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April 10, 2019


Charter School Board
Lighthouse Academies of Northwest Indiana, Inc.
29140 Chapel Park Drive
Wesley Chapel, FL 33543

We have reviewed the audit report of Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, Inc. as of June 30, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared 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 Lighthouse Academies of Northwest Indiana, 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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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
Lighthouse Academies of Northwest Indiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Lighthouse Academies of Northwest Indiana, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Academies of Northwest Indiana, 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 and schedules of activities and change in net assets by school on pages 14 through 17 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 March 28, 2019 on our consideration of Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
March 28, 2019

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,464,089	\$ 1,875,838
Cash - restricted for bond interest	299,082	118,605
Accounts receivable:		
Grants	818,451	600,265
Other	13,532	-
Prepaid expenses	<u>36,110</u>	<u>88,437</u>
<i>Total current assets</i>	<u>3,631,264</u>	<u>2,683,145</u>
PROPERTY AND EQUIPMENT, NET	<u>17,892,590</u>	<u>18,247,289</u>
OTHER ASSETS		
Cash - restricted for debt service	1,689,287	1,609,215
Cash - restricted for property repairs and replacement	<u>201,778</u>	<u>200,073</u>
<i>Total other assets</i>	<u>1,891,065</u>	<u>1,809,288</u>
TOTAL ASSETS	<u>\$ 23,414,919</u>	<u>\$ 22,739,722</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 280,000	\$ -
Current portion of note payable	-	66,667
Accounts payable and accrued expenses	<u>2,366,874</u>	<u>2,022,673</u>
<i>Total current liabilities</i>	<u>2,646,874</u>	<u>2,089,340</u>
LONG-TERM LIABILITIES		
Bonds payable	19,670,000	19,950,000
Less: unamortized debt issuance costs	<u>(244,222)</u>	<u>(253,438)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>19,425,778</u>	<u>19,696,562</u>
<i>Total liabilities</i>	22,072,652	21,785,902
NET ASSETS	<u>1,342,267</u>	<u>953,820</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,414,919</u>	<u>\$ 22,739,722</u>

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT		
State education support	\$ 15,704,600	\$ 14,553,941
Grant revenue	6,006,091	4,960,406
Student fees	108,550	66,105
Contributions	-	7,184
Fundraising	73,879	50,747
Interest	18,892	-
Other	58,694	80,565
<i>Total revenue and support</i>	<u>21,970,706</u>	<u>19,718,948</u>
EXPENSES		
Program services	18,080,661	16,270,249
Management and general	3,472,240	3,245,923
Fundraising	29,358	25,904
<i>Total expenses</i>	<u>21,582,259</u>	<u>19,542,076</u>
CHANGE IN NET ASSETS	388,447	176,872
NET ASSETS, BEGINNING OF YEAR	<u>953,820</u>	<u>776,948</u>
NET ASSETS, END OF YEAR	<u>\$ 1,342,267</u>	<u>\$ 953,820</u>

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
FUNCTIONAL EXPENSES								
Salaries and wages	\$ 8,404,447	\$ 959,949	\$ -	\$ 9,364,396	\$ 7,949,040	\$ 982,679	\$ -	\$ 8,931,719
Employee benefits	1,957,996	256,500	-	2,214,496	1,774,768	314,188	-	2,088,956
Staff development and recruitment	54,735	-	-	54,735	64,004	-	-	64,004
Academic services - Lighthouse Academies	-	1,625,590	-	1,625,590	-	1,419,426	-	1,419,426
Authorizer oversight fee	-	322,391	-	322,391	-	297,266	-	297,266
Food service	1,024,003	-	-	1,024,003	1,064,872	-	-	1,064,872
Transportation service	1,240,874	-	-	1,240,874	1,128,636	-	-	1,128,636
Other professional services	611,212	179,192	-	790,404	603,957	143,213	-	747,170
Equipment rental	724,070	-	-	724,070	35,386	-	-	35,386
Classroom, kitchen, and office supplies	623,757	66,962	-	690,719	350,777	47,182	-	397,959
Occupancy	1,120,832	-	-	1,120,832	1,113,087	-	-	1,113,087
Depreciation	819,738	-	-	819,738	705,640	-	-	705,640
Amortization	9,216	-	-	9,216	4,608	-	-	4,608
Interest	1,409,637	-	-	1,409,637	1,419,032	-	-	1,419,032
Other	80,144	61,656	29,358	171,158	56,442	41,969	25,904	124,315
<i>Total functional expenses</i>	<u>\$ 18,080,661</u>	<u>\$ 3,472,240</u>	<u>\$ 29,358</u>	<u>\$ 21,582,259</u>	<u>\$ 16,270,249</u>	<u>\$ 3,245,923</u>	<u>\$ 25,904</u>	<u>\$ 19,542,076</u>

