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October 21, 2019

Charter School Board
Options Charter School – Noblesville, Inc.
9945 Cumberland Pointe Blvd
Noblesville, IN 46060

We have reviewed the report of Options Charter School – Noblesville, Inc., 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 Options Charter School – Noblesville, Inc. 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 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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

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
Options Charter School - Noblesville, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Options Charter School - Noblesville, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, 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 Options Charter School - Noblesville, Inc. 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 dark ink that reads "DONOVAN". The letters are cursive and connected, with a large initial "D".

Indianapolis, Indiana
October 11, 2019

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,135,490	\$ 909,132
Due from Options Charter School - Carmel, Inc.	1,331	16,904
Prepaid expenses	22,536	16,293
Earnest money deposit on land purchase	<u>15,000</u>	<u>-</u>
<i>Total current assets</i>	<u>1,174,357</u>	<u>942,329</u>
PROPERTY AND EQUIPMENT		
Buildings and improvements	2,205,436	2,192,612
Furniture and equipment	719,763	653,767
Less: accumulated depreciation	<u>(780,992)</u>	<u>(694,972)</u>
<i>Property and equipment, net</i>	<u>2,144,207</u>	<u>2,151,407</u>
TOTAL ASSETS	<u><u>\$ 3,318,564</u></u>	<u><u>\$ 3,093,736</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 200,800	\$ 200,800
Accounts payable and accrued expenses	136,724	105,531
Refundable advance	<u>1,072</u>	<u>4,069</u>
<i>Total current liabilities</i>	338,596	310,400
NOTES PAYABLE, NET OF CURRENT PORTION	<u>1,305,204</u>	<u>1,506,004</u>
<i>Total liabilities</i>	1,643,800	1,816,404
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>1,674,764</u>	<u>1,277,332</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,318,564</u></u>	<u><u>\$ 3,093,736</u></u>

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
State education support	\$ 2,750,694	\$ 2,357,867
Grant revenue	616,306	487,006
Student fees	26,604	19,057
Contribution from Options in Education Foundation, Inc.	14,545	23,242
Other income	2,146	693
	<u>3,410,295</u>	<u>2,887,865</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	2,144,899	1,657,215
Management and general	867,964	714,444
	<u>3,012,863</u>	<u>2,371,659</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	397,432	516,206
NET ASSETS, BEGINNING OF YEAR	<u>1,277,332</u>	<u>761,126</u>
NET ASSETS, END OF YEAR	<u>\$ 1,674,764</u>	<u>\$ 1,277,332</u>

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

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	\$ 857,192	\$ 485,849	\$ 1,343,041	\$ 686,545	\$ 412,053	\$ 1,098,598
Employee benefits	293,012	166,076	459,088	218,237	130,983	349,220
Hope Source expenses	629,326	-	629,326	450,613	-	450,613
Occupancy	89,911	15,125	105,036	84,539	14,222	98,761
Equipment	59,804	-	59,804	42,667	-	42,667
Professional services	44,825	32,616	77,441	25,516	11,244	36,760
Depreciation	73,633	12,387	86,020	65,089	10,950	76,039
Classroom and office supplies	39,169	22,201	61,370	34,640	20,791	55,431
Authorizer oversight fees	-	48,069	48,069	-	44,451	44,451
Food service	15,071	-	15,071	15,094	-	15,094
Insurance	-	23,426	23,426	-	14,094	14,094
Transportation	8,837	5,009	13,846	4,906	2,945	7,851
Interest	-	15,563	15,563	-	17,571	17,571
Foundation expenses	14,545	-	14,545	23,242	-	23,242
Other	19,574	41,643	61,217	6,127	35,140	41,267
<i>Total functional expenses</i>	<u>\$ 2,144,899</u>	<u>\$ 867,964</u>	<u>\$ 3,012,863</u>	<u>\$ 1,657,215</u>	<u>\$ 714,444</u>	<u>\$ 2,371,659</u>

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 397,432	\$ 516,206
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	86,020	76,039
Changes in certain assets and liabilities:		
Due from Options Charter School - Carmel, Inc.	15,573	-
Prepaid expenses	(6,243)	3,313
Accounts payable and accrued expenses	31,193	22,410
Refundable advance	(2,997)	(5,481)
	<u>520,978</u>	<u>612,487</u>
<i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Purchases of property and equipment	(78,820)	(169,701)
Earnest money deposit on land purchase	(15,000)	-
	<u>(93,820)</u>	<u>(169,701)</u>
<i>Net cash used in investing activities</i>		
FINANCING ACTIVITIES		
Principal paid on notes payable	(200,800)	(200,800)
	<u>(200,800)</u>	<u>(200,800)</u>
NET CHANGE IN CASH	226,358	241,986
CASH, BEGINNING OF YEAR	909,132	667,146
	<u>909,132</u>	<u>667,146</u>
CASH, END OF YEAR	<u>\$ 1,135,490</u>	<u>\$ 909,132</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 16,568	\$ 18,575

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

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Options Charter School - Noblesville, Inc. (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 is sponsored by Ball State University. The School serves approximately 295 students in grades six to twelve by providing an alternative to traditional middle and high school programs.

The School partners with The Hope Source to provide students with autism a hybrid treatment-education model of learning. The School provides education services to clientele of The Hope Source at The Hope Source's facility.

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. All net assets as of June 30, 2019 and 2018 were 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 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 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.

Taxes on Income – Options Charter School - Noblesville, 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.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.
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, Continued – 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.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists 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.

