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April 10, 2019


Charter School Board
Lighthouse Academies of Indiana, Inc.
1780 Sloan Avenue
Indianapolis, IN 46203

We have reviewed the audit report of Lighthouse Academies of 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 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 guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Lighthouse Academies of 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 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 Indiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Lighthouse Academies of 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 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Board of Directors of Lighthouse Academies of Indiana, Inc. voted to close Indianapolis Lighthouse East effective June 30, 2019. The financial statements do not include any adjustments that might result from this development. Our opinion is not modified with respect to this matter.

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 - 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 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 Indiana, Inc.'s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
March 28, 2019

LIGHTHOUSE ACADEMIES OF INDIANA, INC.**STATEMENTS OF FINANCIAL POSITION****June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,930,369	\$ 1,333,990
Cash - restricted for bond interest	254,929	103,426
Accounts receivable:		
Grants	216,185	613,836
Other	69,804	18,924
Prepaid expenses	268	114,461
<i>Total current assets</i>	<u>2,471,555</u>	<u>2,184,637</u>
PROPERTY AND EQUIPMENT, NET	<u>14,417,168</u>	<u>14,843,167</u>
OTHER ASSETS		
Cash - restricted for debt service	1,419,901	1,337,537
Cash - restricted for property repairs and replacement	201,778	200,073
<i>Total other assets</i>	<u>1,621,679</u>	<u>1,537,610</u>
TOTAL ASSETS	<u>\$ 18,510,402</u>	<u>\$ 18,565,414</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 234,900	\$ -
Current portion of notes payable	6,474	-
Accounts payable and accrued expenses	1,490,934	1,352,741
Security deposit	10,000	27,000
<i>Total current liabilities</i>	<u>1,742,308</u>	<u>1,379,741</u>
LONG-TERM LIABILITIES		
Bonds payable	16,535,100	16,770,000
Note payable	21,834	-
Less: unamortized debt issuance costs	<u>(237,170)</u>	<u>(246,120)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>16,319,764</u>	<u>16,523,880</u>
<i>Total liabilities</i>	18,062,072	17,903,621
NET ASSETS	<u>448,330</u>	<u>661,793</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,510,402</u>	<u>\$ 18,565,414</u>

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

LIGHTHOUSE ACADEMIES OF 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	\$ 10,097,650	\$ 9,087,414
Grant revenue	4,155,825	3,212,729
Contributions	29,003	37,965
Rent	178,280	337,347
Student fees	81,707	28,686
Fundraising	40,577	22,340
Interest	16,228	-
Other	34,571	44,184
	<u>14,633,841</u>	<u>12,770,665</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	12,722,355	10,421,600
Management and general	2,104,973	2,076,040
Fundraising	19,976	11,678
	<u>14,847,304</u>	<u>12,509,318</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	(213,463)	261,347
NET ASSETS, BEGINNING OF YEAR	<u>661,793</u>	<u>400,446</u>
NET ASSETS, END OF YEAR	<u><u>\$ 448,330</u></u>	<u><u>\$ 661,793</u></u>

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

LIGHTHOUSE ACADEMIES OF 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	\$ 5,467,633	\$ 540,572	\$ -	\$ 6,008,205	\$ 4,396,420	\$ 693,755	\$ -	\$ 5,090,175
Employee benefits	1,371,771	165,337	-	1,537,108	1,058,874	201,053	-	1,259,927
Staff development and recruitment	46,123	71,678	-	117,801	29,317	42,207	-	71,524
Academic services - Lighthouse Academies	-	1,013,977	-	1,013,977	-	877,158	-	877,158
Authorizer fees	-	48,564	-	48,564	-	45,970	-	45,970
Food service	614,484	-	-	614,484	588,519	-	-	588,519
Transportation service	1,165,603	-	-	1,165,603	1,035,885	-	-	1,035,885
Other professional services	341,339	138,175	-	479,514	208,239	85,928	-	294,167
Property and textbook rental	265,734	-	-	265,734	31,475	-	-	31,475
Classroom, kitchen, and office supplies	317,959	55,135	-	373,094	190,598	58,762	-	249,360
Occupancy	1,157,278	-	-	1,157,278	1,100,200	-	-	1,100,200
Depreciation	697,221	-	-	697,221	508,115	-	-	508,115
Amortization	8,950	-	-	8,950	4,475	-	-	4,475
Interest	1,183,650	-	-	1,183,650	1,168,919	-	-	1,168,919
Other	84,610	71,535	19,976	176,121	100,564	71,207	11,678	183,449
<i>Total functional expenses</i>	<u>\$ 12,722,355</u>	<u>\$ 2,104,973</u>	<u>\$ 19,976</u>	<u>\$ 14,847,304</u>	<u>\$ 10,421,600</u>	<u>\$ 2,076,040</u>	<u>\$ 11,678</u>	<u>\$ 12,509,318</u>