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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	\$ 388,447	\$ 176,872
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	819,738	705,640
Amortization	9,216	4,608
Changes in certain assets and liabilities:		
Grants receivable	(218,186)	(191,428)
Other receivable	(13,532)	1,847
Prepaid expenses	52,327	39,267
Accounts payable and accrued expenses	<u>344,201</u>	<u>415,298</u>
<i>Net cash provided by operating activities</i>	<u>1,382,211</u>	<u>1,152,104</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(465,039)</u>	<u>(132,112)</u>
FINANCING ACTIVITIES		
Principal repayment of capital lease obligations	-	(22,946)
Principal repayment of note payable	(66,667)	(50,000)
Increase in cash - restricted for bond interest	(180,477)	(118,605)
Increase in cash - restricted for property repairs and replacement	(1,705)	-
Increase in cash - restricted for debt service	(80,072)	(96,090)
Cash paid at bond closing	<u>-</u>	<u>(144,204)</u>
<i>Net cash used in financing activities</i>	<u>(328,921)</u>	<u>(431,845)</u>
NET CHANGE IN CASH	588,251	588,147
CASH, BEGINNING OF YEAR	<u>1,875,838</u>	<u>1,287,691</u>
CASH, END OF YEAR	<u>\$ 2,464,089</u>	<u>\$ 1,875,838</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 1,409,637	\$ 1,419,032
Purchases of property and equipment financed through accrued expenses	-	41,238
Financed through bonds payable:		
Capital lease obligations retirement	-	13,182,654
Purpose restricted cash acquired	-	1,713,198
Increase in value of property and equipment	-	4,940,306
Debt issuance costs	-	258,046

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Lighthouse Academies of Northwest Indiana, Inc. ("LANWI"), a public benefit not-for-profit organization incorporated under the laws of the State of Indiana, is the organizer and governing body of two charter schools located in Indiana. Both schools are public charter schools established under Indiana Code 20-24 and sponsored by Ball State University. Gary Lighthouse Charter School served approximately 1,540 students in grades kindergarten through 12 and East Chicago Lighthouse Charter School served approximately 500 students in grades kindergarten through eight during the 2017 - 2018 school year.

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 primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the schools receive an amount per student in relation to the funding received by other public schools in the same geographic areas. Funding from the State of Indiana is based on enrollment, and is 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 LANWI's revenue is the product of cost reimbursement grants. Accordingly, LANWI recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

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.

Grants Receivable – Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. LANWI believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Debt Issuance Costs – During 2017, LANWI incurred costs associated with securing financing under Indiana Finance Authority Education Facilities Revenue Bonds. Total costs incurred were \$258,046. Amortization is provided on a straight-line basis over the term of the bonds (27 years). Accumulated amortization was \$13,824 and \$4,608 as of June 30, 2018 and 2017, respectively. Amortization expense was \$9,216 and \$4,608 for the years ended June 30, 2018 and 2017, respectively. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$5,000 are charged to expense as incurred.

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

Buildings and improvements	30 years
Furniture and equipment	3 to 5 years

Taxes on Income – Lighthouse Academies of Northwest Indiana, 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 LANWI 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. LANWI has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2014 are open to audit for both federal and state purposes.

Subsequent Events – LANWI evaluated subsequent events through March 28, 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.

NOTE 2 - RESTRICTED CASH

Cash - restricted for bond interest is reserved for the payment of interest on the bond semi-annually. Funds are placed in the account monthly to cover one-sixth of the semi-annual interest payment.

Cash - restricted for debt service is reserved for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements. Bond proceeds funded \$1,513,122 of the balance in this fund. LANWI was required to deposit \$16,015 monthly into this fund from January 2017 to November 2017.

