



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B53677

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 13, 2019


Charter School Board
Rock Creek Community Academy, Inc.
11525 Highway 31
Sellersburg IN 47172

We have reviewed the audit report of Rock Creek Community Academy, 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 Rock Creek Community Academy, 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 guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Rock Creek Community Academy, Inc., 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

ROCK CREEK COMMUNITY ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
 FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Change in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 13
 OTHER REPORT	 14



Donovan CPAs

Independent Auditors' Report

The Board of Directors
Rock Creek Community Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Rock Creek Community Academy, Inc., 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.

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rock Creek Community Academy, 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 signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana
November 7, 2019

ROCK CREEK COMMUNITY ACADEMY, INC.**STATEMENTS OF FINANCIAL POSITION****June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,190,821	\$ 1,030,522
Cash - restricted for construction	4,317,491	-
Cash - restricted for debt service	1,085,843	-
<i>Total cash</i>	6,594,155	1,030,522
Grants receivable	44,429	3,562
Prepaid expenses	62,255	51,030
<i>Total current assets</i>	6,700,839	1,085,114
PROPERTY AND EQUIPMENT		
Land	1,196,153	1,196,153
Leasehold improvements	555,013	555,013
Furniture and equipment	690,328	592,022
Textbooks	426,133	402,513
Construction in progress	9,769,996	661,826
Less: accumulated depreciation	(1,534,898)	(1,389,085)
<i>Property and equipment, net</i>	11,102,725	2,018,442
OTHER ASSETS		
Security deposits	4,000	4,000
TOTAL ASSETS	<u>\$ 17,807,564</u>	<u>\$ 3,107,556</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 1,456,441
Accounts payable and accrued expenses	304,308	352,233
Construction costs payable	1,272,655	186,150
Accrued bond interest payable	433,556	-
Deferred revenue	135,958	126,361
Refundable advances	8,588	-
<i>Total current liabilities</i>	2,155,065	2,121,185
LONG-TERM LIABILITIES		
Bonds payable	14,650,000	-
Plus: unamortized premiums on bonds payable	123,840	-
Less: unamortized debt issuance costs	(447,569)	-
<i>Total long-term liabilities, net</i>	14,326,271	-
<i>Total liabilities</i>	16,481,336	2,121,185
NET ASSETS		
Without donor restrictions	1,262,053	923,832
With donor restrictions	64,175	62,539
<i>Total net assets</i>	1,326,228	986,371
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,807,564</u>	<u>\$ 3,107,556</u>

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

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT						
State education support	\$ 3,423,550	\$ -	\$ 3,423,550	\$ 3,040,013	\$ -	\$ 3,040,013
Grant revenue	601,385	-	601,385	511,887	-	511,887
Student fees	219,201	96,857	316,058	180,662	94,722	275,384
Contributions	7,970	2,455	10,425	6,980	1,380	8,360
Fundraising income	39,752	55,847	95,599	48,789	38,347	87,136
Interest income	119,926	-	119,926	-	-	-
Net assets released from restrictions	153,523	(153,523)	-	105,260	(105,260)	-
<i>Total revenue and support</i>	<u>4,565,307</u>	<u>1,636</u>	<u>4,566,943</u>	<u>3,893,591</u>	<u>29,189</u>	<u>3,922,780</u>
EXPENSES						
Program services	3,545,530	-	3,545,530	3,453,031	-	3,453,031
Management and general	681,556	-	681,556	620,141	-	620,141
<i>Total expenses</i>	<u>4,227,086</u>	<u>-</u>	<u>4,227,086</u>	<u>4,073,172</u>	<u>-</u>	<u>4,073,172</u>
CHANGE IN NET ASSETS FROM OPERATIONS	338,221	1,636	339,857	(179,581)	29,189	(150,392)
In-kind donation of land	-	-	-	193,000	-	193,000
Loss due to irrecoverable earnest money for land	-	-	-	(20,350)	-	(20,350)
CHANGE IN NET ASSETS	338,221	1,636	339,857	(6,931)	29,189	22,258
NET ASSETS, BEGINNING OF YEAR	<u>923,832</u>	<u>62,539</u>	<u>986,371</u>	<u>930,763</u>	<u>33,350</u>	<u>964,113</u>
NET ASSETS, END OF YEAR	<u>\$ 1,262,053</u>	<u>\$ 64,175</u>	<u>\$ 1,326,228</u>	<u>\$ 923,832</u>	<u>\$ 62,539</u>	<u>\$ 986,371</u>

