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December 5, 2019


Charter School Board
The Recovery High School at Fairbanks, Inc.
d/b/a Hope Academy
8102 Clearvista Parkway
Indianapolis, IN 46256

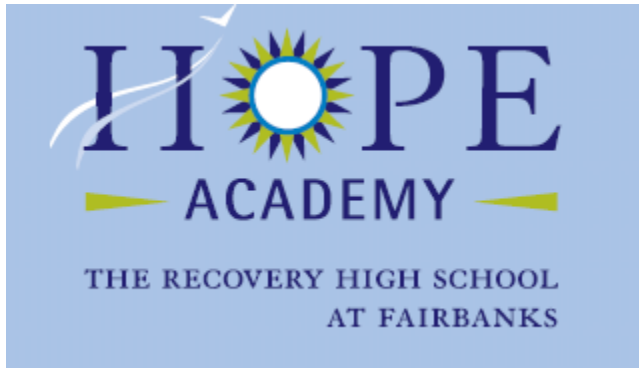
We have reviewed the audit report of The Recovery High School at Fairbanks, Inc., d/b/a Hope Academy which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of The Recovery High School at Fairbanks, Inc., d/b/a Hope 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, Blue & Co., LLC 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 The Recovery High School at Fairbanks, Inc., d/b/a Hope Academy, was prepared in accordance with the guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner



FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

CPAs / ADVISORS



HOPE ACADEMY

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JUNE 30, 2019 AND 2018

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
The Recovery High School at Fairbanks, Inc.
d/b/a Hope Academy
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Recovery High School at Fairbanks, Inc. d/b/a Hope Academy (Hope Academy), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

Auditor's 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Board of Directors
The Recovery High School at Fairbanks, Inc.
d/b/a Hope Academy
Indianapolis, Indiana

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Academy as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2018, Hope Academy adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019 on our consideration of Hope Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hope Academy's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
October 22, 2019

HOPE ACADEMY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 199,023	\$ 141,595
Prepaid expenses	19,769	14,225
Grants and other receivables	340,326	2,500
Total current assets	<u>559,118</u>	<u>158,320</u>
Property and equipment		
Equipment	208,001	204,258
Computer hardware	181,888	165,348
Software	29,333	29,333
Books and educational materials	8,092	8,092
	<u>427,314</u>	<u>407,031</u>
Accumulated depreciation	(389,076)	(369,552)
Property and equipment, net	<u>38,238</u>	<u>37,479</u>
Total assets	<u><u>\$ 597,356</u></u>	<u><u>\$ 195,799</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 12,533	\$ 9,990
Salaries, wages and related liabilities	42,062	30,876
Due to Fairbanks Hospital, Inc.	396,661	-0-
Total current liabilities	<u>451,256</u>	<u>40,866</u>
Net assets		
Without donor restrictions	64,492	61,933
With donor restrictions	81,608	93,000
Total net assets	<u>146,100</u>	<u>154,933</u>
Total liabilities and net assets	<u><u>\$ 597,356</u></u>	<u><u>\$ 195,799</u></u>

See accompanying notes to financial statements.

HOPE ACADEMY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating revenue		
State support	\$ 969,624	\$ 784,249
Grant revenue	6,343	5,749
Other revenue	27,548	27,548
Net assets released from donor restrictions for operations	20,950	9,549
Total operating revenue	<u>1,024,465</u>	<u>827,095</u>
Operating expenses		
Salaries and benefits	695,098	597,829
Fiscal and administrative	93,563	70,851
Travel	5,287	5,415
Purchased services	668,114	589,447
Advertising	52,146	104,603
Depreciation	19,525	17,618
Insurance	15,440	15,957
Rent	150,771	150,668
Other	14,149	11,191
Total operating expenses	<u>1,714,093</u>	<u>1,563,579</u>
Operating loss	(689,628)	(736,484)
Nonoperating revenue		
Contributions	311,015	198,546
Donation from Fairbanks Hospital, Inc.	140,000	233,000
Interest income	75	10
Total nonoperating revenue	<u>451,090</u>	<u>431,556</u>
Revenue under expenses	(238,538)	(304,928)
Other changes		
Equity transfer from Fairbanks Hospital, Inc.	<u>241,097</u>	<u>252,618</u>
Change in net assets without donor restrictions	2,559	(52,310)
Net assets with donor restrictions		
Contributions	9,558	83,000
Net assets released from donor restrictions for operations	(20,950)	(9,549)
Change in net assets with donor restrictions	<u>(11,392)</u>	<u>73,451</u>
Change in net assets	(8,833)	21,141
Net assets		
Beginning of year	154,933	133,792
End of year	<u>\$ 146,100</u>	<u>\$ 154,933</u>

See accompanying notes to financial statements.

