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October 16, 2019

Charter School Board  
Muncie Public Charter School of Inquiry, Inc.  
d/b/a Inspire Academy  
2801 E 16th St  
Muncie, IN 47302

We have reviewed the audit report of Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy, which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy 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.

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**

**d/b/a INSPIRE ACADEMY**

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Muncie Public Charter School of Inquiry, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy, which comprise the statements of financial position as of June 30, 2019 and 2018, 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. 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 Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy as of June 30, 2019 and 2018, 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.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana  
October 3, 2019

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**

**d/b/a INSPIRE ACADEMY**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 345,784	\$ 280,133
Accounts receivable	5,864	7,864
Prepaid expenses	<u>68,709</u>	<u>66,574</u>
<i>Total current assets</i>	<u>420,357</u>	<u>354,571</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	76,880	76,880
Building and improvements	203,254	194,404
Furniture and equipment	286,098	269,868
Textbooks	13,092	13,092
Less: accumulated depreciation	<u>(275,878)</u>	<u>(238,579)</u>
<i>Property and equipment, net</i>	<u>303,446</u>	<u>315,665</u>
<b>TOTAL ASSETS</b>	<u>\$ 723,803</u>	<u>\$ 670,236</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of note payable	\$ 75,000	\$ -
Current portion of capital lease obligation	1,182	1,116
Accounts payable and accrued expenses	59,083	91,673
Refundable advances	<u>71,613</u>	<u>-</u>
<i>Total current liabilities</i>	<u>206,878</u>	<u>92,789</u>
<b>LONG-TERM LIABILITIES</b>		
Note payable	150,000	225,000
Capital lease obligation, net of current portion	<u>735</u>	<u>1,924</u>
<i>Total long-term liabilities</i>	<u>150,735</u>	<u>226,924</u>
<i>Total liabilities</i>	357,613	319,713
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>366,190</u>	<u>350,523</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 723,803</u>	<u>\$ 670,236</u>

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**d/b/a INSPIRE ACADEMY**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 1,478,323	\$ 1,590,996
Grant revenue	347,190	419,906
Student fees	16,353	21,234
Contributions	39,049	24,373
Other income	<u>20,003</u>	<u>24,113</u>
<i>Total revenue and support</i>	<u>1,900,918</u>	<u>2,080,622</u>
<b>EXPENSES</b>		
Program services	1,417,561	1,528,520
Management and general	<u>467,690</u>	<u>427,283</u>
<i>Total expenses</i>	<u>1,885,251</u>	<u>1,955,803</u>
<b>CHANGE IN NET ASSETS</b>	15,667	124,819
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>350,523</u>	<u>225,704</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 366,190</u>	<u>\$ 350,523</u>

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**

**d/b/a INSPIRE ACADEMY**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Years Ended June 30, 2019 and 2018**

	2019			2018		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 724,620	\$ 257,601	\$ 982,221	\$ 711,541	\$ 221,555	\$ 933,096
Employee benefits	176,730	63,145	239,875	168,503	52,448	220,951
Staff development	57,728	-	57,728	66,916	-	66,916
Professional services	124,119	72,237	196,356	196,149	79,076	275,225
Connectivity	31,325	-	31,325	26,675	-	26,675
Authorizer oversight fees	-	27,937	27,937	-	31,322	31,322
Food costs	65,107	-	65,107	69,642	-	69,642
Equipment	13,931	-	13,931	25,322	-	25,322
Classroom and office supplies	31,716	2,400	34,116	26,002	3,159	29,161
Occupancy	143,396	-	143,396	179,522	-	179,522
Depreciation	37,299	-	37,299	50,928	-	50,928
Interest	-	145	145	-	206	206
Insurance	-	16,829	16,829	-	15,709	15,709
Other	11,590	27,396	38,986	7,320	23,808	31,128
<i>Total functional expenses</i>	<u>\$ 1,417,561</u>	<u>\$ 467,690</u>	<u>\$ 1,885,251</u>	<u>\$ 1,528,520</u>	<u>\$ 427,283</u>	<u>\$ 1,955,803</u>

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**d/b/a INSPIRE ACADEMY**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 15,667	\$ 124,819
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,299	50,928
Change in certain assets and liabilities:		
Accounts receivable	2,000	586
Prepaid expenses	(2,135)	(39,258)
Accounts payable and accrued expenses	(32,590)	30,567
Refundable advances	71,613	-
	<hr/>	<hr/>
<i>Net cash provided by operating activities</i>	91,854	167,642
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(25,080)	(37,341)
<b>FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligation	<hr/> (1,123)	<hr/> (1,058)
<b>NET CHANGE IN CASH</b>	65,651	129,243
<b>CASH, BEGINNING OF YEAR</b>	<hr/> 280,133	<hr/> 150,890
<b>CASH, END OF YEAR</b>	<hr/> <u>\$ 345,784</u>	<hr/> <u>\$ 280,133</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 145	\$ 206

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**d/b/a INSPIRE ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2019 and 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. In 2019, the School served approximately 175 students in grades pre-kindergarten to eighth by providing an alternative to the traditional elementary school program.