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

ROCK CREEK COMMUNITY ACADEMY, 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	\$ 1,682,229	\$ 329,264	\$ 2,011,493	\$ 1,585,832	\$ 317,959	\$ 1,903,791
Employee benefits	411,227	61,270	472,497	401,087	66,269	467,356
Professional services	403,631	100,921	504,552	435,781	70,489	506,270
Occupancy	347,897	-	347,897	340,118	-	340,118
Classroom, kitchen, and office supplies	224,214	18,017	242,231	240,763	7,967	248,730
Depreciation	145,813	-	145,813	170,339	-	170,339
Equipment	83,172	-	83,172	48,160	-	48,160
Authorizer oversight fees	-	83,652	83,652	-	73,084	73,084
Food costs	63,035	-	63,035	51,803	-	51,803
Field trips	55,115	-	55,115	45,011	-	45,011
Insurance	-	38,373	38,373	-	32,799	32,799
Repairs and maintenance	32,916	4,228	37,144	51,205	5,109	56,314
Advertising	-	26,699	26,699	-	29,286	29,286
Staff development	22,933	-	22,933	2,539	-	2,539
Amortization of debt issuance costs	11,476	-	11,476	-	-	-
Interest	-	168	168	-	-	-
Other	61,872	18,964	80,836	80,393	17,179	97,572
<i>Total functional expenses</i>	<u>\$ 3,545,530</u>	<u>\$ 681,556</u>	<u>\$ 4,227,086</u>	<u>\$ 3,453,031</u>	<u>\$ 620,141</u>	<u>\$ 4,073,172</u>

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

ROCK CREEK COMMUNITY ACADEMY, 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	\$ 339,857	\$ 22,258
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	145,813	170,339
Amortization of debt issuance costs	11,476	-
In-kind donation of land	-	(193,000)
Change in certain assets and liabilities:		
Grants receivable	(40,867)	7,138
Prepaid expenses	(11,225)	3,427
Accounts payable and accrued expenses	(47,925)	81,481
Deferred revenue	9,597	10,057
Refundable advances	8,588	(1,333)
	<u>415,314</u>	<u>100,367</u>
<i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Purchases of property and equipment	(121,926)	(49,469)
Payments for construction in progress	(7,591,284)	(1,478,829)
	<u>(7,713,210)</u>	<u>(1,528,298)</u>
<i>Net cash used in investing activities</i>		
FINANCING ACTIVITIES		
Proceeds from bonds payable	14,777,015	-
Debt issuance costs	(459,045)	-
Net proceeds from (repayments of) line of credit	(1,456,441)	1,456,441
	<u>12,861,529</u>	<u>1,456,441</u>
<i>Net cash provided by financing activities</i>		
NET CHANGE IN CASH	5,563,633	28,510
CASH, BEGINNING OF YEAR	<u>1,030,522</u>	<u>1,002,012</u>
CASH, END OF YEAR	<u>\$ 6,594,155</u>	<u>\$ 1,030,522</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest, including capitalized interest	\$ 280,211	\$ -
NON-CASH TRANSACTIONS		
Construction costs payable	1,272,655	186,150
Capitalized interest included in construction in progress	433,556	-
Amortization of premiums on bonds payable included in construction in progress	3,175	-
In-kind donation of land	-	193,000

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

ROCK CREEK COMMUNITY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Rock Creek Community Academy, 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, located in Sellersburg, Indiana, provided educational instruction to students in grades kindergarten to twelve, serving approximately 510 students during the 2018-2019 school year and approximately 460 students during the 2017-2018 school year.

During the year ended June 30, 2018, the School purchased land and began the construction of a new school facility. On September 1, 2018, the School entered into bond agreements with the Indiana Finance Authority to issue bonds totaling \$14,650,000 for the payoff of the existing line of credit and construction of a new school facility. As of June 30, 2019, construction in progress totaled \$9,769,996. Total project cost, including land and capitalized interest, is expected to be approximately \$13,500,000. Management anticipates moving into the new facility during November 2019.

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.

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 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 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.

Contributions and Fees – The School receives resources from participation fees and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions.

ROCK CREEK COMMUNITY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs 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.

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:

Leasehold improvements	5 to 8 years
Furniture and equipment	3 to 5 years
Textbooks	5 years

Construction in Progress – Construction in progress represents expenditures incurred for construction and development of the new school facility and are carried at cost. Cost includes related acquisition expenses, development/construction costs, capitalized interest during the construction phase of the project, and other direct expenditures.

Deferred Revenue – Deferred revenue consists of student fees and textbook rentals received as part of the enrollment process for the subsequent academic school year.

Debt Issuance Costs – During the year ended June 30, 2019, the School incurred costs totaling \$459,045 associated with securing financing under the Indiana Finance Authority Education Facilities Revenue Bonds. Amortization is provided on a straight-line basis over the 30-year term of the bond. Accumulated amortization and amortization expense were \$11,476 for the year ended June 30, 2019. 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.

Taxes on Income – Rock Creek Community Academy, Inc. has received a determination from the United States Department of Treasury 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.

ROCK CREEK COMMUNITY ACADEMY, 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.

Subsequent Events – The School evaluated subsequent events through November 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 - RESTRICTED CASH

Cash - restricted for debt service is reserved solely for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements.