Cash - restricted for property repairs and replacement was established with the bond proceeds and represents resources available for repairing and replacing facilities.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,245,200	\$ 1,245,200
Buildings and improvements	17,003,434	16,865,731
Furniture and equipment	<u>1,860,816</u>	<u>1,533,479</u>
	20,109,450	19,644,410
Less: accumulated depreciation	<u>(2,216,860)</u>	<u>(1,397,121)</u>
	<u>\$ 17,892,590</u>	<u>\$ 18,247,289</u>

NOTE 4 - BONDS PAYABLE

During 2017, LANWI refinanced its obligations related to its school facilities. Previously, LANWI had entered into a lease arrangement with CFM – NW Indiana, LLC. During 2017, LANWI purchased its facilities with Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2016 with original amounts totaling \$19,950,000. Principal is payable in annual installments that increase from \$280,000 to \$1,575,000, beginning in December 2018 and maturing in December 2044. Interest payments are made semi-annually at rates ranging from 6.25% to 7.25% in accordance with the bond agreements. The bonds are secured by land, buildings, and improvements.

The Indiana Finance Authority Educational Facilities Revenue Bond agreements contain certain covenants requiring:

- submission of audited financial statements within 150 days after the end of the fiscal year or, if audited financial statements are not available at that time, unaudited financial statements, and audited financial statements within ten business days after availability;
- a minimum 35 days' cash on hand as of June 30, 2018 and 2017, and a minimum 45 days' cash on hand as of June 30, 2019 and each June 30 thereafter; and
- meeting a minimum debt service coverage ratio of 1.15 to 1.00, measured annually.

LANWI was in compliance with the covenants as of and for the years ended June 30, 2018 and 2017.

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

2019	\$ 280,000
2020	295,000
2021	315,000
2022	335,000
2023	355,000
Thereafter	<u>18,367,454</u>
	<u>\$ 19,950,000</u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

NOTE 5 - NOTE PAYABLE

LANWI had a note payable due to Lighthouse Academies, Inc., which is under contract to manage the LANWI schools. The note provided for monthly interest payments at 4.5% per annum. Principal payments were due and payable at such times as LANWI has unencumbered funds to make a payment when considering other debts then currently owed. The note was to be paid evenly in three payments of \$83,333 in 2015, 2016, and 2017, however, only \$50,000 was paid on the note in both 2017 and 2016. The note was secured by certain items of personal property. The note was paid in full in 2018.

NOTE 6 - LEASES

LANWI leases certain items of equipment under operating leases. Total lease expense under operating leases was \$80,671 and \$110,148 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments are as follows for the years ending June 30:

2019	\$	57,132
2020		57,132
2021		24,916

NOTE 7 - RETIREMENT PLAN

All LANWI personnel are employees of Lighthouse Academies, Inc., which provides management services to LANWI. LANWI personnel are eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, LANWI matches 100% of employee contributions up to 4% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the LANWI Board of Directors. No discretionary contributions were made during the years ended June 30, 2018 and 2017. Retirement plan was \$53,762 and \$76,182 expense for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 - COMMITMENTS

LANWI has contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreements, LANWI has agreed to pay an amount equal to 7.5% of revenue, as defined, for such services, plus any necessary travel costs. Expense under the agreements for both academic oversight and travel costs was \$1,625,590 and \$1,419,426 for the years ended June 30, 2018 and 2017, respectively. This agreement remains in effect as long as the schools' charters remain in effect.

LANWI's two schools operate under charters granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charters, LANWI has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received associated with its two schools. Total expense under the charter agreements was \$322,391 and \$297,266 for the years ended June 30, 2018 and 2017, respectively.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

NOTE 9 - RISKS AND UNCERTAINTIES

LANWI provides education services to families residing in Lake and surrounding counties of 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 LANWI. Additionally, LANWI is subject to monitoring and audit by state and federal agencies. These examinations may result in additional liability to be imposed.

Financial instruments that potentially subject LANWI to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2018 and 2017, substantially all receivable balances were due from the State of Indiana. Cash deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and are insured up to the FDIC insurance limit of \$250,000. As of June 30, 2018 and 2017, LANWI carried balances in its bank accounts in excess of FDIC insurance limits.

NOTE 10 - 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, management and general, and fundraising.

