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January 9, 2019

Charter School Board
Neighborhood Charter Network, Inc.
3725 Kiel Ave.
Indianapolis, IN 46224

We have reviewed the Supplemental Audit Report for Neighborhood Charter Network, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Page 3 contains two audit results and comments. Management's response is on page 5.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**SUPPLEMENTAL AUDIT REPORT
OF
NEIGHBORHOOD CHARTER NETWORK, INC.**

MARION COUNTY, INDIANA

July 1, 2017 to June 30, 2018



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NEIGHBORHOOD CHARTER NETWORK, INC.
MARION COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Dennis Casey	07/01/17 – 06/30/18
Executive Director	Kevin Kubacki	07/01/17 – 06/30/18
Treasurer	Terry Baker	07/01/17 – 06/30/18



Donovan CPAs

The Board of Directors
Neighborhood Charter Network, Inc.

We have audited the financial statements of Neighborhood Charter Network, Inc., (“NCN”) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 18, 2018. As part of our audit, we tested the School’s compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Indianapolis, Indiana
December 18, 2018

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NEIGHBORHOOD CHARTER NETWORK, INC.

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2017 to June 30, 2018

REQUIRED REPORTS

We examined the Form 9 reports submitted by both Neighborhood Charter Network, Inc. schools for the period July 1, 2017 to June 30, 2018. We noted that neither of the schools were in compliance as the Form 9 did not accurately reflect fund activity during the year and the total cash balances did not agree with cash per the financial records.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

SCHOOL LUNCH ELIGIBILITY

NCN was unable to provide any applications for the Kindezi students selected for eligibility testing.

The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. [7 CFR, part 245.6(c)]

The governing board is charged with the duty to preserve, keep, maintain, or file all the official records of the political subdivision pursuant to IC 5-15-1-1.

A public record is defined as all documentation of the informational, communicative or decision-making processes of the political subdivision in connection with the transaction of public business or governmental functions, which documentation is created, received, retained, maintained, or filed by the political subdivision as evidence of its activities or because of the information value of the data in the documentation, and which is generated on paper or paper substitutes; photographic or chemically based media; magnetic or machine readable media; or any other materials, regardless of form or characteristics. [IC 5-15-5.1-1] (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 12)

NEIGHBORHOOD CHARTER NETWORK, INC.

MARION COUNTY, INDIANA

Exit Conference

July 1, 2017 to June 30, 2018

The contents of this report were discussed on December 18, 2018 with Dennis Casey (Board Chair), Kevin Kubacki (Executive Director), Denise Castellanos (Director of Operations), Brian Anderson (consultant), and Kim Ballin (Consultant). The Official Response has been made a part of this report and may be found on page 5.



December 18, 2018

Donovan CPAs
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

The Neighborhood Charter Network has already or will take the following actions to address the FY2018 supplemental audit report comments:

1. We will continue to manage the differences in timing and required reporting that exist for charter schools in the state of Indiana. As part of that, we will monitor our cash basis fund reporting on our Form 9 submission and adjust as necessary. Adjustments are typically required when we either make accrual-based receivable and payable adjustments or when we receive retroactive grant budget approvals after a reporting deadline has already passed.
2. We have already addressed staffing needs at Kindezi Academy and implemented a better system of receiving and tracking lunch eligibility documentation.

Sincerely,

Denise Castellanos

Neighborhood Charter Network
Denise Castellanos, Director of Operations