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February 4, 2019

Charter School Board
Indianapolis Metropolitan High School, LLC
1635 W. Michigan St.
Indianapolis, IN 46222

We have reviewed the report prepared by Indianapolis Metropolitan High School, LLC 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 Indianapolis Metropolitan High School, LLC 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 Indianapolis Metropolitan High School, LLC, 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
Paul D. Joyce, CPA
State Examiner

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JUNE 30, 2018 AND 2017

GREENWALT CPAs

We Deliver Peace of Mind

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC
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INDEPENDENT AUDITORS' REPORT

To the Boards of Directors of Goodwill Education Initiatives, Inc.
and Indianapolis Metropolitan High School, LLC:

Report on the Financial Statements

We have audited the accompanying financial statements of Indianapolis Metropolitan High School, LLC (an Indiana public charter school), 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 and *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 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 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 Indianapolis Metropolitan High School, LLC as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Greenwald CPAs, Inc.

December 3, 2018

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 2,220,804	\$ 1,943,222
Accounts receivable	77,938	54,363
Prepayments	3,061	8,862
Inventory	2,441	2,441
	<hr/>	<hr/>
<i>Total current assets</i>	2,304,244	2,008,888
PROPERTY AND EQUIPMENT, NET	<hr/>	<hr/>
	86,533	82,238
TOTAL ASSETS	<hr/>	<hr/>
	\$ 2,390,777	\$ 2,091,126

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 23,771	\$ 53,313
Accrued liabilities	74,751	31,354
	<hr/>	<hr/>
<i>Total current liabilities</i>	98,522	84,667
CONTINGENCIES (NOTES 5 AND 6)		
NET ASSETS		
Unrestricted	<hr/>	<hr/>
	2,292,255	2,006,459
TOTAL LIABILITIES AND NET ASSETS	<hr/>	<hr/>
	\$ 2,390,777	\$ 2,091,126

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUE		
State and Federal grants	\$ 2,981,554	\$ 2,789,733
Student fees	2,754	10,939
Other income	<u>7,239</u>	<u>14,674</u>
<i>Total revenue</i>	<u>2,991,547</u>	<u>2,815,346</u>
SUPPORT		
Gifts and contributions	38,439	21,189
Gifts in-kind	<u>742,420</u>	<u>654,500</u>
<i>Total support</i>	<u>780,859</u>	<u>675,689</u>
<i>Total revenue and support</i>	<u>3,772,406</u>	<u>3,491,035</u>
EXPENSES		
Wages and benefits	1,635,789	1,503,925
Professional fees	527,443	534,582
Supplies and materials	106,294	83,823
Lunch program	115,375	104,645
Student transportation	56,918	74,191
Extra-curricular activities	49,446	65,582
Rent, including in-kind of \$742,420 and \$654,500 in 2018 and 2017, respectively	842,420	752,000
Other occupancy	54,219	41,636
Scholarships	4,250	21,189
Depreciation	48,154	81,296
Other expenses	<u>46,302</u>	<u>40,965</u>
<i>Total expenses</i>	<u>3,486,610</u>	<u>3,303,834</u>
INCREASE IN NET ASSETS	285,796	187,201
NET ASSETS, BEGINNING OF YEAR	<u>2,006,459</u>	<u>1,819,258</u>
NET ASSETS, END OF YEAR	<u>\$ 2,292,255</u>	<u>\$ 2,006,459</u>

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

INCREASE IN CASH

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 285,796	\$ 187,201
Depreciation	48,154	81,296
<i>(Increase) decrease in operating assets:</i>		
Accounts receivable	(23,575)	(10,081)
Prepayments	5,801	5,147
Inventory	-	(65)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	(29,542)	(30,929)
Accrued liabilities	43,397	(40,864)
	<u>330,031</u>	<u>191,705</u>
<i>Net cash provided by operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(52,449)</u>	<u>(57,582)</u>
	277,582	134,123
INCREASE IN CASH	<u>1,943,222</u>	<u>1,809,099</u>
CASH, BEGINNING OF YEAR	<u>\$ 2,220,804</u>	<u>\$ 1,943,222</u>
CASH, END OF YEAR	<u>\$ 2,220,804</u>	<u>\$ 1,943,222</u>
SCHEDULE OF NONCASH OPERATING ACTIVITIES		
In-kind rent	<u>\$ 742,420</u>	<u>\$ 654,500</u>

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

Indianapolis Metropolitan High School, LLC (Indianapolis Met) is an Indiana public charter high school operating under the ownership and control of Goodwill Education Initiatives, Inc. (GEI). GEI, an Indiana non-profit corporation, provides educational opportunities designed to enable young people and adults to prepare for productive lives. GEI operates public charter high schools (Indianapolis Met and the Excel Centers, interchangeably referred to herein as "the schools") in central Indiana, under the provisions of the Indiana Charter School laws and the chartering authorities of the Mayor of Indianapolis and the Indiana Charter School Board. Indianapolis Met operates under a charter issued by the Mayor of Indianapolis. GEI is a wholly-owned and controlled subsidiary of Goodwill of Central and Southern Indiana, Inc. (Goodwill), also an Indiana non-profit corporation.

