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May 23, 2019


Charter School Board
Timothy L. Johnson Academy, Inc.
4625 Werling Drive,
Fort Wayne, IN 46806

We have reviewed the audit report of Timothy L. Johnson Academy, Inc. which was opined upon by Darnell & Meyering, P.C., Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Timothy L. Johnson Academy, Inc. as of June 30, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Darnell & Meyering, PC 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 Timothy L. Johnson Academy, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

TIMOTHY L. JOHNSON ACADEMY, INC.

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

TIMOTHY L. JOHNSON ACADEMY, INC.

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DARNELL & MEYERING, P.C.
Certified Public Accountants

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
Timothy L. Johnson Academy, Inc.
4625 Werling Drive
Fort Wayne, IN 46806

We have audited the accompanying financial statements of Timothy L. Johnson Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Timothy L. Johnson Academy, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DARNELL & MEYERING, P.C.

Darnell & Meyering, P.C.

Taylor, Michigan
March 19, 2019

TIMOTHY L. JOHNSON ACADEMY, INC
STATEMENT OF FINANCIAL POSITION

ASSETS

	June 30, 2018
Current Assets	
Cash	\$ 296,488
Grants receivable	61,443
Prepaid expenses	8,360
Deposits	5,452
Total current assets	371,743
Property and Equipment	
Textbooks	25,379
Structures and improvements	234,263
Vehicles and equipment	377,222
Less accumulated depreciation	(325,291)
Property and equipment, net	311,573
Other Assets	
Cash restricted, escrow account	50,000
Total other assets	50,000
Total assets	\$ 733,316

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 69,810
Accrued expenses	66,165
Current portion of long-term debt	1,980
Total current liabilities	137,955
Long-term Liabilities	
Long-term debt, net of current portion	1,015
Total liabilities	138,970
Net Assets	
Unrestricted	544,346
Temporarily restricted	50,000
Total net assets	594,346
Total liabilities and net assets	\$ 733,316

The accompanying notes are an integral part of the financial statements.

TIMOTHY L. JOHNSON ACADEMY, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

CHANGES IN NET ASSETS	Unrestricted	Temporarily Restricted	Total
Revenues, gain and other support			
State tuition support	\$ 2,490,718	\$ -	\$ 2,490,718
State grants and other support	199,514	-	199,514
Federal grant revenue	617,309	-	617,309
Other	54,594	-	54,594
	<u>3,362,135</u>	<u>-</u>	<u>3,362,135</u>
Expenses			
Program services:			
Educational instruction	1,297,446	-	1,297,446
Educational support	101,559	-	101,559
Food service	228,225	-	228,225
Community services	73,042	-	73,042
Supporting services:			
Support services	903,918	-	903,918
Operations and maintenance	378,586	-	378,586
Transportation	280,126	-	280,126
Depreciation	49,034	-	49,034
Interest	274	-	274
	<u>3,312,210</u>	<u>-</u>	<u>3,312,210</u>
Change in Net Assets	<u>49,925</u>	<u>-</u>	<u>49,925</u>
Net Assets - Beginning of Year	<u>494,421</u>	<u>50,000</u>	<u>544,421</u>
Net Assets - End of Year	<u>\$ 544,346</u>	<u>\$ 50,000</u>	<u>\$ 594,346</u>

The accompanying notes are an integral part of the financial statements.

TIMOTHY L. JOHNSON ACADEMY, INC.
STATEMENT OF CASH FLOWS

	<u>June 30, 2018</u>
Cash Flows from Operating Activities	
Change in net assets	\$ 49,925
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	49,034
(Increase) decrease in operating assets	
Accounts & grants receivable	21,091
Prepaid expenses	(6,504)
Increase (decrease) in operating liabilities	
Accounts payable	20,301
Accrued expenses	51,365
Other liabilities	(3,495)
Deferred revenue	(4,401)
Net cash provided by operating activities	<u>177,316</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	<u>(80,880)</u>
Net cash used by investing activities	<u>(80,880)</u>
Cash Flows from Financing Activities	
Payments on vehicle and equipment loans	<u>(5,325)</u>
Net cash used by investing activities	<u>(5,325)</u>
Net Increase in Cash	91,111
Cash, Beginning of Year	<u>205,377</u>
Cash, End of Year	<u><u>\$ 296,488</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ 274

The accompanying notes are an integral part of the financial statements.

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2018

Note 1. Description of Organization

Organization

Timothy L. Johnson Academy, Inc. (the “Academy”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The Academy operates a public charter Academy established under Indiana Code 20-24 and is sponsored by Trine University. The Academy has entered into a service agreement with The Leona Group, LLC, a limited liability company organized in the State of Michigan, to provide educational programming, personnel functions, building operations, and business administration services.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Academy have been prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) as applied to nonprofit organizations.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Academy’s Act. Under the Act, the Academy receives an amount per student in relation to the funding received by public Academy’s in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in equal monthly installments in July through June throughout the Academy year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the Academy’s revenue is the product of cost reimbursement grants. Accordingly, the Academy recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2018
(continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Academy considers its cash and cash equivalents to include cash on deposit, cash on hand, money market funds, and all highly liquid investments if purchased with a maturity of three months or less when acquired.

Grants Receivable

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

Income Taxes

Timothy L. Johnson Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the Academy would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2018, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional standards require the Academy to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending June 30 2015, 2016 and 2017 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of property and equipment that materially increase value, or extend useful lives are capitalized at cost. Routine maintenance and repairs and minor replacement costs are expensed as incurred.