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 \$1,500 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	40 years
Furniture and equipment	3 to 7 years

Subsequent Events – The School evaluated subsequent events through October 11, 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 - LINE OF CREDIT

The School has a \$75,000 revolving line of credit with First Merchants Bank. Drawings against the line of credit bear interest at 2.25% above the lender's prime rate (a total of 7.75% at June 30, 2019) and are secured by all school assets. There was no balance outstanding under the line of credit as of June 30, 2019 or 2018.

NOTE 3 - REFUNDABLE ADVANCE

The School was awarded a grant from the Lilly Foundation, Inc. to establish comprehensive counseling services for students. The unused portion of the grant as of June 30, 2019 and 2018 was \$1,072 and \$4,069, respectively, and was shown as a refundable advance on the statements of financial position.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Note payable to the Indiana State Board of Education, payable \$62,900 semi-annually (January 1 and July 1) plus interest at 1.00% per annum	\$ 943,504	\$ 1,069,304
Note payable to Options Charter School - Carmel, Inc., payable \$37,500 semi-annually (January 1 and July 1) plus interest at 1.00% per annum	<u>562,500</u>	<u>637,500</u>
	1,506,004	1,706,804
Less: current portion	<u>(200,800)</u>	<u>(200,800)</u>
Long-term portion	\$ <u>1,305,204</u>	\$ <u>1,506,004</u>

The note payable to the Indiana State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

The note payable to Options Charter School - Carmel, Inc. ("Options - Carmel"), a related charter school, is also the result of the Common School Funds Charter School Innovation Fund Advancement program. Options - Carmel received a similar loan to the loan received by the School, and a portion of the loan was transferred to the School. The School has agreed to repay the loan following a similar payment schedule set by the Indiana State Board of Education.

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

2020	\$ 200,800
2021	200,800
2022	200,800
2023	200,800
2024	200,800
Thereafter	<u>502,004</u>
	\$ <u>1,506,004</u>

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 5 - LEASES

The School leases a facility and certain items of office equipment under operating leases. The facility lease requires monthly payments of \$2,000 over a one-year term, beginning July 1, 2019. Expense under operating leases was \$9,952 for both years ended June 30, 2019 and 2018.

Future minimum lease obligations are as follows for the years ended June 30:

2020	\$	31,952
2021		9,952
2022		9,952
2023		829

NOTE 6 - 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 received. Expense under this charter agreement was \$48,069 and \$44,451 for the years ended June 30, 2019 and 2018, respectively. The charter remains in effect until June 30, 2023, and is renewable thereafter by mutual consent.

The School entered into a purchase agreement in January 2019 to purchase 3.0 acres of land in Westfield, Indiana. The School deposited \$15,000 of earnest money. The total purchase price of the land is \$1,000,000 and closing is planned for October 2019. The School plans to build a new facility to house the charter school operated by Options - Carmel.

NOTE 7 - RELATED PARTIES

The School is related to Options – Carmel through a common Board of Directors. Both schools advance amounts to each other as needed to meet cash flow requirements. The net balance due from Options - Carmel was \$1,331 and \$16,904 as of June 30, 2019 and 2018, respectively. The School is also contingently liable as a guarantor with respect to a \$75,000 line of credit maintained by Options - Carmel. At June 30, 2019 and 2018, there was no balance outstanding under the line of credit. In addition, the School has a note payable to Options - Carmel as described in Note 4.

The School is affiliated with Options in Education Foundation, Inc. (the “Foundation”) through certain overlapping board members. The Foundation also solicits support and assistance to benefit the School. The School received financial assistance from the Foundation of \$14,545 and \$23,242 during the years ended June 30, 2019 and 2018, respectively.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 7 - RELATED PARTIES, Continued

During 2017, the School entered into a contract to perform remodeling services with a company related to the president of the School. The School paid the company \$72,950 during the year ended June 30, 2018. No such payments were made in 2019. The School also employs several members of the president's family. The School paid these individuals \$8,524 and \$4,813 during the years ended June 30, 2019 and 2018, respectively.

NOTE 8 - RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are 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 10.5% of compensation for electing teaching faculty to TRF and 14.2% of compensation for other electing 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 more than 80% funded.

TRF eligible employees can also elect to participate in a School-sponsored 403(B) plan in lieu of the State of Indiana – INPRS plan. The School contributes 10.5% of participant compensation to the 403(b) plan.

Full-time employees may also choose to participate in a voluntary salary reduction 403(b) plan. The School will match the employee's contribution up to 1% of their gross wages.

Retirement plan expense was \$156,741 and \$117,677 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Hamilton 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.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 9 - RISKS AND UNCERTAINTIES, Continued

Financial instruments that potentially subject the School to concentration of credit risk consist principally of receivables from the State of Indiana. There were no such receivables at December 31, 2019 and 2018. Deposits maintained at First Merchants Bank are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceeded the FDIC insurance limit as of June 30, 2019 and 2018.

NOTE 10 - 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 include cash and receivables. Financial assets at June 30, 2019 total \$1,136,821, all of which are available to meet cash needs for general expenditures within the next 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. The School also has a line of credit available with a credit limit of \$75,000, all of which is available to meet general expenditures within one year of the date of the statement of financial position.

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. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. Certain expenses have been allocated between program services and management and general expenses. Employee benefits, transportation, office supplies, and other expenses are allocated based on the percentage allocation of salaries between program services and management and general. Occupancy and depreciation expenses are allocated based on the percentage allocation of square footage used for program services and management and general activities.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.
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 Options Charter School - Noblesville, 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*.