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September 17, 2019


Charter School Board
Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School
650 East Carmel Drive
Carmel, IN 46260

We have reviewed the audit report of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School as of June 30, 2019 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 Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School, was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
FINANCIAL STATEMENTS
Together with Independent Auditors' Report
For the Year Ended June 30, 2019



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Indiana Agriculture Education, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School, which comprise the statement of financial position as of June 30, 2019, 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.

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 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 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 Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School as of June 30, 2019, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent "D" at the beginning.

Indianapolis, Indiana
August 7, 2019

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 112,629
Accounts receivable	<u>98</u>
<i>Total current assets</i>	<u>112,727</u>

PROPERTY AND EQUIPMENT

Equipment	16,515
Less: accumulated depreciation	<u>(5,746)</u>
<i>Property and equipment, net</i>	<u>10,769</u>

TOTAL ASSETS

\$ 123,496

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 14,718
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LONG-TERM LIABILITIES

Notes payable	<u>94,333</u>
<i>Total liabilities</i>	109,051

NET ASSETS WITHOUT DONOR RESTRICTIONS

14,445

TOTAL LIABILITIES AND NET ASSETS

\$ 123,496

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

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2019

REVENUE AND SUPPORT

State education support	\$ 802,373
Grant revenue	279,609
Contributions:	
Forgiveness of notes payable	440,000
Other	4,250
Other income	<u>2,821</u>
 <i>Total revenue and support</i>	 <u>1,529,053</u>

EXPENSES

Program services	653,760
Management and general	<u>362,560</u>
 <i>Total expenses</i>	 <u>1,016,320</u>

CHANGE IN NET ASSETS 512,733

NET DEFICIT, BEGINNING OF YEAR (498,288)

NET ASSETS, END OF YEAR \$ 14,445

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

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 143,923	\$ 109,608	\$ 253,531
Online curriculum services	245,491	-	245,491
Occupancy	125,866	-	125,866
Professional services	59,387	56,439	115,826
Advertising	-	79,517	79,517
Interest	-	47,227	47,227
Supplies	26,425	9,833	36,258
Employee benefits	16,608	11,421	28,029
Authorizer oversight fee	-	20,511	20,511
Travel	-	15,003	15,003
Student transportation	10,232	-	10,232
Information technology services	8,665	-	8,665
Repairs and maintenance	7,446	-	7,446
Insurance	-	6,434	6,434
Depreciation	4,021	-	4,021
Staff development	2,850	-	2,850
Other	2,846	6,567	9,413
	<u>2,846</u>	<u>6,567</u>	<u>9,413</u>
<i>Total functional expenses</i>	<u>\$ 653,760</u>	<u>\$ 362,560</u>	<u>\$ 1,016,320</u>

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

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

OPERATING ACTIVITIES

Change in net assets	\$ 512,733
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,021
Forgiveness of notes payable	(440,000)
Changes in certain assets and liabilities:	
Accounts receivable	(98)
Prepaid expenses	9,766
Accounts payable and accrued expenses	<u>7,121</u>
 <i>Net cash provided by operating activities</i>	 93,543

FINANCING ACTIVITIES

Proceeds from related party note payable	<u>10,500</u>
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NET CHANGE IN CASH

104,043

CASH, BEGINNING OF YEAR

8,586

CASH, END OF YEAR

\$ 112,629

SUPPLEMENTAL INFORMATION

Cash paid for interest	\$ 47,227
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See independent auditors' report and accompanying notes to the financial statements

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School instructs students using a combination of virtual learning technologies and live hands-on experiences in agriculture, conservation, and environmental sciences. During the School’s first year of operations (2018-2019 school year), the School served approximately 120 students in seventh through twelfth grade. The School is sponsored by Nineveh-Hensley-Jackson United School Corporation. The charter remains in effect until June 30, 2025, and is renewable thereafter by mutual consent.

Financial Statement Presentation – The School has adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires the financial reporting for not-for-profit entities to include two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. As of June 30, 2019, the School had only net assets without donor restrictions.

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 School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

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

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs and equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets (3 to 5 years) using the straight-line method.

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Indiana Agriculture Education, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2019, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

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

Subsequent Events – The School evaluated subsequent events through August 7, 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 - PRIOR PERIOD FINANCIAL ACTIVITY

Prior to the year ended June 30, 2019 (the School's first year of operations), the School received loans from related parties totaling \$523,833 to fund necessary startup costs. At July 1, 2018, the School had a cash balance of \$8,586, prepaid expenses of \$9,766, equipment (net of accumulated depreciation) of \$14,790, accounts payable of \$7,597, and a net deficit of \$498,288.