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2018
(continued)

Minimum cost thresholds for the Academy’s asset classes are as follows:

		<u>Group Purchase</u>
Leasehold Improvements	\$25,000	
Site Improvements	25,000	
Computers	5,000	\$12,500
Equipment & Furniture	5,000	12,500
School Buses	5,000	
Educational Media & Textbooks	5,000	

Depreciation on all assets is provided using the straight-line method over the following useful lives:

Leasehold Improvements	3-15 years
Site Improvements	15 years
Computers	3 years
Equipment & Furniture	3-6 years
School Buses	8 years
Educational Media & Textbooks	5 years

Depreciation expense was \$49,034 for the year ended June 30, 2018.

Basis of Presentation

The financial statement presentation follows the Not-for-Profit Entities topics of the Financial Accounting Standards Codification. The Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted net assets, and permanently restricted net assets. For the year ended June 30, 2018, all net assets were unrestricted, except for \$50,000, which is temporarily restricted under the charter granted by Trine University. Additional information regarding this restriction is contained in Note 7.

Subsequent Events

The Academy evaluated subsequent events through March 19, 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.

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2018
(continued)

Note 3. Accounts Receivable

Accounts receivable as of June 30, 2018 represent amounts due in the form of grants receivable for state education support from the Department of Education and other receivables as follows:

Title I	\$	26,237
Title II		9,868
Special Ed. Part B		17,808
Other Receivables		7,530
		\$ 61,443
		\$ 61,443

:

Note 4. Long-term Debt

Long term debt at June 30, 2018 was comprised of:

ABM Equipment	\$	2,995
		2,995
Less: Current Maturities		1,980
		\$ 1,015

In September 2016, the Academy executed a lease agreement with ABM Equipment to purchase two pieces of maintenance equipment in the amount of \$6,300. The note is payable in monthly installments of \$171, including interest at 3.452% per annum. The final payment of this loan agreement is due on December 21, 2019.

Future maturities of long-term debt are as follows:

2019	\$	1,980
2020		1,015
		\$ 2,995

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2018
(continued)

Note 5. Leases

On July 28, 2015 the Academy's Board of Directors entered into a lease agreement with Community Action of Northeast Indiana, Inc. to provide a portion of the Academy's building for the purpose of providing Head Start services. The term of the lease began on August 1, 2015 and was extended to June 30, 2018. Revenue under the lease was \$40,000 for the year ended June 30, 2018. The lease has been extended to June 30, 2019.

Note 6. Management Services Agreement

The Academy has executed a management agreement with Phalen Leadership Academy, Inc. ("Phalen"), whereby Phalen provides management, administrative, and educational programming services. This agreement remains in effect so long as the Academy maintains its charter, but may be terminated by either party with appropriate advance notice. Under terms of the agreement, the Academy has agreed to pay an amount equal to 10% of revenues, as defined, for such services. Aggregate payments to Phalen under this agreement were \$333,215 for the year ended June 30, 2018. The service agreement between the Academy and Phalen Leadership Academy, Inc. is for five years and will expire on June 30, 2022.

Note 7. Oversight Sponsoring Organization

The Academy operates under a charter granted by Trine University. As the sponsoring organization, Trine University exercises certain oversight responsibilities. Under this charter, the Academy has agreed to pay to Trine University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$49,672 for the year ended June 30, 2018. The Academy has also agreed to under this charter, and established an escrow account of no less than \$50,000 to pay for legal, wind down of operations and audit expenses that would be associated with a dissolution should it occur.

Note 8. Risks and Uncertainties

The Academy provides educational instruction services to families residing in Allen and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2018
(continued)

Academy. Additionally, the Academy is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the Academy.

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2018, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits maintained at PNC Bank frequently exceed the \$250,000 FDIC insurance limit.

Note 9. Related Parties

A board member of the Academy is the CEO of the Boys and Girls Club of Fort Wayne, Inc. The board member abstains from voting on any items pertaining to the Academy's contract for services with the Boys and Girls Club of Fort Wayne, Inc. On July 22, 2015 the Academy's Board of Directors entered into a contract with the Boys and Girls Club of Fort Wayne, Inc. to operate a Boys and Girls Club site in the Academy's building. The Academy has agreed to pay the Boys and Girls Club of Fort Wayne for expenses, not to exceed \$72,760, associated with providing afterschool services for students of the Academy. The Academy incurred expenses of \$72,760 for the Boys and Girls Club of Fort Wayne.

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2018
(continued)

Note 10. Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the year ended June 30, 2018.

	Educational Instruction	Education Support	Program Services		Supporting Services	Total
			Food Services	Community Services		
Salaries and employee benefits	\$ 1,235,962	\$ 66,755	\$ -	\$ -	\$ 742,419	\$ 2,045,136
Professional services	32,624	29,807	-	73,042	81,132	216,605
Academic services	-	-	-	-	333,215	333,215
Authorizer oversight fee	-	-	-	-	49,672	49,672
Food costs	-	-	228,225	-	-	228,225
Transportation service	-	-	-	-	75,458	75,458
Equipment expense and rental	-	-	-	-	1,780	1,780
Operation and maintenance	-	-	-	-	138,882	138,882
Classroom, kitchen, and office supplies	28,860	4,997	-	-	54,549	88,406
Occupancy	-	-	-	-	24,555	24,555
Insurance	-	-	-	-	52,557	52,557
Depreciation	-	-	-	-	49,034	49,034
Interest	-	-	-	-	274	274
Other	-	-	-	-	8,411	8,411
Total expenses	\$ 1,297,446	\$ 101,559	\$ 228,225	\$ 73,042	\$ 1,611,938	\$ 3,312,210

TIMOTHY L. JOHNSON ACADEMY, INC.

Other Report

Year Ended June 30, 2018

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

Supplemental Audit Report of Timothy L. Johnson Academy, Inc.