,820 during the years ended June 30, 2018 and 2017, respectively.

During 2017, the School entered into a contract to perform remodeling services with a company related to the president of the School. The School paid the company \$72,950 and \$65,000 during the years ended June 30, 2018 and 2017, respectively. The School also employs several members of the president's family. The School paid these individuals \$4,813 and \$27,242 during the years ended June 30, 2018 and 2017, respectively.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

NOTE 7 - RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are 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 10.5% of compensation for electing teaching faculty to TRF and 14.2% of compensation for other electing 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.

Employees can also elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. The School contributes 10.5% of participant compensation to the 403(b) plan. Retirement plan expense was \$117,677 and \$95,731 for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Hamilton 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.

Financial instruments that potentially subject the School to concentration of credit risk consist principally of receivables from the State of Indiana. At June 30, 2018 and 2017, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits maintained at First Merchants Bank are insured up to the FDIC insurance limit.

NOTE 9 - FUNCTIONAL EXPENSE REPORTING

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