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April 2, 2019

Charter School Board
Global Preparatory Academy, Inc.
2033 Sugar Grove Ave
Indianapolis, IN 46202

We have reviewed the audit report of Global Preparatory Academy, Inc. which was 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 Global Preparatory 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 finding in the report on pages 19 through 20. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

We call your attention to the Emphasis of Matters paragraph included in the Independent Auditors' Report and further detailed in Notes 2 and 8.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Global Preparatory Academy, Inc., 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

GLOBAL PREPARATORY ACADEMY, 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
Global Preparatory Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Global Preparatory 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 Accounting 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Preparatory 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. 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 March 29, 2019 on our consideration of Global Preparatory 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 Global Preparatory Academy, Inc.'s internal control over financial reporting and compliance.

Emphasis of Matters

As discussed in Note 2 to the financial statements, Global Preparatory Academy, Inc. recorded in-kind contributions and offsetting expenses from Indianapolis Public Schools, a related party, totaling \$1,862,100 during the year ended June 30, 2018. These in-kind transactions represent approximately 28% of total revenue and support and 28% of total expenses for the year ended June 30, 2018. These amounts are calculated by Indianapolis Public Schools using significant estimates and judgments and are recorded by management of Global Preparatory Academy, Inc. as presented. The School received similar in-kind services during the year ended June 30, 2017, however neither the School nor Indianapolis Public Schools has calculated an estimated value for these services. Accordingly, no in-kind amounts have been recorded for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Emphasis of Matters, Continued

As discussed in Note 8 to the financial statements, the 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana
March 29, 2019

GLOBAL PREPARATORY ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,219,129	\$ 1,177,778
Grants receivable	<u>508,351</u>	<u>331,707</u>
<i>Total current assets</i>	<u>1,727,480</u>	<u>1,509,485</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	27,724	21,558
Less: accumulated depreciation	<u>(9,859)</u>	<u>(4,313)</u>
<i>Property and equipment, net</i>	<u>17,865</u>	<u>17,245</u>
TOTAL ASSETS	<u><u>\$ 1,745,345</u></u>	<u><u>\$ 1,526,730</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 50,000	\$ 25,000
Accounts payable and accrued expenses	351,351	220,557
Refundable advances	<u>32,058</u>	<u>22,194</u>
<i>Total current liabilities</i>	433,409	267,751
LONG-TERM LIABILITIES		
Note payable, net of current portion	<u>425,000</u>	<u>475,000</u>
<i>Total liabilities</i>	858,409	742,751
NET ASSETS, UNRESTRICTED	<u>886,936</u>	<u>783,979</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,745,345</u></u>	<u><u>\$ 1,526,730</u></u>

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

GLOBAL PREPARATORY ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>		
	<u>Unrestricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
State education support	\$ 3,713,114	\$ 3,485,820	\$ -	\$ 3,485,820
Grants and contributions	1,189,444	1,023,517	-	1,023,517
In-kind contributions from IPS	1,862,100	-	-	-
Interest	2,046	969	-	969
Other	20,602	13,587	-	13,587
Released from restrictions	-	174,374	(174,374)	-
<i>Total revenue and support</i>	<u>6,787,306</u>	<u>4,698,267</u>	<u>(174,374)</u>	<u>4,523,893</u>
EXPENSES				
Program services	5,451,504	3,088,082	-	3,088,082
Management and general	1,232,845	855,577	-	855,577
<i>Total expenses</i>	<u>6,684,349</u>	<u>3,943,659</u>	<u>-</u>	<u>3,943,659</u>
CHANGE IN NET ASSETS	102,957	754,608	(174,374)	580,234
NET ASSETS, BEGINNING OF YEAR	<u>783,979</u>	<u>29,371</u>	<u>174,374</u>	<u>203,745</u>
NET ASSETS, END OF YEAR	<u>\$ 886,936</u>	<u>\$ 783,979</u>	<u>\$ -</u>	<u>\$ 783,979</u>