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

LIGHTHOUSE ACADEMIES OF 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	\$ (213,463)	\$ 261,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	697,221	508,115
Amortization	8,950	4,475
Changes in certain assets and liabilities:		
Grants receivable	397,651	(1,758)
Other receivables	(50,880)	(18,924)
Prepaid expenses	114,193	51,970
Accounts payable and accrued expenses	138,193	477,329
Security deposit	(17,000)	-
Refundable advances	-	(50,000)
	1,074,865	1,232,554
<i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Purchases of property and equipment	(234,554)	(270,821)
FINANCING ACTIVITIES		
Principal repayment of capital lease obligations	-	(21,794)
Principal repayment of note payable	(8,360)	-
Increase in cash restricted for bond interest	(151,503)	(103,426)
Increase in cash restricted for debt service	(82,364)	(98,838)
Increase in cash restricted for repairs and replacement	(1,705)	-
Cash paid at bond closing	-	(117,339)
Cash paid for bond issuance costs	-	(3,000)
<i>Net cash used in financing activities</i>	(243,932)	(344,397)
NET CHANGE IN CASH	596,379	617,336
CASH, BEGINNING OF YEAR	1,333,990	716,654
CASH, END OF YEAR	\$ 1,930,369	\$ 1,333,990
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 1,183,650	\$ 1,070,281
Purchases of property and equipment financed through accrued expenses	-	101,079
Purchases of property and equipment financed through note payable	36,668	-
Financed through bonds payable:		
Capital lease obligations retirement	-	11,394,305
Purpose restricted cash acquired	-	1,438,772
Increase in value of property and equipment	-	3,806,667
Debt issuance costs	-	247,595

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

LIGHTHOUSE ACADEMIES OF 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 Indiana, Inc. ("LAI") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana, and the organizer and governing body of two charter schools located in Indianapolis, Indiana. Each of the schools is a public charter school established under Indiana Code 20-24 and sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis ("OEI"). Indianapolis Lighthouse South served approximately 920 students in grades kindergarten through 12 and Indianapolis Lighthouse East served approximately 375 students in grades seven through eleven during the 2017 - 2018 school year.

On March 21, 2019, LAI's Board of Directors voted to close the Indianapolis Lighthouse East location effective June 30, 2019. See Note 2 for further details.

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 LAI's revenue is the product of cost reimbursement grants. Accordingly, LAI 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. LAI 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, LAI incurred costs associated with securing financing under Indiana Finance Authority Education Facilities Revenue Bonds. Total costs incurred were \$250,595. Amortization is provided on a straight-line basis over the term of the bonds (27 years). Accumulated amortization was \$13,425 and \$4,475 as of June 30, 2018 and 2017, respectively. Amortization expense was \$8,950 and \$4,475 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 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	5 years
Vehicle	5 years

Taxes on Income – Lighthouse Academies of 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 LAI 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. LAI 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 – LAI 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 - SCHOOL CLOSURE

In the winter of 2019, Indianapolis Lighthouse East was placed on probation by OEI for a variety of reasons including operational deficiencies, teacher accreditation shortfalls, and delays in required reporting. On March 21, 2019, LAI’s Board of Directors voted to close the Indianapolis Lighthouse East location effective June 30, 2019. The financial statements do not include any adjustments that might result from this development.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 3 - 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 \$1,238,698 of the balance in this fund. LAI was required to deposit \$16,473 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.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land	\$ 367,700	\$ 367,700
Buildings and improvements	14,350,824	14,345,091
Furniture and equipment	1,357,676	1,128,854
Vehicle	36,668	-
	16,112,868	15,841,645
Less: accumulated depreciation	(1,695,700)	(998,478)
	\$ 14,417,168	\$ 14,843,167