SUPPLEMENTARY INFORMATION

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF EXPEDITURES 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		\$ 330,206
National School Lunch Program	10.555		<u>852,706</u>
<i>Total for federal grantor agency</i>			<u>1,182,912</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	17-9535/18-9535 17-9595/18-9595	2,974,124
Special Education Cluster			
Special Education - Grants to States	84.027	14217-561-PN01 14217-501-PN01	270,450
English Language Acquisition State Grants	84.365		13,000
Improving Teacher Quality State Grants	84.367		144,500
Student Support and Academic Enrichment			
Grants	84.424		<u>22,145</u>
<i>Total for federal grantor agency</i>			<u>3,424,219</u>
 Total federal awards expended			 \$ <u><u>4,607,131</u></u>

See independent auditors' report and accompanying notes to this schedule

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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 Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, Inc., it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of Lighthouse Academies of Northwest Indiana, 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.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2018

	<u>Gary</u>	<u>East Chicago</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,930,089	\$ 534,000	\$ -	\$ 2,464,089
Cash - restricted for bond interest	239,266	59,816	-	299,082
Accounts receivable:				
Grants	718,147	100,304	-	818,451
Other	143,962	13,032	(143,462)	13,532
Prepaid expenses	22,551	13,559	-	36,110
<i>Total current assets</i>	<u>3,054,015</u>	<u>720,711</u>	<u>(143,462)</u>	<u>3,631,264</u>
PROPERTY AND EQUIPMENT, NET	<u>14,345,135</u>	<u>3,547,455</u>	<u>-</u>	<u>17,892,590</u>
OTHER ASSETS				
Cash - restricted for debt service	1,358,256	331,031	-	1,689,287
Cash - restricted for property repairs and replacement	162,325	39,453	-	201,778
<i>Total other assets</i>	<u>1,520,581</u>	<u>370,484</u>	<u>-</u>	<u>1,891,065</u>
TOTAL ASSETS	<u>\$ 18,919,731</u>	<u>\$ 4,638,650</u>	<u>\$ (143,462)</u>	<u>\$ 23,414,919</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current portion of bonds payable	\$ 225,263	\$ 54,737	\$ -	\$ 280,000
Accounts payable and accrued expenses	1,819,174	691,162	(143,462)	2,366,874
<i>Total current liabilities</i>	<u>2,044,437</u>	<u>745,899</u>	<u>(143,462)</u>	<u>2,646,874</u>
LONG-TERM LIABILITIES				
Bonds payable	15,824,737	3,845,263	-	19,670,000
Less: unamortized debt issuance costs	(196,480)	(47,742)	-	(244,222)
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>15,628,257</u>	<u>3,797,521</u>	<u>-</u>	<u>19,425,778</u>
<i>Total liabilities</i>	17,672,694	4,543,420	(143,462)	22,072,652
NET ASSETS	<u>1,247,037</u>	<u>95,230</u>	<u>-</u>	<u>1,342,267</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,919,731</u>	<u>\$ 4,638,650</u>	<u>\$ (143,462)</u>	<u>\$ 23,414,919</u>

See independent auditors' report

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2017

	<u>Gary</u>	<u>East Chicago</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,502,626	\$ 373,212	\$ -	\$ 1,875,838
Cash - restricted for bond interest	94,884	23,721	-	118,605
Accounts receivable:				
Grants	423,379	176,886	-	600,265
Other	96,715	7,722	(104,437)	-
Prepaid expenses	56,435	32,002	-	88,437
<i>Total current assets</i>	<u>2,174,039</u>	<u>613,543</u>	<u>(104,437)</u>	<u>2,683,145</u>
PROPERTY AND EQUIPMENT, NET	<u>14,646,605</u>	<u>3,600,684</u>	<u>-</u>	<u>18,247,289</u>
OTHER ASSETS				
Cash - restricted for debt service	1,294,198	315,017	-	1,609,215
Cash - restricted for property repairs and replacement	160,961	39,112	-	200,073
<i>Total other assets</i>	<u>1,455,159</u>	<u>354,129</u>	<u>-</u>	<u>1,809,288</u>
TOTAL ASSETS	<u>\$ 18,275,803</u>	<u>\$ 4,568,356</u>	<u>\$ (104,437)</u>	<u>\$ 22,739,722</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Note payable	\$ -	66,667	\$ -	\$ 66,667
Accounts payable and accrued expenses	1,489,678	637,432	(104,437)	2,022,673
<i>Total current liabilities</i>	<u>1,489,678</u>	<u>704,099</u>	<u>(104,437)</u>	<u>2,089,340</u>
LONG-TERM LIABILITIES				
Bonds payable	16,050,000	3,900,000		19,950,000
Less: unamortized debt issuance costs	(203,894)	(49,544)	-	(253,438)
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>15,846,106</u>	<u>3,850,456</u>	<u>-</u>	<u>19,696,562</u>
<i>Total liabilities</i>	17,335,784	4,554,555	(104,437)	21,785,902
NET ASSETS	<u>940,019</u>	<u>13,801</u>	<u>-</u>	<u>953,820</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,275,803</u>	<u>\$ 4,568,356</u>	<u>\$ (104,437)</u>	<u>\$ 22,739,722</u>