Financial Statement Presentation – Effective with the June 30, 2019 year end, the School 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 changes to the financial reporting model for not-for-profit entities, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires additional disclosures regarding the liquidity of financial assets. ASU 2016-14 must be applied on a retrospective basis, therefore the net assets as of and for the year ended June 30, 2018 have been restated to comply with ASU 2016-14.

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.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2019 and 2018.

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

Revenue Recognition – Revenues generally 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 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.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**d/b/a INSPIRE ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2019 and 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Taxes on Income – Muncie Public Charter School of Inquiry, 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 years ended June 30, 2019 and 2018, 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 ending after 2015 are open to audit for both federal and state purposes.

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 \$1,000 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 range from three to five years for furniture and equipment; four years for textbooks; and forty years for building and improvements.

Subsequent Events – The School evaluated subsequent events through October 3, 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 - NOTE PAYABLE**

The School has a note payable due to The Roman Catholic Diocese of Lafayette-in-Indiana, Inc. The note is payable in three equal installments of \$75,000 each on July 1, 2019, 2020, and 2021 and is non-interest bearing. The note is secured by the school building.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**d/b/a INSPIRE ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2019 and 2018**

**NOTE 3 - CAPITAL LEASE OBLIGATION**

The School leases a copier under a capital lease obligation. At June 30, 2019, the cost and accumulated depreciation of the copier were \$5,495 and \$4,453, respectively.

Following is a schedule of future minimum lease payments under the capital lease for the years ending June 30 and present value of the net minimum lease payments as of June 30, 2019:

2020	\$	1,266
2021		850
		2,116
Less: amount representing interest		(199)
	\$	1,917

**NOTE 4 - REFUNDABLE ADVANCE**

During the year ended June 30, 2019, the School received a \$100,000 comprehensive counseling initiative implementation grant from the Lilly Endowment. The grant must be spent in accordance with the submitted budget and any funds not expended before June 30, 2022 must be returned. Accordingly, the revenue is recognized as approved expenditures are incurred. As of June 30, 2019, \$71,613 remained to be expended.

**NOTE 5 - COMMITMENTS**

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was \$27,937 and \$31,322 for the years ended June 30, 2019 and 2018, respectively. The charter remains in effect until June 30, 2022, and is renewable thereafter by mutual consent.

**NOTE 6 - RISKS AND UNCERTAINTIES**

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

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

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**d/b/a INSPIRE ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2019 and 2018**

**NOTE 7 - CONTINGENCIES**

The School terminated its lease on its facility at 1620 S. Madison Street, Muncie, Indiana effective June 30, 2016, citing landlord non-performance. The lease was through June 30, 2018 and, as such, the School may be liable for remaining payments. On April 4, 2019, the School received an offer letter from the lessor, The Housing Authority of the City of Muncie, Indiana, to settle for payment in the amount of \$300,000. The School responded, via its attorney, on August 4, 2019, stating its opinion and offering to settle based on the following terms: (1) The Housing Authority of the City of Muncie, Indiana, would retain the original security deposit, and (2) the School tenders an additional lump sum payment of \$22,000. As of the date of this audit report, no response had been received from The Housing Authority of the City of Muncie, Indiana. The accompanying financial statements do not reflect any liability related to this situation.

**NOTE 8 - RETIREMENT PLANS**

The School offers retirement benefits provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2018 (the latest year reported), both TRF and PERF were approximately 80% funded.

In lieu of TRF or PERF, all employees are eligible to participate in a Section 403(b) defined contribution retirement plan sponsored by the School. Under this plan, the School contributed 7% of compensation as defined through October 31, 2014. Since that time, the School has opted to match employee contributions at a rate of 2.33 to 1, but not to exceed 7% of compensation. Additional contributions may also be made to the plan at the discretion of the Board of Directors. No discretionary contributions were made during the years ended June 30, 2019 or 2018.

Retirement plan expense under all plans was \$58,440 and \$44,880 for the years ended June 30, 2019 and 2018, respectively.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**  
**d/b/a INSPIRE ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2019 and 2018**

**NOTE 9 - LIQUIDITY**

Under ASU 2016-14, the School is required to disclose the financial 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 include cash and accounts receivable. Financial assets at June 30, 2019 total \$351,648, all of which are available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**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. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.