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

GLOBAL PREPARATORY ACADEMY, 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						
In-kind expenses:						
Salaries and wages	\$ 194,300	\$ -	\$ 194,300	\$ -	\$ -	\$ -
Student transportation	585,600	-	585,600	-	-	-
Occupancy	511,200	-	511,200	-	-	-
Food costs	190,800	-	190,800	-	-	-
Repairs and maintenance	346,900	-	346,900	-	-	-
Security services	-	33,300	33,300	-	-	-
<i>In-kind expenses, total</i>	<u>1,828,800</u>	<u>33,300</u>	<u>1,862,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Direct expenses:						
Salaries and wages	2,061,820	665,990	2,727,810	1,771,686	457,571	2,229,257
Employee benefits	604,129	203,605	807,734	468,614	190,316	658,930
Staff development	115,321	-	115,321	122,825	-	122,825
Professional services	217,066	267,935	485,001	114,800	137,434	252,234
Student transportation	71,966	-	71,966	31,785	-	31,785
Advertising	-	22,886	22,886	-	4,156	4,156
Food costs	282,022	-	282,022	206,310	-	206,310
Travel and meetings	10,595	8,647	19,242	12,409	10,991	23,400
Classroom and office supplies	156,031	25,353	181,384	229,302	42,287	271,589
Repairs and maintenance	1,387	-	1,387	-	-	-
Information technology	55,669	1,166	56,835	93,760	914	94,674
Depreciation	5,546	-	5,546	4,313	-	4,313
Interest	3,333	-	3,333	3,639	-	3,639
Insurance	28,673	-	28,673	20,114	-	20,114
Other	9,146	3,963	13,109	8,525	11,908	20,433
<i>Direct expenses, total</i>	<u>3,622,704</u>	<u>1,199,545</u>	<u>4,822,249</u>	<u>3,088,082</u>	<u>855,577</u>	<u>3,943,659</u>
<i>Total functional expenses</i>	<u>\$ 5,451,504</u>	<u>\$ 1,232,845</u>	<u>\$ 6,684,349</u>	<u>\$ 3,088,082</u>	<u>\$ 855,577</u>	<u>\$ 3,943,659</u>

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

GLOBAL PREPARATORY ACADEMY, 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	\$ 102,957	\$ 580,234
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,546	4,313
Changes in certain assets and liabilities:		
Grants receivable	(176,644)	(251,701)
Accounts payable and accrued expenses	130,794	210,535
Deferred revenues	<u>9,864</u>	<u>22,194</u>
<i>Net cash provided by operating activities</i>	72,517	565,575
INVESTING ACTIVITIES		
Purchases of property and equipment	(6,166)	(21,558)
FINANCING ACTIVITIES		
Proceeds from (repayments on) note payable	<u>(25,000)</u>	<u>500,000</u>
NET CHANGE IN CASH	41,351	1,044,017
CASH, BEGINNING OF YEAR	<u>1,177,778</u>	<u>133,761</u>
CASH, END OF YEAR	<u><u>\$ 1,219,129</u></u>	<u><u>\$ 1,177,778</u></u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 5,730	\$ -

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Global Preparatory Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a public charter school on July 1, 2016 under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2023 and is renewable thereafter by mutual consent. The School served approximately 350 students in kindergarten through third grade during the 2017-2018 school year.

On March 17, 2016, Global Preparatory Academy, Inc. entered into an Innovation Network School Management Agreement with Indianapolis Public Schools ("IPS") to operate two schools in a single IPS-owned building. During the 2017-2018 school year, kindergarten through third grade operated as Global Preparatory Academy, Inc. and fourth through sixth grade operated as Riverside School #44. For each subsequent year, Global Preparatory Academy, Inc. will take over one additional grade from Riverside School #44 until the entire building is operating as Global Preparatory Academy, Inc. The agreement is for a term of four years, ending June 30, 2020. Under the agreement, IPS will pay to Global Preparatory Academy, Inc. the amount it would receive from the State of Indiana for state basic tuition support and complexity grant funding as if both schools were a traditional charter school. The agreement can be terminated by either party within 30 days of written notice for material breach of the agreement, by IPS at the end of the school year for poor academic performance given written notice to the school 180 days prior, or by both parties by mutual consent effective as of a mutually agreeable date.

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

- Unrestricted net assets - represents 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 - represents net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time. All temporarily restricted funds were expended for their restricted purposes during the year ended June 30, 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.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition – As discussed earlier, the majority of the revenue comes from IPS as part of the Innovation Network School Management Agreement. Under the agreement with IPS, the School receives an amount per student in equal portion as if the School acted as a traditional charter school. Funding from IPS is received monthly.

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. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

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 small equipment purchases 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 of furniture and equipment is 5 years.

Taxes on Income – Global Preparatory 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 School would be subject to tax on income unrelated to its tax-exempt purpose. For the year 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. The tax years ended after 2014 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through March 29, 2019, 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.

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

NOTE 2 - VALUATION OF IN-KIND SERVICES

The School has recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$1,862,100 during the year ended June 30, 2018. These in-kind transactions represent approximately 28% of total revenue and support and 28% of total expenses for the year ended June 30, 2018. The values of these in-kind services are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented. Management has not performed an analysis of the reasonability of the valuations. The School received similar in-kind services during the year ended June 30, 2017, however neither the School nor IPS has calculated an estimated value for these services. Accordingly, no in-kind amounts have been recorded for the year ended June 30, 2017.

NOTE 3 - REFUNDABLE ADVANCES

The School has been awarded grants to provide educational instruction that are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The School had refundable grant advances in excess of expenditures of \$32,058 and \$22,194 as of June 30, 2018 and 2017, respectively.