Cash - restricted for construction represents resources available for the building project and are drawn down as construction is completed.

NOTE 3 - LINE OF CREDIT

During June 2018, the School entered into a line of credit arrangement with PNC Bank. The line of credit was secured by substantially all assets of the School. Interest on the line of credit was charged at LIBOR plus 2.50%. The line of credit was paid off and cancelled in 2019 with proceeds from the bond offering (see Note 5).

NOTE 4 - REFUNDABLE ADVANCES

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2019, the School had refundable grant advances in excess of expenditures of \$8,588. There were no refundable advances at June 30, 2018.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 5 - BONDS PAYABLE

Bonds payable consisted of the following as of June 30, 2019:

Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2018A with a face amount of \$14,450,000, plus premium of \$127,015. The principal is payable in annual installments that increase from \$140,000 to \$905,000 from July 2021 to July 2048, with a lump sum payment of \$2,060,000 due in July 2048. Interest payments are made semiannually on January 1 and July 1 at rates ranging from 5.25% to 6.125% from July 2021 to July 2039 in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements. \$ 14,450,000

Indiana Finance Authority Taxable Educational Facilities Revenue Bonds, Series 2018B with a face amount of \$200,000. The principal is payable in annual installments \$65,000, \$65,000, and \$70,000 in July 2020, 2021, and 2022, respectively. Interest payments are made semiannually on January 1 and July 1 at a rate of 6.375% in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements. 200,000

Long-term portion \$ 14,650,000

The premium on the Series A bonds above totaled \$127,015 and is being amortized over the 30 year life of the bonds. Amortization of the premium for the year ended June 30, 2019 was \$3,175 and is netted against capitalized interest expense (i.e. a reduction of construction in progress).

The Indiana Finance Authority Educational Facilities Revenue Bond agreement contains certain covenants requiring minimum unrestricted cash reserves sufficient to meet 45 days of operating expenses and establishes a minimum debt service coverage ratio of 1.10 to 1. The School was in compliance with covenants for 2019.

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

2020	\$	-
2021		65,000
2022		205,000
2023		215,000
2024		225,000
Thereafter		<u>13,940,000</u>
	\$	<u>14,650,000</u>

ROCK CREEK COMMUNITY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent resources received from students and donors but not expended for the restricted purposes as of June 30, 2019 and 2018. Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Fun run	\$ 25,526	\$ 21,536
Character counts	15,598	16,536
Grade level funds	5,173	11,333
Other	<u>17,878</u>	<u>13,134</u>
<i>Total</i>	<u>\$ 64,175</u>	<u>\$ 62,539</u>

Net assets were released from donor restrictions by incurring expenses to satisfy the restricted purpose. The following purpose restrictions were accomplished during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Fun run	\$ 22,689	\$ 893
Character counts	32,189	21,898
Grade level funds	67,739	65,056
Other	<u>30,906</u>	<u>17,413</u>
<i>Total</i>	<u>\$ 153,523</u>	<u>\$ 105,260</u>

NOTE 7 - LEASES

The School leases its school facility, modular classrooms, and items of equipment under operating leases. Under the facility lease, the School is also responsible for repairs, maintenance, and utilities. Total expense under these operating leases was \$306,645 and \$294,426 for the years ended June 30, 2019 and 2018, respectively. Minimum future rental payments as of June 30, 2019 for all operating leases with noncancellable lease terms in excess of one year are as follows for the years ending June 30:

2020	\$ 232,828
2021	44,568

ROCK CREEK COMMUNITY ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 8 - RETIREMENT PLAN

The School maintains a Section 403(b) defined contribution retirement plan with Mass Mutual Financial Group for the benefit of its employees. Substantially all full-time employees are eligible to participate. Under the plan, the School contributes 7.5% of each participant's compensation for the plan year. Retirement plan expense for the years ended June 30, 2019 and 2018 was \$135,584 and \$135,675, respectively.

NOTE 9 - 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. The charter remains in effect until June 30, 2020 and is renewable thereafter by mutual consent. Payments under this charter agreement were \$83,652 and \$73,084 for the years ended June 30, 2019 and 2018, respectively.

NOTE 10 - RISKS AND UNCERTAINTIES

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2019, substantially all of the grants receivable balance was due from the State of Indiana. Cash deposits are maintained at New Washington State Bank and US Bank and normally exceed the FDIC insurance limit.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 11 - 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 statements of financial position. The School's financial assets include cash and grants receivable.

Financial assets, June 30, 2019	\$	6,638,584
Less: those unavailable for general expenditures within one year, due to:		
Restricted cash for use in construction and debt service		(5,403,334)
Purpose restrictions by donor		<u>(64,175)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$	 <u><u>1,171,075</u></u>

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 12 - 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.

ROCK CREEK COMMUNITY ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2019

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

Supplemental Audit Report of Rock Creek Community Academy, 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*.