B51738

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

January 9, 2019

Charter School Board
Hoosier Academy, Inc.
2855 N. Franklin Road
Indianapolis, IN 46219

We have reviewed the report prepared by Hoosier Academy, 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,* except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements included in the report present fairly the financial condition of Hoosier Academy, 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.

We call your attention to the Basis for Qualified Opinion in the audit 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 Hoosier Academy, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

Paul D. Joyce, CPA
State Examiner

HOOSIER ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

TABLE OF CONTENTS

Independent Auditors' Report

The Board of Directors
Hoosier Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hoosier Academy, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Basis for Qualified Opinion

As presented in Note 2 to the financial statements, in 2013, the Indiana Legislature passed amendments to the Indiana Charter Schools Act that resulted in the suspension of funding in the amount of $4,996,296. Hoosier Academy, Inc. believes this was not the intent of the legislation and has appealed this result with the state government for the unremitted funding shortfall with the expectation that it will ultimately be successful in restoring the unremitted income, and has reflected this income as a receivable in its full amount of $4,996,296 on its statements of financial position as of June 30, 2018 and 2017. Accounting principles generally accepted in the United States of America require a potential gain that is contingent upon a future event be recognized when the amount is realized. If Hoosier Academy, Inc. were to recognize this gain contingency when realized, a write down of receivables in the amount of $4,996,296 would be required as of June 30, 2018 and 2017. Accordingly, unrestricted net assets as of June 30, 2018 and 2017 would be reduced by this amount.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Hoosier Academy, 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.

Other Matters

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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Likewise, the Schedules of Financial Position by School on pages 15 and 16 and the Schedules of Activities and Change in Net Assets by School on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of Hoosier Academy, Inc.'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 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 Hoosier Academy, Inc.'s internal control over financial reporting and compliance.

DONOVAN

Indianapolis, Indiana
December 20, 2018

HOOSIER ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 1,672,325	$ 1,381,143
Accounts receivable:		
State education support	4,996,296	4,996,296
Grants	360,453	336,009
K12 Classroom, LLC	11,383	39,985
Prepaid expenses	48,298	48,564
Total current assets	7,088,755	6,801,997
PROPERTY AND EQUIPMENT		
Leasehold improvements	777,312	777,312
Furniture and equipment	1,363,994	1,345,285
Less: accumulated depreciation	(1,786,312)	(1,665,980)
Property and equipment, net	354,994	456,617
TOTAL ASSETS	$ 7,443,749	$ 7,258,614
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses:		
K-12 Classroom, LLC	$ 5,743,374	$ 5,249,895
Other	1,675,561	1,971,295
Refundable advance	24,814	37,424
Total current liabilities	7,443,749	7,258,614
NET ASSETS, UNRESTRICTED	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 7,443,749	$ 7,258,614

HOOSIER ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUE AND SUPPORT		
State education support	$ 16,996,753	$ 24,819,205
Grant revenue	2,200,185	1,700,034
Interest income	2,141	2,127
Other	222,541	35,796
Total revenue and support	19,421,620	26,557,162
EXPENSES		
Program services	16,545,587	23,357,403
Management and general	2,876,033	3,199,759
Total expenses	19,421,620	26,557,162
CHANGE IN NET ASSETS	-	-
NET ASSETS, BEGINNING OF YEAR	-	-
NET ASSETS, END OF YEAR	$ -	$ -

HOOSIER ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 6,202,380	$ 566,257	$ 6,768,637	$ 6,593,538	$ 397,707	$ 6,991,245
Employee benefits	1,321,920	102,216	1,424,136	1,611,538	66,052	1,677,590
Staff development and recruitment	367,388	-	367,388	234,184	-	234,184
Professional services	1,140,425	776,225	1,916,650	3,207,543	648,547	3,856,090
Management services	-	603,373	603,373	-	1,074,989	1,074,989
Food costs	14,926	-	14,926	8,860	-	8,860
Authorizer oversight fee	-	416,209	416,209	-	548,220	548,220
Equipment rental and maintenance	1,526,664	-	1,526,664	2,024,243	-	2,024,243
Classroom and office supplies and fees	5,300,611	49,897	5,350,508	9,189,212	76,677	9,265,889
Occupancy	425,385	-	425,385	241,831	-	241,831
Depreciation	120,332	-	120,332	155,275	-	155,275
Other	125,556	361,856	487,412	91,179	387,567	478,746
Total functional expenses	$ 16,545,587	$ 2,876,033	$ 19,421,620	$ 23,357,403	$ 3,199,759	$ 26,557,162