NOTE 4 - NOTE PAYABLE

The note payable consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Note payable to State Board of Education, payable \$25,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum.	\$ 475,000	\$ 500,000
Less: current portion	<u>50,000</u>	<u>25,000</u>
Long-term portion	\$ <u>425,000</u>	\$ <u>475,000</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.

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

NOTE 4 - NOTE PAYABLE, Continued

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

2019	\$	50,000
2020		50,000
2021		50,000
2022		50,000
2023		50,000
Thereafter		<u>225,000</u>
	\$	<u>475,000</u>

NOTE 5 - RETIREMENT PLANS

The School maintains a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make contributions at its discretion. Alternatively, an employee may participate in the Indiana State Teachers' Retirement Plan ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan sponsored by the State of Indiana and administered by the Indiana Public Retirement System Board. For the years ended June 30, 2018 and 2017, the School contributed 7.5% of defined compensation to each employee's account to their plan of choice. Retirement plan expense was \$12,686 and \$12,594 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Indianapolis 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 concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2018, all of the receivable balance was due from the State of Indiana. In addition, deposits are maintained at The National Bank of Indianapolis and are insured up to the FDIC insurance limit. As of June 30, 2018, funds held at The National Bank of Indianapolis exceeded FDIC insurance limits.

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

NOTE 7 - FUNCTIONAL EXPENSE REPORTING

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

NOTE 8 - PRIOR PERIOD ADJUSTMENT

Net assets as of July 1, 2016 and June 30, 2017 have been adjusted to reflect a change related to revenues for federal cost-reimbursement grants. Management identified certain federal cost-reimbursement revenues which should have been recorded during the years ended June 30, 2017 and 2016. Net assets as of July 1, 2016 and June 30, 2017 have been increased by \$11,274 and \$261,154, respectively. The restatement increased the previously-reported change in net assets by \$249,880 for the year ended June 30, 2017.

SUPPLEMENTARY INFORMATION

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

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 67,033
National School Lunch Program	10.555		<u>147,812</u>
Total for federal grantor agency			<u>214,845</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	17-9975 18-9975	269,675
Special Education Cluster			
Special Education - Grants to States	84.027		95,068
Charter Schools Program	84.282		277,860
Strengthening Institutions Program	84.365A		1,581
Improving Teacher Quality State Grants	84.367		<u>11,581</u>
Total for federal grantor agency			<u>655,765</u>
Total federal awards expended			\$ <u><u>870,610</u></u>

GLOBAL PREPARATORY 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 Global Preparatory 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 Global Preparatory Academy, Inc., it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of Global Preparatory 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.

NOTE 3 - INDIRECT COST RATE

Global Preparatory Academy, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

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
Global Preparatory 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 Global Preparatory 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 March 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Global Preparatory 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 Global Preparatory Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Global Preparatory Academy, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2018-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Global Preparatory 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*.

Global Preparatory Academy, Inc.'s Response to Findings

Global Preparatory Academy, Inc.'s response to the finding in our audit are described in the accompanying schedule of findings and questioned costs. Global Preparatory Academy, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Global Preparatory 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 Global Preparatory Academy, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large initial "D".

Indianapolis, Indiana
March 29, 2019



Donovan CPAs

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
Global Preparatory Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited Global Preparatory 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 schools' major federal programs for the year ended June 30, 2018. Global Preparatory Academy, Inc.'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 Global Preparatory 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 Global Preparatory 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 Global Preparatory Academy, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Global Preparatory 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 Global Preparatory 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 Global Preparatory 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 Global Preparatory 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
March 29, 2019

GLOBAL PREPARATORY 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:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• 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)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.282	Charter Schools Program
10.553	Child Nutrition Cluster
10.555	School Breakfast Program National School Lunch Program

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

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

II. Financial Statement Findings

MATERIAL WEAKNESS

FINDING 2018-1 FINANCIAL REPORTING

Condition

Global Preparatory Academy, Inc. maintains its internal accounting records on the cash basis, as opposed to the accrual basis as required by accounting principles generally accepted in the United States of America.

Cause

Cost-reimbursement revenues were understated by approximately \$630,000 and \$261,000 during the years ended June 30, 2018 and 2017, respectively.

Effect

This material weakness in internal control resulted in approximately \$630,000 of revenues recorded in the wrong period, which would have remained uncorrected had an audit not occurred. This also resulted in a restatement of the prior year financial statements.

Recommendation

We recommend the School maintain its financial records on the accrual basis to avoid similar errors in future reporting periods.

Global Preparatory Academy, Inc.'s Response

Subsequent to the Global Preparatory Academy, Inc.'s fiscal year end, the school hired an outside bookkeeping firm experienced in accrual-basis reporting specific to charter school. The school, the outside bookkeeper, and the Board of Directors are collectively working together to develop a financial reporting model that both meets the needs of the users of the financial statements and reports all balances and activity on the accrual basis.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

GLOBAL PREPARATORY 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 the School as listed below:

Supplemental Audit Report of Global Preparatory 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*.