NOTE 3 - RELATED PARTY TRANSACTIONS

The School received loans from, and executed lease agreements with, companies owned by related parties.

The School received loans from Integrated Investments of Indiana, Inc. and Stakeholder International, LLC (see Note 4), which are owned by John Curtis and Allan Sutherlin, respectively. John Curtis is the former School Board Treasurer, current School Ad Hoc Board Member, and is the current School Treasurer (see Note 6). Allan Sutherlin is the current School Board President. John Curtis and Allan Sutherlin are co-founders of the School.

The School leases a farm property and office space from entities owned by John Curtis. The farm is owned by Network Venture Funding, which is partly owned by Integrated Investments of Indiana, Inc. Additionally, the School's office space is owned by Network Capital, LLC, which is owned by John Curtis (see Note 5).

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 3 - RELATED PARTY TRANSACTIONS, Continued

The School's Director of Enrollment/Registrar is the son of a board member.

NOTE 4 - NOTES PAYABLE

The notes payable consist of the following at June 30, 2019:

	<u>Original Principal Balance</u>	<u>Interest Paid</u>	<u>Note Forgiven</u>	<u>Balance at June 30, 2019</u>
Note payable to Integrated Investments of Indiana, Inc., principal due in full by August 30, 2020. Interest at 15% per annum is paid monthly.	\$ 233,833	\$ 24,215	\$ 150,000	\$ 83,833
Note payable to Greenwood Surveying Company, interest at 15% per annum is paid monthly.	120,000	9,200	120,000	-
Note payable to Stephen M. Hoss, interest at 15% per annum is paid monthly.	120,000	9,250	120,000	-
Note payable to Stakeholder International, LLC, interest at 15% per annum is paid monthly.	50,000	3,812	50,000	-
Note payable to Stakeholder International, LLC, principal due in full by August 30, 2020. Interest at 15% per annum is paid monthly.	<u>10,500</u>	<u>750</u>	<u>-</u>	<u>10,500</u>
	<u>\$ 534,333</u>	<u>\$ 47,227</u>	<u>\$ 440,000</u>	<u>\$ 94,333</u>

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 5 - LEASES

The School executed leases with two companies owned by related parties (see Note 3) for office space and farm property.

The office space lease provides for monthly rental payments of \$3,000 through November 2018 and decreasing to \$1,828 thereafter. The lease terminates in November 2020, with an option to renew the lease for thirty-six months. Total expense under this lease was \$30,895 for the year ended June 30, 2019.

The farm lease provides for monthly rental payments of \$5,000 through December 2018 and increasing to \$10,500 thereafter. The lease terminates in September 2019 and is expected to be renewed. Total expense under this lease was \$93,000 for the year ended June 30, 2019.

Following is a schedule of future minimum lease obligations for the years ending June 30:

2020	\$	53,776
2021		9,383

NOTE 6 - VALUATION OF IN-KIND SERVICES

The School received in-kind services from John Curtis, who operates as the School's Treasurer and provides accounting services (see Note 3). The School has not calculated an estimated value for these services. Accordingly, no in-kind amounts have been recorded for the year ended June 30, 2019.

NOTE 7 - LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2019 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets at June 30, 2019 total \$112,727, all of which are available to meet cash needs for general expenditures within one year.

NOTE 8 - COMMITMENTS

The School operates under a charter granted by Nineveh-Hensley-Jackson United School Corporation. As the sponsoring organization, Nineveh-Hensley-Jackson United School Corporation exercises certain oversight responsibilities. Under this charter, the School has agreed to pay Nineveh-Hensley-Jackson United School Corporation an annual administrative fee equal to 3% of state tuition payments received. Payments under this agreement were \$20,511 for the year ended June 30, 2019.

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 8 - COMMITMENTS, Continued

The School has contracted with Edgenuity, Inc. to provide online instructional services for its students. The contract is for a three-year term through June 30, 2021. Payments under this agreement were \$237,200 for the year ended June 30, 2019.

NOTE 9 - RISKS AND UNCERTAINTIES

The School provides educational instruction to students residing in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at PNC Bank and are insured up to the FDIC insurance limit.

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

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

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
OTHER REPORT
For the Year Ended June 30, 2019

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

Supplemental Audit Report of Indiana Agriculture Education, Inc.
d/b/a Indiana Agriculture & Technology School

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*.