HOPE ACADEMY

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating activities		
Change in net assets	\$ (8,833)	\$ 21,141
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	19,525	17,618
Equity transfer with Fairbanks Hospital, Inc.	(241,097)	(252,618)
Donation from Fairbanks Hospital, Inc.	(140,000)	(233,000)
Changes in operating assets and liabilities		
Prepaid expenses and grants and other receivables	(343,370)	(3,620)
Accounts payable and accrued expenses	2,543	(11,844)
Salaries, wages and related liabilities	11,186	11,339
Net cash flows from operating activities	<u>(700,046)</u>	<u>(450,984)</u>
Investing activities		
Property and equipment additions	(20,284)	(19,635)
Net cash flows from investing activities	<u>(20,284)</u>	<u>(19,635)</u>
Financing activities		
Due to Fairbanks Hospital, Inc.	536,661	233,000
Equity transfer from Fairbanks Hospital, Inc.	241,097	252,618
Net cash flows from financing activities	<u>777,758</u>	<u>485,618</u>
Change in cash and cash equivalents	57,428	14,999
Cash and cash equivalents		
Beginning of year	141,595	126,596
End of year	<u>\$ 199,023</u>	<u>\$ 141,595</u>
Noncash financing activities		
Donation from Fairbanks Hospital, Inc.	\$ 140,000	\$ 233,000

See accompanying notes to financial statements.

HOPE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Recovery High School at Fairbanks, Inc. d/b/a Hope Academy (Hope Academy) is a not-for-profit, fully accredited, tuition-free, Indiana public charter high school based in Indianapolis, Indiana. Hope Academy was incorporated June 29, 2005 for the purpose of providing opportunities for academic achievement, sobriety and personal growth for students and their families. Fairbanks Hospital, Inc. (Fairbanks) is the sole member of Hope Academy. Hope Academy was awarded a charter grant from the State of Indiana.

Fairbanks is the sole member of Hope Academy. Fairbanks is committed to the financial viability of Hope Academy and as such, pledges continued support to Hope Academy.

Basis of Accounting

The financial statements of Hope Academy have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when the obligation is incurred.

Basis of Presentation

Net assets, support, revenues, gains, and losses are classified based on the absence or existence of donor restrictions. Accordingly, the net assets of Hope Academy are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.
- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes. When a donor restriction is met or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported as net assets released from donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOPE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Cash and Cash Equivalents

Hope Academy considered highly liquid investments available for operating purposes with an original maturity of 90 days or less to be cash and cash equivalents.

Prepaid Expenses

Prepaid expenses relate to advance payments on products or services that will be used for future programs or activities.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair market value at date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance repairs and minor renewals are expenses as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from 3-15 years, and is computed on using the straight-line method.

Depreciation expense was approximately \$20,000 and \$18,000 for the years ended June 30, 2019 and 2018, respectively.

State Support

Hope Academy receives state funds that have been designated for charter schools from the Indiana Department of Education. The State uses a formula based on the number of students enrolled in the school during the year to determine the amount of funds Hope Academy receives.

Grant Revenue

Grant revenue consists of grants from cost reimbursement and other grants.

Other Revenue

Other revenue consists of student fees, student lunch, textbook rental and other miscellaneous income.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Contributions without donor restrictions are recorded as non-operating income. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

HOPE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Hope Academy.

Volunteers also provide program services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. These services include volunteering at events and clerical work.

Performance Indicator

The statement of activities and changes in net assets include a performance indicator, revenues under expenses. Consistent with industry practice, contributions of net assets with donor restrictions and the equity transfer from Fairbanks are excluded from the performance indicator.