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

HOOSIER ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	$ -	$ -
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	120,332	155,275
Changes in certain assets and liabilities:		
Accounts receivable	4,158	(66,699)
Prepaid expenses	266	(1,063)
Accounts payable and accrued expenses	197,745	385,350
Refundable advance	(12,610)	20,282
Net cash provided by operating activities	309,891	493,145
INVESTING ACTIVITIES		
Purchases of property and equipment	(18,709)	(59,251)
NET CHANGE IN CASH	291,182	433,894
CASH, BEGINNING OF YEAR	1,381,143	947,249
CASH, END OF YEAR	$ 1,672,325	$ 1,381,143

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

HOOSIER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Hoosier Academy, Inc. ("Hoosier Academy") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana, and is the organizer and governing body of three charter schools located in Indianapolis, Indiana:

- *Hoosier Academies Indianapolis* is a blended learning program serving students in grades K-12.
- *Hoosier Academies Virtual School* was a fully virtual or online program serving students in grades K-12.
- *Insight School of Indiana* started in the 2016-2017 school year and is a fully virtual or online program serving students in grades 7-12 who have struggled in their education.

Enrollment during the 2017-2018 school year ranged between approximately 2,660 and 2,800 students in total for the three schools. Each of the schools is a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. *Hoosier Academies Virtual School* ceased operations effective June 30, 2018.

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, Hoosier Academy receives an amount per student similar to the funding received by other public schools in Indiana. 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 Hoosier Academy's revenue is the product of cost reimbursement grants. Accordingly, Hoosier Academy 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 programs and legislation enacted by the State of Indiana. Hoosier Academy believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. See Note 2 for additional information.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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:

Leasehold improvements	12 to 15 years
Furniture and equipment	2 to 5 years

Taxes on Income – Hoosier Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 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 Hoosier Academy 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. Hoosier Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ended after 2014 are open to audit for both federal and state purposes.

Subsequent Events – Hoosier Academy evaluated subsequent events through December 20, 2018, the date these financial statements were available to be issued. Events and transactions occurring through that date have been evaluated to determine whether recognition or disclosure in the financial statements would be required.

NOTE 2 - ACCOUNTS RECEIVABLE

The School's accounts receivable balance consists primarily of amounts due from the State of Indiana for the operating periods in which State funding has not been received. As of June 30, 2013, the State forgave the remaining balance of the School's operating loan made through the Common School Fund. As the loan was provided to finance the School's operations when revenue was not received, the School has established an allowance against the accounts receivable balance in the amount forgiven.

Accounts receivable from the State of Indiana for education support reflect the following amounts as of June 30, 2018 and 2017:

Tuition support	$	8,993,977
Special education grant		1,190,101
Prime time grant		10,804
Honors grant		1,350
		10,196,232
Less: allowance for Common School loan forgiveness		(5,199,936)
	$	4,996,296

NOTE 2 - ACCOUNTS RECEIVABLE, Continued

Hoosier Academy's accounts receivable balance for education support consists of amounts due from the State of Indiana for tuition support relating to (a) the first six months of the School's initial school year and (b) enrollment growth occurring in subsequent school years.

Pursuant to IC §20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that were defined in the statute.

In April 2013, the Indiana General Assembly repealed IC §20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. Hoosier Academy applied for and was forgiven from repaying the balance of its indebtedness plus accrued interest of $5,199,936 as of June 30, 2013. The receivable for education support has been reduced by the amount of the loan forgiven.