The schools receive the majority of their funding from the Indiana Department of Education. Their revenues are supplemented with funds from the United States Department of Education, private grants, and gifts. The Met completed its fourteenth year of operation on June 30, 2018 and student enrollment for the most recently completed school year was 265 students.

Indianapolis Met primarily serves underprivileged, at risk students in grades 9 through 12 in Indianapolis. Demographically, nearly 86% of Indianapolis Met's students qualify for free or reduced lunch, 91% identify themselves as minority students, 20% have special needs, and the majority of incoming students arrive at Indianapolis Met two or more grade levels behind in reading and math skills.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from these estimates. For annual financial reporting purposes, Indianapolis Met uses a fiscal year that begins on July 1 and ends the following June 30.

CASH

Indianapolis Met considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2018 and 2017. Indianapolis Met maintains cash balances at a commercial bank. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018 Indianapolis Met maintained cash in excess of the FDIC coverage limits of approximately \$2,000,000.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and are due from Indiana governmental entities and private funders over periods of time up to thirty days from the statement of financial position date.

Accounts receivable are stated at the amount determined by public statute or by the underlying private funding agreements. Generally, there is not significant risk of loss of these amounts due since they are statutorily determined and obligated. However, there is some risk that public funding from the State of Indiana could be reduced from amounts previously determined during periods of prolonged economic downturn. Management is unable to determine the likelihood of reduced funding, and has not recorded a reserve related thereto.

INVENTORY

Inventory, consisting of student uniforms, has been valued at the lower of cost or market determined on a first in, first out (FIFO) basis.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at historical cost if purchased or fair value on the date of donation. Depreciation is computed on the straight-line method over estimated useful lives ranging from 3 to 10 years. Indianapolis Met does not own any real property.

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 342,927	\$ 337,501
Computer hardware	651,421	624,879
Software	433,395	433,395
Vehicles	99,979	99,979
Furniture	696,168	696,168
Textbooks	32,388	32,387
Work in progress	20,483	-
	<u>2,276,761</u>	<u>2,224,309</u>
Accumulated depreciation	<u>(2,190,228)</u>	<u>(2,142,071)</u>
Total property and equipment, net	<u>\$ 86,533</u>	<u>\$ 82,238</u>

NET ASSETS

Indianapolis Met maintains the following classifications of net assets:

Unrestricted

These include revenue and expenses from the regular operations of Indianapolis Met, which are at the discretion of management and the GEI Board of Directors.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Temporarily Restricted

These include donations and grant revenues used to meet expenses of current operations in accordance with restrictions specified by the donors or grantors. 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. There were no temporarily restricted net assets at June 30, 2018 and 2017.

CONTRIBUTIONS

Contributions are recognized when the donor makes an unconditional promise to give to Indianapolis Met and are recorded at their fair values as revenues and assets in the period the promise is received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

ADVERTISING

Advertising and printing expenses totaled \$17,798 and \$28,656 for fiscal years 2018 and 2017, respectively. Indianapolis Met's policy is to record advertising expenditures in the period in which they are incurred.

FUNCTIONAL EXPENSE

A summary of expenses by functional classification for the years ended June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Program activities:		
Classroom instruction	\$ 889,331	\$ 895,447
Student counseling	348,772	214,060
Special education services	132,353	163,105
Extra-curricular activities	70,043	87,259
Other program activities	<u>1,117,504</u>	<u>1,071,306</u>
Total program activities	<u>2,558,003</u>	<u>2,431,177</u>
Supporting activities:		
Program support	486,845	434,165
Administrative support	<u>441,762</u>	<u>438,492</u>
Total support activities	<u>928,607</u>	<u>872,657</u>
Total functional expenses	<u>\$ 3,486,610</u>	<u>\$ 3,303,834</u>

SUBSEQUENT EVENTS

Subsequent events have been considered through December 3, 2018, which was the date the financial statements were available to be issued.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. TAX STATUS

Indianapolis Met is a wholly-owned LLC of GEI, and as a result, the IRS disregards Indianapolis Met as a separate taxable entity and considers Indianapolis Met as part of GEI for tax reporting purposes.