Advertising

Hope Academy uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising expense approximated \$52,000 and \$105,000 during the years ended June 30, 2019 and 2018, respectively.

Income Taxes

Hope Academy is a not-for-profit corporation as defined by Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes. As such, Hope Academy is generally exempt from income taxes. However, Hope Academy is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Hope Academy and recognize a tax liability if Hope Academy has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Hope Academy, and has concluded that as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

Hope Academy has filed its federal and state income tax returns for periods through June 30, 2018. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions). There are currently no audits for any tax periods in progress.

HOPE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Litigation

Hope Academy may be involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the future financial position, results of operations or cash flows of Hope Academy.

Concentration of Credit Risk

Hope Academy maintains its cash in accounts, which at times, may exceed federally insured limits. Hope Academy has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Approximately 95% of Hope Academy's operating revenue was from the Indiana Department of Education for the years ended June 30, 2019 and 2018.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Hope Academy's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

Subsequent Events

Hope Academy has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued which is October 22, 2019.

Recently Issued Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". On August 12, 2015, the FASB further amended this guidance and issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which Hope Academy is not required to adopt until its fiscal year ending June 30, 2020, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

HOPE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

On June 21, 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Finally, ASU 2018-08 amends the "simultaneous release accounting policy" to allow a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. Hope Academy will be required to adopt this new standard in the year ending June 30, 2020.

Hope Academy is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2018, Hope Academy adopted the FASB's ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance and cash flows. Hope Academy has adjusted the presentation of its 2018 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 7), and disclosures related to the functional allocation of expenses were expanded (Note 8). There was no significant impact to the statement of cash flows as a result of adopting this ASU.

The impact of the adoption of ASU No. 2016-14 on Hope Academy's net assets are as follows:

	Previously Reported, 6/30/2018	Adjustments	Restated, 6/30/2018
Statement of financial position			
Net assets			
Unrestricted	\$ 61,933	\$ (61,933)	\$ -0-
Temporarily restricted	93,000	(93,000)	-0-
Without donor restrictions	-0-	61,933	61,933
With donor restrictions	-0-	93,000	93,000
Total net assets	<u>\$ 154,933</u>	<u>\$ -0-</u>	<u>\$ 154,933</u>

HOPE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

	Previously Reported, 6/30/2018	Adjustments	Restated, 6/30/2018
Statement of activities and changes in net assets			
Change in			
Unrestricted net assets	\$ (52,310)	\$ 52,310	\$ -0-
Temporarily restricted net assets	73,451	(73,451)	-0-
Net assets without donor restrictions	-0-	(52,310)	(52,310)
Net assets with donor restrictions	-0-	73,451	73,451
Total change in net assets	<u>\$ 21,141</u>	<u>\$ -0-</u>	<u>\$ 21,141</u>

3. RELATED PARTIES

Hope Academy receives financial assistance from its sole member in the form of contributions without donor restrictions that Fairbanks raises on behalf of Hope Academy in addition to net asset equity transfers.

For the year ended June 30, 2019, Hope Academy received contribution revenue without donor restrictions totaling approximately \$140,000 and net asset equity transfers totaling approximately \$241,000 from Fairbanks. In addition, Hope Academy incurred lease expense in the approximate amount of \$151,000, due to Fairbanks.

For the year ended June 30, 2018, Hope Academy received contribution revenue without donor restrictions totaling approximately \$233,000 and net asset equity transfers totaling approximately \$253,000 from Fairbanks. In addition, Hope Academy incurred lease expense in the approximate amount of \$151,000, due to Fairbanks.

4. PENSION PLAN

Hope Academy elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS includes the Public Employee's Retirement Fund (PERF) and the Teacher's Retirement Fund (TRF). PERF and TRF are cost-sharing multiple-employer defined benefit plans, governed by the INPRS Board of Trustees, that provide retirement, disability, and survivor benefits to its members and beneficiaries.

