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December 2, 2019

Charter School Board  
pilotED Schools, Inc.  
2710 Bethel Ave  
Indianapolis, IN 46203

We have reviewed the Supplemental Audit Report for pilotED Schools, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Page 3 contains three audit results and comments. Management's response is on page 5.

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

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

SUPPLEMENTAL AUDIT REPORT  
OF  
**pilotED SCHOOLS, INC.**  
MARION COUNTY, INDIANA  
July 1, 2018 to June 30, 2019



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**pilotED SCHOOLS, INC.**  
**MARION COUNTY, INDIANA**  
**School Officials**  
**July 1, 2018 to June 30, 2019**

| <u>Office</u>                   | <u>Official</u> | <u>Term</u>         |
|---------------------------------|-----------------|---------------------|
| Chair of Board of Directors     | Ashley Garry    | 07/01/18 – 06/30/19 |
| Director, Business & Operations | Lani Luo        | 07/01/18 – 06/30/19 |
| Chief Executive Officer         | Jacob Allen     | 07/01/18 – 06/30/19 |



# Donovan CPAs

The Board of Directors  
pilotED Schools, Inc.

We have audited the financial statements of pilotED Schools, Inc. (the "School") as of and for the year ended June 30, 2019, and have issued our report thereon dated November 22, 2019. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Indianapolis, Indiana  
November 22, 2019

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**pilotED SCHOOLS, INC.**  
**MARION COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2018 to June 30, 2019**

**REQUIRED REPORTS**

We reviewed the Form 9 reports submitted by the School for the fiscal year. Total cash reported on the Form 9 at June 30, 2019 agreed with cash reported on the trial balance, however, we noted the following issues with the reporting:

- Negative balances in funds 100 and 800 were not the result of awaiting reimbursement on cost-reimbursement grants.
- Fund numbers were in use that did not relate to funding actually received by the School.
- Individual funds did not accurately reflect activity for various grants and programs.

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which shall be investigated by the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**RECEIPTS AND DEPOSITS**

We noted five instances where receipted funds were never deposited into the School's bank account. The funds were held at the School and used to pay expenses.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule.

**PAYROLL POLICIES**

The two founders of the School did not have formalized employment contracts.

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. Compensation must be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**pilotED SCHOOLS, INC.**  
**MARION COUNTY, INDIANA**  
**Exit Conference**  
**July 1, 2018 to June 30, 2019**

The contents of this report were discussed on November 22, 2019 with Jacob Allen (Chief Executive Officer) and Lani Luo (Director, Business & Operations). The Official Response has been made a part of this report and may be found on page 5.



November 22, 2019

To Whom It May Concern:

Please find below pilotED Schools' Inc.'s response to the Audit findings:

**Required Reports**

- Moving forward, pilotED Schools' Form 9 will be on accrual basis rather than cash basis to reflect awaiting reimbursement on cost-reimbursement grants.
- pilotED Schools' finance team will review SBOA codes in the accounting software to ensure that every fund number is accurate by December 20, 2019. This document is available for review by request.
- On November 19, Brian Anderson from CIES presented to the pilotED Schools' Board to help board members understand the purpose and processes of Form 9.

**Receipts and Deposit**

- pilotED Schools has added language in the Financial Manual that all cash funds must be deposited to the school's bank within 1 week of receipt. This document is available for review by request.
- The Director of Business & Operations shall go to the bank every Friday to deposit all cash received that week.

**Payroll Policies**

- On November 24, pilotED has created, approved, and signed a contract with the current Principal and founder. This document is available for review by request.