Members of the Indiana General Assembly and the executive branch have been informed that a number of charter schools remain with an accounts receivable balance and those charter schools believe that the State remains obligated for amounts not reimbursed through the provisions of House Bill 1001. Legislative and administrative efforts are being made to resolve any outstanding obligations of the State.

NOTE 3 - LEASES

Hoosier Academy leases its school facility under an operating lease with Patriots Place, LLC, and another building for administrative purposes from Franklin Road Realty, LLC. The leases provide for monthly lease payments through August 2018 and June 2019, respectively. Hoosier Academy also leases certain items of office equipment under an operating lease, which provides for monthly payments through August 2020. Rent expense for the years ended June 30, 2018 and 2017 under these operating leases was $425,385 and $241,831, respectively. The expense for the years ended June 30, 2018 and 2017 was reduced by $79,639 and $233,373, respectively, due to the deficit credits received by K12 Classroom, LLC (Note 4).

Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

2019	$ 284,022
2020	10,704
2021	1,784

NOTE 4 - COMMITMENTS

Hoosier Academy operates its schools under charters granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charters, Hoosier Academy has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Payments under the charter agreements were $416,209 and $548,220 for the years ended June 30, 2018 and 2017, respectively. The charters remain in effect for Hoosier Academies Indianapolis and Insight School of Indiana until June 30, 2021 and June 30, 2019, respectively, and are renewable thereafter by mutual consent.

Hoosier Academy has contracted with K12 Classroom, LLC to provide administrative and technology services. Under the terms of the agreement, Hoosier Academy has agreed to pay an amount equal to 22% of revenues, as defined, for such services. Such fees for the years ended June 30, 2018 and 2017 were $4,219,541 and $5,821,968, respectively. Hoosier Academy also purchases certain other curriculum materials and supplies for which it is billed as goods and services are received. Such purchases aggregated $7,120,746 and $12,817,670 for the years ended June 30, 2018 and 2017, respectively. This agreement remains in effect until June 30, 2021.

K12 Classroom, LLC has agreed to issue credits against the amounts billed for services and products provided, if needed, to ensure that Hoosier Academy does not end a fiscal year with a financial deficit.

For the years ended June 30, 2018 and 2017, service fees were reduced as follows:

	Administrative and Technology Fees	Other Service Fees
Year Ended June 30, 2018		
Charges per contract	$ 4,219,541	$ 7,120,746
Credit issued by K12 Classroom LLC	(3,332,761)	(559,942)
Net charges	$ 886,780	$ 6,560,804
Year Ended June 30, 2017		
Charges per contract	$ 5,821,968	$ 12,817,670
Credit issued by K12 Classroom LLC	(3,073,042)	(990,349)
Net charges	$ 2,748,926	$ 11,827,321

The deficit credits provided by K12 Classroom, LLC are subject to repayment if Hoosier Academy experiences a surplus in subsequent fiscal years. The amount of the repayment is based on a percentage of the surplus experienced during such fiscal year ranging from 25% to 75% dependent upon the amount of the surplus. Any unpaid credits remaining upon termination of the agreement are not subject to repayment. Hoosier Academy is not able to estimate the amount of the repayment, if any, expected to be made in future years.

NOTE 5 - RETIREMENT PLANS

Hoosier Academy 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. For the years ended June 30, 2018 and 2017, Hoosier Academy contributed 7.5% of compensation for eligible teaching personnel to TRF. Should Hoosier Academy elect to withdraw from TRF, it could be subject to a withdrawal fee. Hoosier Academy'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 80% funded.