NOTE 5 - BONDS PAYABLE

During 2017, LAI refinanced its obligations related to its school facilities. Previously LAI had a lease arrangement with CFM – Indianapolis, LLC. During 2017, LAI purchased its facilities with Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2016 with original amounts totaling \$16,770,000. Principal is payable in annual installments that increase from \$235,000 to \$1,320,000, 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 bond agreements contains 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.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 5 - BONDS PAYABLE, Continued

LAI 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	\$	235,000
2020		250,000
2021		265,000
2022		280,000
2023		300,000
Thereafter		<u>15,440,000</u>
	\$	<u><u>16,770,000</u></u>

NOTE 6 - NOTE PAYABLE

LAI has a note payable due to TCF Equipment Finance. The note is payable in four equal, annual installments of \$8,360 each on December 1, 2018 through 2021 and bears interest at a rate of 7.01%. The note is secured by a bus.

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

2019	\$	6,474
2020		6,822
2021		7,300
2022		<u>7,812</u>
	\$	<u><u>28,408</u></u>

NOTE 7 - LEASES

LAI has an agreement to sublease a portion of one of its buildings to Circle City Preparatory, Inc. The lease carries a two-year term ending June 2019, with the option for a one-year extension. Base rent income was \$170,000 for the year ended June 30, 2018.

LAI subleased a portion of one of its buildings to Tindley Accelerated Schools, Inc. The lease carried a two-year term ending June 2016, with the option for a one-year extension. The one-year extension was taken, with the lease ending June 2017. Base rent income was \$335,000 for the year ended June 30, 2017.

LAI leases agreements for various office equipment. The leases extend through June 2022 and require monthly payments.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 7 - LEASES, Continued

Minimum lease obligations for office equipment are as follows for the years ending June 30:

2019	\$	14,871
2020		14,871
2021		14,871
2022		5,063

NOTE 8 - RETIREMENT PLAN

All LAI personnel are employees of Lighthouse Academies, Inc., which provides management services to LAI. LAI personnel are eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, LAI 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 LAI Board of Directors. No discretionary contributions were made during the years ended June 30, 2018 or 2017. Retirement plan expense was \$88,273 and \$116,718 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9 - COMMITMENTS

LAI has contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreement, LAI has agreed to pay an amount equal to 7.5% of revenues, as defined, for such services, plus any necessary travel costs. Total expense under this agreement for both academic oversight and travel reimbursement was \$1,013,977 and \$877,158 for the years ended June 30, 2018 and 2017, respectively. This agreement remains in effect until June 30, 2019 and will not be renewed thereafter.

LAI operates its schools under charters granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. The charter agreement with Indianapolis Lighthouse South remains in effect until June 30, 2026 and is renewable thereafter by mutual consent. On March 21, 2019, LAI's Board of Directors voted to close Indianapolis Lighthouse East, thereby forfeiting the charter effective the date of the school's closing, June 30, 2019.

OEI assesses a fee equal to 1% of the basic tuition support received by LAI. The fees were \$48,564, and \$45,970 for the years ended June 30, 2018 and 2017, respectively.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 10 - RISKS AND UNCERTAINTIES

LAI provides education services to families residing in Marion 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 LAI. Additionally, LAI 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 LAI 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. Funds held at these financial institutions exceeded the FDIC insurance limit as of June 30, 2018 and 2017.

NOTE 11 - 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 programs services, management and general, and fundraising expenses.

SUPPLEMENTARY INFORMATION

LIGHTHOUSE ACADEMIES OF 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		\$ 232,067
National School Lunch Program	10.555		<u>560,225</u>
<i>Total for federal grantor agency</i>			<u>792,292</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	18-9770 17-9770 18-9575 17-9575	1,613,957
Special Education Cluster			
Special Education - Grants to States	84.027	14217-605-PN01 14217-516-PN01	241,789
Charter Schools Program	84.282		67,346
21 st Century Community Learning Centers Grants	84.287		250,964
Improving Teacher Quality State Grants	84.367		<u>24,625</u>
<i>Total for federal grantor agency</i>			<u>2,198,681</u>
Total federal awards expended			\$ <u><u>2,990,973</u></u>