Hope Academy contributes the participant's required contribution of 3% of their annual salary. In addition, Hope Academy is required by State statute to contribute at an actuarially determined rate annually. The current actuarially determined rate for teaching faculty in the TRF is 7.5% and for non-teaching staff in the PERF it is 11.3% of annual covered payroll. The contribution requirements of participants are determined by State statute. Expenses related to the pension plan for the years ended June 30, 2019 and 2018 were approximately \$22,000 and \$19,000, respectively.

HOPE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

5. RISKS AND UNCERTAINTIES

Hope Academy provides education instruction services to families residing in Marion 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. Changes in state legislation could significantly affect Hope Academy. Additionally, Hope Academy is subject to monitoring and audit by state agencies. Those examinations may result in additional liability to be imposed on Hope Academy.

6. NET ASSETS

Net assets with donor restrictions as of June 30, 2019 and 2018 consist of the following:

	2019	2018
Subject to expenditure for specified purposes		
Agape	\$ 7,058	\$ -0-
Legacy Fund	-0-	2,500
Prevention Matters	-0-	10,500
Recovery Programming	50,000	50,000
Samerian Foundation	2,500	-0-
Starr Program	10,000	10,000
Summer of Hope	12,050	20,000
Total subject to expenditure for specified purposes	<u>\$ 81,608</u>	<u>\$ 93,000</u>

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

Hope Academy's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2019
Financial assets	
Cash and cash equivalents	\$ 199,000
Grants and other receivables	340,000
Total financial assets	<u>539,000</u>
Less those unavailable for general expenditure within one year	
Net assets with donor restrictions	82,000
Due to Fairbanks Hospital, Inc.	397,000
Total financial assets available within one year	<u>\$ 60,000</u>

HOPE ACADEMY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Grants and other receivables are subject to implied time restrictions, but are expected to be collected within one year. Hope Academy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

8. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program and supporting services have been summarized on a natural basis in the statements of activities and changes in net assets and have been summarized on a functional basis below. Certain costs have been allocated among education services, management and general, and fundraising categories based on actual direct expenditures incurred by departments and cost allocations based upon time spent by Hope Academy's personnel. Other expenses require allocation on a reasonable basis that is consistently applied. Other expenses that are allocated include travel, advertising, depreciation, insurance, rent, and other, which are allocated based on the ratio of direct costs charged to the category to total direct costs. Although the methods used were appropriate, alternative methods may provide different results. Expenses related to providing program and supporting services for 2019 and 2018 are summarized below:

	2019			
	Education Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 538,449	\$ 153,516	\$ 3,133	\$ 695,098
Fiscal and administrative	79,892	13,398	273	93,563
Travel	3,868	1,391	28	5,287
Purchased services	378,245	284,072	5,797	668,114
Advertising	38,146	13,720	280	52,146
Depreciation	14,283	5,137	105	19,525
Insurance	11,295	4,062	83	15,440
Rent	110,293	39,669	809	150,771
Other	10,350	3,723	76	14,149
	\$ 1,184,821	\$ 518,688	\$ 10,584	\$ 1,714,093

	2018			
	Education Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 425,473	\$ 168,909	\$ 3,447	\$ 597,829
Fiscal and administrative	56,211	14,347	293	70,851
Travel	4,001	1,386	28	5,415
Purchased services	368,102	216,918	4,427	589,447
Advertising	77,285	26,772	546	104,603
Depreciation	13,017	4,509	92	17,618
Insurance	11,790	4,084	83	15,957
Rent	111,320	38,561	787	150,668
Other	8,269	2,864	58	11,191
	\$ 1,075,468	\$ 478,350	\$ 9,761	\$ 1,563,579



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
The Recovery High School at Fairbanks, Inc.
d/b/a Hope Academy
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Recovery High School at Fairbanks, Inc. d/b/a Hope Academy (Hope Academy), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hope Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hope Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Hope Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Hope Academy's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
The Recovery High School at Fairbanks, Inc.
d/b/a Hope Academy
Indianapolis, Indiana

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hope Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hope Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
October 22, 2019

HOPE ACADEMY

OTHER REPORTS
YEAR ENDED JUNE 30, 2019

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

The Recovery High School at Fairbanks, Inc. d/b/a Hope Academy
Supplemental Audit Report

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 Guidelines Manual for Indiana Charter Schools*.