In lieu of TRF, employees can opt to participate in a Section 403(b) plan sponsored by Hoosier Academy. Under this plan, Hoosier Academy contributes 7.5% of compensation, as defined. Additional contributions may be made at the discretion of the Board of Directors. No discretionary contributions were made in 2018 or 2017. Retirement plan expense under both plans was $435,686 and $449,645 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 - RISKS AND UNCERTAINTIES

Hoosier Academy provides educational instruction services to families residing in Marion and surrounding counties in Indiana, and to students throughout the State of Indiana through its virtual curriculum, 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 Hoosier Academy. Additionally, Hoosier Academy is subject to monitoring and audit by state and federal agencies. Those examinations could result in additional liability to be imposed.

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

NOTE 7 - FUNCTIONAL EXPENSE REPORTING

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

HOOSIER ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION				
Pass-through Indiana Department of Education				
Title I, Part A Cluster				
Grants to Local Educational Agencies	84.010		$	845,135
Special Education Cluster				
Special Education - Grants to States	84.027	14217-531-PN01 14216-531-PN01 14217-603-DY01 14217-519-PN01		679,998
Improving Teacher Quality State Grants	84.367			228,204
Total federal awards expended			$	1,753,337

HOOSIER ACADEMY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hoosier Academy, Inc. 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, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hoosier Academy, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Hoosier Academy, Inc.

NOTE 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.

HOOSIER ACADEMY, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2018

	Hoosier Academies Indianapolis	Hoosier Academies Virtual School	Insight School of Indiana	Eliminating Entries	Total
		ASSETS			
CURRENT ASSETS					
Cash	$ 148,195	$ 1,150,570	$ 373,560	$ -	$ 1,672,325
Accounts receivable:					
State education support	163,940	4,832,356	-	-	4,996,296
Grants	23,471	280,758	56,224	-	360,453
K12 Classroom, LLC	5,734	-	5,649	-	11,383
Intercompany	-	215,244	-	(215,244)	-
Prepaid expenses	39,597	6,323	2,378	-	48,298
Total current assets	380,937	6,485,251	437,811	(215,244)	7,088,755
PROPERTY AND EQUIPMENT					
Leasehold improvements	777,312	-	-	-	777,312
Furniture and equipment	975,217	359,726	29,051	-	1,363,994
Less: accumulated depreciation	(1,422,636)	(347,991)	(15,685)	-	(1,786,312)
Property and equipment, net	329,893	11,735	13,366	-	354,994
TOTAL ASSETS	$ 710,830	$ 6,496,986	$ 451,177	$ (215,244)	$ 7,443,749
		LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES					
Accounts payable and accrued expenses:					
K12 Classroom, LLC	$ 409,711	$ 5,298,785	$ 34,878	$ -	$ 5,743,374
Intercompany	64,968	-	150,276	(215,244)	-
Other	215,201	1,194,337	266,023	-	1,675,561
Refundable advance	20,950	3,864	-	-	24,814
Total current liabilities	710,830	6,496,986	451,177	(215,244)	7,443,749
NET ASSETS, UNRESTRICTED	-	-	-	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 710,830	$ 6,496,986	$ 451,177	$ (215,244)	$ 7,443,749

HOOSIER ACADEMY, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2017

	Hoosier Academies Indianapolis	Hoosier Academies Virtual School	Insight School of Indiana	Eliminating Entries	Total
ASSETS					
CURRENT ASSETS					
Cash	$ 31,872	$ 1,203,072	$ 146,199	$ -	$ 1,381,143
Accounts receivable:					
State education support	163,940	4,832,356	-	-	4,996,296
Grants	34,190	271,174	30,645	-	336,009
K12 Classroom, LLC	5,734	-	34,251	-	39,985
Intercompany	-	219,777	-	(219,777)	-
Prepaid expenses	43,078	4,410	1,076	-	48,564
Total current assets	278,814	6,530,789	212,171	(219,777)	6,801,997
PROPERTY AND EQUIPMENT					
Leasehold improvements	777,312	-	-	-	777,312
Furniture and equipment	956,508	359,726	29,051	-	1,345,285
Less: accumulated depreciation	(1,320,597)	(339,382)	(6,001)	-	(1,665,980)
Property and equipment, net	413,223	20,344	23,050	-	456,617
TOTAL ASSETS	$ 692,037	$ 6,551,133	$ 235,221	$ (219,777)	$ 7,258,614
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses:					
K12 Classroom, LLC	$ 229,348	$ 5,020,547	$ -	$ -	$ 5,249,895
Intercompany	219,777	-	-	(219,777)	-
Other	237,290	1,498,784	235,221	-	1,971,295
Refundable advance	5,622	31,802	-	-	37,424
Total current liabilities	692,037	6,551,133	235,221	(219,777)	7,258,614
NET ASSETS, UNRESTRICTED	-	-	-	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 692,037	$ 6,551,133	$ 235,221	$ (219,777)	$ 7,258,614