See independent auditors' report

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL
For the Year Ended June 30, 2018

	<u>Gary</u>	<u>East Chicago</u>	<u>Total</u>
REVENUE AND SUPPORT			
State education support	\$ 11,878,141	\$ 3,826,459	\$ 15,704,600
Grant revenue	4,854,927	1,151,164	6,006,091
Student fees	90,330	18,220	108,550
Fundraising	20,598	53,281	73,879
Interest	15,114	3,778	18,892
Other	<u>58,216</u>	<u>478</u>	<u>58,694</u>
<i>Total revenue and support</i>	<u>16,917,326</u>	<u>5,053,380</u>	<u>21,970,706</u>
EXPENSES			
Program services	13,941,681	4,138,980	18,080,661
Management and general	2,668,627	803,613	3,472,240
Fundraising	<u>-</u>	<u>29,358</u>	<u>29,358</u>
<i>Total expenses</i>	<u>16,610,308</u>	<u>4,971,951</u>	<u>21,582,259</u>
CHANGE IN NET ASSETS	307,018	81,429	388,447
NET ASSETS, BEGINNING OF YEAR	<u>940,019</u>	<u>13,801</u>	<u>953,820</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,247,037</u></u>	<u><u>\$ 95,230</u></u>	<u><u>\$ 1,342,267</u></u>

See independent auditors' report

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL
For the Year Ended June 30, 2017

	<u>Gary</u>	<u>East Chicago</u>	<u>Total</u>
REVENUE AND SUPPORT			
State education support	\$ 11,261,426	\$ 3,292,515	\$ 14,553,941
Grant revenue	3,917,334	1,043,072	4,960,406
Student fees	53,926	12,179	66,105
Contributions	-	7,184	7,184
Fundraising	11,534	39,213	50,747
Other	<u>71,374</u>	<u>9,191</u>	<u>80,565</u>
<i>Total revenue and support</i>	<u>15,315,594</u>	<u>4,403,354</u>	<u>19,718,948</u>
EXPENSES			
Program services	12,748,469	3,521,780	16,270,249
Management and general	2,484,747	761,176	3,245,923
Fundraising	<u>-</u>	<u>25,904</u>	<u>25,904</u>
<i>Total expenses</i>	<u>15,233,216</u>	<u>4,308,860</u>	<u>19,542,076</u>
CHANGE IN NET ASSETS	82,378	94,494	176,872
NET ASSETS, BEGINNING OF YEAR	<u>857,641</u>	<u>(80,693)</u>	<u>776,948</u>
NET ASSETS, END OF YEAR	<u><u>\$ 940,019</u></u>	<u><u>\$ 13,801</u></u>	<u><u>\$ 953,820</u></u>

See independent auditors' report



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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
Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, 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 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, 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, stylized 'D'.

Indianapolis, Indiana
March 28, 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
Lighthouse Academies of Northwest Indiana, Inc.

Report on Compliance for Each Major Federal Program

We have audited Lighthouse Academies of Northwest Indiana, 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. Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, Inc.'s compliance.

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Opinion on Each Major Federal Program

In our opinion, Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, 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 28, 2019

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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?	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:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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?	Yes

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

OTHER REPORT

For the Year Ended June 30, 2018

The reports presented herein were prepared in addition to another official report prepared for Lighthouse Academies of Northwest Indiana, Inc. as listed below:

Supplemental Audit Report of Lighthouse Academies of Northwest Indiana, 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*.