GEI is an Indiana non-profit corporation and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. However, if income was generated from certain activities not directly related to GEI's tax-exempt purposes, such income would be subject to taxation as unrelated business income. GEI is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

3. RETIREMENT PLAN

Indianapolis Met employees are employed and paid by GEI. Certain Indianapolis Met employees (licensed teachers, counselors and certain administrative staff) are eligible to participate in the Indiana Teachers Retirement Fund (TRF). By statute, employers are required to contribute 7.5% of an employee's pretax gross income to TRF. Employers may also elect to contribute an additional 3% in lieu of the employee's own contributions. GEI has elected to make the voluntary contribution on behalf of its eligible employees, including employees of Indianapolis Met. Indianapolis Met contributed \$86,118 and \$87,052 to TRF on behalf of its employees for fiscal years 2018 and 2017, respectively. TRF 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. Should Indianapolis Met elect to withdraw from TRF, Indianapolis Met could be subject to a withdrawal fee. Indianapolis Met'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

Goodwill also maintains a discretionary thrift plan for eligible employees. For employees not eligible for TRF, Goodwill matches 100% of eligible employees' pre-tax contributions up to 6% of gross income. Goodwill may also make discretionary contributions to this plan. Employer matching contributions vest immediately, and employer discretionary contributions vest after three years or in the event of death or disability. Indianapolis Met's expense relating to contributions to the Goodwill thrift plan for the fiscal years 2018 and 2017 was \$3,302 and \$8,082, respectively.

4. RELATED PARTY TRANSACTIONS

Indianapolis Met is owned and operated by GEI. GEI, through INI Schools (a division of GEI), provides employees, certain school-specific administrative services, and general management and oversight of the Met. GEI charges Indianapolis Met for its expenses related to the services provided. No markup is added to the fees charged to the schools. During fiscal years 2018 and 2017, the Met reimbursed \$279,996 and \$295,000, respectively to GEI for administrative services.

Goodwill provides space at its Indianapolis headquarters campus to Indianapolis Met. Indianapolis Met paid \$100,000 and \$97,500 in 2018 and 2017, respectively, to Goodwill for rental of the facilities space. The non-billed portion of the contributed space is considered an in-kind contribution and is recorded as revenue and expense in the Statement of Activities. In fiscal years 2018 and 2017, Goodwill provided \$742,420 and \$654,500 of in-kind rent, respectively. These in-kind contributions are treated as non-cash transactions and are excluded from the accompanying statements of cash flows.

4. RELATED PARTY TRANSACTIONS, CONTINUED

Goodwill also pays certain operating expenses, including certain employee benefits, of Indianapolis Met, for which Indianapolis Met fully reimburses Goodwill. No markup is charged. In fiscal years 2018 and 2017, Indianapolis Met paid Goodwill \$318,029 and \$407,643 for these expenses, respectively. At June 30, 2018 and 2017, Indianapolis Met owed Goodwill \$17,234 and \$30,164, respectively, which is included in accounts payable in the statements of financial position.

Goodwill Foundation of Central and Southern Indiana, Inc. (the Foundation) is an Indiana non-profit corporation related to Goodwill. The Foundation provides grants to Indianapolis Met for new initiatives and college scholarships for qualifying Met graduates. During fiscal years 2018 and 2017, Indianapolis Met received \$38,439 and \$21,189, respectively, of grant revenue from the Foundation. This revenue is included in Gifts and Contributions in the Statements of Activities.

Indianapolis Met employees participate in Goodwill's health care benefits plan. Goodwill self-insures for employee and dependent medical benefits up to a per-individual annual maximum of \$100,000, and an aggregate maximum of approximately \$6.6 million. Goodwill purchases reinsurance which pays individual claims that exceed \$100,000 per year. The reinsurer reviews claims annually and upon renewal of the reinsurance policy each year may establish higher specific maximums on selected individuals with high claims risks. Goodwill purchases claims administration services from a third party administrator. Indianapolis Met paid premiums to the Goodwill's health care plan of \$145,541 and \$174,547 for fiscal years 2018 and 2017, respectively.

5. FUTURE GRANT AUDITS

Under the terms of state and federal grants awarded to Indianapolis Met, periodic audits are required and certain costs may be challenged as to the allowability under the terms of the grants. Such audits could lead to reimbursement to the grantor. Management believes the likelihood that material costs incurred by Indianapolis Met will be disallowed is remote.

6. CHARTER

In December 2017, Indianapolis Met received a renewal of its charter agreement from the Mayor of Indianapolis for a period of three years. In accordance with the renewal, the Indianapolis Met must complete certain corrective actions including academic performance, attendance, and graduation outcomes in order to retain its charter.

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

Supplemental Audit Report of the Indianapolis Metropolitan High School, LLC