HOOSIER ACADEMY, INC.

SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL

For the Year Ended June 30, 2018

	Hoosier Academies Indianapolis	Hoosier Academies Virtual School	Insight School of Indiana	Eliminating Entries	Total
REVENUE AND SUPPORT					
State education support	$ 1,323,848	$ 10,746,521	$ 4,926,384	$ -	$ 16,996,753
Grant revenue	235,758	1,629,318	335,109	-	2,200,185
Interest income	282	1,859	-	-	2,141
Other	503,375	196,166	-	(477,000)	222,541
Total revenue and support	2,063,263	12,573,864	5,261,493	(477,000)	19,421,620
EXPENSES					
Program services	1,879,906	9,974,956	4,690,725	-	16,545,587
Management and general	183,357	2,598,908	570,768	(477,000)	2,876,033
Total expenses	2,063,263	12,573,864	5,261,493	(477,000)	19,421,620
CHANGE IN NET ASSETS	-	-	-	-	-
NET ASSETS, BEGINNING OF YEAR	-	-	-	-	-
NET ASSETS, END OF YEAR	$ -	$ -	$ -	$ -	$ -

HOOSIER ACADEMY, INC.

SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL

For the Year Ended June 30, 2017

	Hoosier Academies Indianapolis	Hoosier Academies Virtual School	Insight School of Indiana	Total
REVENUE AND SUPPORT				
State education support	$ 1,439,274	$ 18,972,296	$ 4,407,635	$ 24,819,205
Grant revenue	284,715	1,373,453	41,866	1,700,034
Interest income	232	1,895	-	2,127
Other	33,129	2,667	-	35,796
Total revenue and support	1,757,350	20,350,311	4,449,501	26,557,162
EXPENSES				
Program services	1,563,768	17,640,557	4,153,078	23,357,403
Management and general	193,582	2,709,754	296,423	3,199,759
Total expenses	1,757,350	20,350,311	4,449,501	26,557,162
CHANGE IN NET ASSETS	-	-	-	-
NET ASSETS, BEGINNING OF YEAR	-	-	-	-
NET ASSETS, END OF YEAR	$ -	$ -	$ -	$ -

See independent auditors' report

INDEPENDENT AUDITORS' 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*

The Board of Directors
Hoosier Academy, Inc.

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, the financial statements of Hoosier Academy, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hoosier Academy, Inc.'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 Hoosier Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Hoosier Academy, Inc.'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 Hoosier Academy, Inc.'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 Hoosier Academy, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hoosier Academy, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

Indianapolis, Indiana
December 20, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *THE UNIFORM GUIDANCE*

The Board of Directors
Hoosier Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited Hoosier Academy, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2018. The School'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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hoosier Academy, Inc.'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; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 Hoosier Academy, Inc.'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 Hoosier Academy, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Hoosier Academy, Inc. 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 Hoosier Academy, Inc. 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 Hoosier Academy, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 Hoosier Academy, Inc.'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.

DONOVAN

Indianapolis, Indiana
December 20, 2018

HOOSIER ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Qualified Opinion
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Part A Cluster Grants to Local Educational Agencies

Dollar threshold use to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

HOOSIER ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2018

The reports presented herein were prepared in addition to another official report prepared for Hoosier Academy, Inc. as listed below:

Supplemental Audit Report of Hoosier Academy, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.