See independent auditors' report and accompanying notes to this schedule

LIGHTHOUSE ACADEMIES OF 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 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 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 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 INDIANA, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2018

	<u>South</u>	<u>East</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,582,235	\$ 348,134	\$ -	\$ 1,930,369
Cash - restricted for bond interest	152,958	101,971	-	254,929
Accounts receivable:				
Grants	117,404	98,781	-	216,185
Other	194,279	18,585	(143,060)	69,804
Prepaid expenses	268	-	-	268
<i>Total current assets</i>	<u>2,047,144</u>	<u>567,471</u>	<u>(143,060)</u>	<u>2,471,555</u>
PROPERTY AND EQUIPMENT, NET	<u>8,542,041</u>	<u>5,875,127</u>	<u>-</u>	<u>14,417,168</u>
OTHER ASSETS				
Cash - restricted for debt service	843,287	576,614	-	1,419,901
Cash - restricted for property repairs and replacement	121,067	80,711	-	201,778
<i>Total other assets</i>	<u>964,354</u>	<u>657,325</u>	<u>-</u>	<u>1,621,679</u>
TOTAL ASSETS	<u>\$ 11,553,539</u>	<u>\$ 7,099,923</u>	<u>\$ (143,060)</u>	<u>\$ 18,510,402</u>
LIABILITIES AND NET ASSETS (DEFICIENCY)				
CURRENT LIABILITIES				
Current portion of bonds payable	\$ 93,900	\$ 141,000	\$ -	\$ 234,900
Current portion of note payable	6,474	-	-	6,474
Accounts payable and accrued expenses	1,000,715	633,279	(143,060)	1,490,934
Security deposit	-	10,000	-	10,000
<i>Total current liabilities</i>	<u>1,101,089</u>	<u>784,279</u>	<u>(143,060)</u>	<u>1,742,308</u>
LONG-TERM LIABILITIES				
Bonds payable	9,968,100	6,567,000	-	16,535,100
Note payable	21,834	-	-	21,834
Less: unamortized debt issuance costs	<u>(143,438)</u>	<u>(93,732)</u>	<u>-</u>	<u>(237,170)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>9,846,496</u>	<u>6,473,268</u>	<u>-</u>	<u>16,319,764</u>
<i>Total liabilities</i>	<u>10,947,585</u>	<u>7,257,547</u>	<u>(143,060)</u>	<u>18,062,072</u>
NET ASSETS (DEFICIENCY)	<u>605,954</u>	<u>(157,624)</u>	<u>-</u>	<u>448,330</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,553,539</u>	<u>\$ 7,099,923</u>	<u>\$ (143,060)</u>	<u>\$ 18,510,402</u>

See independent auditors' report

LIGHTHOUSE ACADEMIES OF INDIANA, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2017

	<u>South</u>	<u>East</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,107,731	\$ 226,259	\$ -	\$ 1,333,990
Cash - restricted for bond interest	62,056	41,370	-	103,426
Accounts receivable:				
Grants	410,194	203,642	-	613,836
Other	129,696	14,583	(125,355)	18,924
Prepaid expenses	<u>99,436</u>	<u>15,025</u>	<u>-</u>	<u>114,461</u>
<i>Total current assets</i>	<u>1,809,113</u>	<u>500,879</u>	<u>(125,355)</u>	<u>2,184,637</u>
PROPERTY AND EQUIPMENT, NET	<u>8,785,724</u>	<u>6,057,443</u>	<u>-</u>	<u>14,843,167</u>
OTHER ASSETS				
Cash - restricted for debt service	798,569	538,968	-	1,337,537
Cash - restricted for property repairs and replacement	<u>120,044</u>	<u>80,029</u>	<u>-</u>	<u>200,073</u>
<i>Total other assets</i>	<u>918,613</u>	<u>618,997</u>	<u>-</u>	<u>1,537,610</u>
TOTAL ASSETS	<u>\$ 11,513,450</u>	<u>\$ 7,177,319</u>	<u>\$ (125,355)</u>	<u>\$ 18,565,414</u>
LIABILITIES AND NET ASSETS (DEFICIENCY)				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 919,143	\$ 558,953	\$ (125,355)	\$ 1,352,741
Security deposit	<u>-</u>	<u>27,000</u>	<u>-</u>	<u>27,000</u>
<i>Total current liabilities</i>	<u>919,143</u>	<u>585,953</u>	<u>(125,355)</u>	<u>1,379,741</u>
LONG-TERM LIABILITIES				
Bonds payable	10,062,000	6,708,000	-	16,770,000
Less: unamortized debt issuance costs	<u>(148,851)</u>	<u>(97,269)</u>	<u>-</u>	<u>(246,120)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>9,913,149</u>	<u>6,610,731</u>	<u>-</u>	<u>16,523,880</u>
<i>Total liabilities</i>	10,832,292	7,196,684	(125,355)	17,903,621
NET ASSETS (DEFICIENCY)	<u>681,158</u>	<u>(19,365)</u>	<u>-</u>	<u>661,793</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,513,450</u>	<u>\$ 7,177,319</u>	<u>\$ (125,355)</u>	<u>\$ 18,565,414</u>

See independent auditors' report

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

	<u>South</u>	<u>East</u>	<u>Total</u>
REVENUE AND SUPPORT			
State education support	\$ 7,043,105	\$ 3,054,545	\$ 10,097,650
Grant revenue	3,131,345	1,024,480	4,155,825
Contributions	2,200	26,803	29,003
Rent	-	178,280	178,280
Student fees	76,885	4,822	81,707
Fundraising	35,413	5,164	40,577
Interest	5,037	11,191	16,228
Other	35,294	(723)	34,571
	<u>10,329,279</u>	<u>4,304,562</u>	<u>14,633,841</u>
<i>Total revenue and support</i>			
EXPENSES			
Program services	8,962,277	3,760,078	12,722,355
Management and general	1,422,230	682,743	2,104,973
Fundraising	19,976	-	19,976
	<u>10,404,483</u>	<u>4,442,821</u>	<u>14,847,304</u>
<i>Total expenses</i>			
CHANGE IN NET ASSETS	(75,204)	(138,259)	(213,463)
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	<u>681,158</u>	<u>(19,365)</u>	<u>661,793</u>
NET ASSETS (DEFICIENCY), END OF YEAR	<u>\$ 605,954</u>	<u>\$ (157,624)</u>	<u>\$ 448,330</u>

See independent auditors' report

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

	<u>South</u>	<u>East</u>	<u>Total</u>
REVENUE AND SUPPORT			
State education support	\$ 6,827,320	\$ 2,260,094	\$ 9,087,414
Grant revenue	2,409,991	802,738	3,212,729
Contributions	34,286	3,679	37,965
Rent	1,930	335,417	337,347
Student fees	21,342	7,344	28,686
Fundraising	20,980	1,360	22,340
Other	<u>38,708</u>	<u>5,476</u>	<u>44,184</u>
<i>Total revenue and support</i>	<u>9,354,557</u>	<u>3,416,108</u>	<u>12,770,665</u>
EXPENSES			
Program services	7,681,752	2,739,848	10,421,600
Management and general	1,454,086	621,954	2,076,040
Fundraising	<u>11,678</u>	<u>-</u>	<u>11,678</u>
<i>Total expenses</i>	<u>9,147,516</u>	<u>3,361,802</u>	<u>12,509,318</u>
CHANGE IN NET ASSETS	207,041	54,306	261,347
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	<u>474,117</u>	<u>(73,671)</u>	<u>400,446</u>
NET ASSETS (DEFICIENCY), END OF YEAR	<u>\$ 681,158</u>	<u>\$ (19,365)</u>	<u>\$ 661,793</u>

See independent auditors' report



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
Lighthouse Academies of 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 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 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 Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lighthouse Academies of 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 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 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 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, looped '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 Indiana, Inc.

Report on Compliance for Each Major Federal Program

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

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Opinion on Each Major Federal Program

In our opinion, Lighthouse Academies of 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 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 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 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 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)?	Yes
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?	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2018

FINDING NO. 2017-001 (FEDERAL AWARD FINDING)

EMPLOYEE TIME RECORDS

Condition

Time records were not provided to support the allocation of wages claimed for the Title I program.

Recommendation

We recommend the School implement a process to ensure time records are maintained.

Current Status

The School was in compliance for the 2018 fiscal year. No further action is required.

LIGHTHOUSE ACADEMIES OF 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 Indiana, Inc. as listed below:

Supplemental Audit Report of Lighthouse Academies of 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*.