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December 30, 2019


Charter School Board  
Alternatives in Education, Inc.  
d/b/a Marion Academy  
2107 N. Riley Ave  
Indianapolis, IN 46218

We have reviewed the audit report of Alternatives in Education, Inc. d/b/a Marion Academy which was opined upon by Greenwalt CPAs, Inc., 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 Alternatives in Education, Inc. d/b/a Marion 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, Greenwalt CPAs, Inc. 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 Alternatives in Education, Inc. d/b/a Marion Academy, 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

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ALTERNATIVES IN EDUCATION, INC.  
D/B/A MARION ACADEMY

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JUNE 30, 2019 AND 2018

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GREENWALT<sup>CPAs</sup>

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ALTERNATIVES IN EDUCATION, INC. D/B/A MARION ACADEMY  
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JUNE 30, 2019 AND 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Alternatives in Education, Inc. d/b/a Marion Academy:

We have audited the accompanying financial statements of Alternatives in Education, Inc. d/b/a Marion Academy (an Indiana public charter school), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years 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 and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, and *Guidelines of Audits of Charter Schools Performed by Private Examiners* established by the Indiana State Board of Accounts. 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 auditor considers internal control relevant to Marion Academy'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 Marion Academy'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 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 Marion Academy as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Subsequent Event and Going Concern

The accompanying financial statements have been prepared assuming that Marion Academy will continue as a going concern. As discussed in Note 9 to the financial statements, on August 2, 2019 Marion Academy's Board of Directors voted to cease operations at the urging of their chartering body. Negotiations are in process to liquidate and settle all the assets and liabilities of Marion Academy, respectively. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*Greenwald CPAs, Inc.*

December 23, 2019

ALTERNATIVES IN EDUCATION, INC. D/B/A MARION ACADEMY  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2019 AND 2018

<u>ASSETS</u>		
	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 140,753	\$ 666,504
Grants receivable	52,201	15,257
Prepaid expenses	28,683	34,134
	<hr/>	<hr/>
<i>Total current assets</i>	221,637	715,895
<b>PROPERTY AND EQUIPMENT, NET</b>	<hr/>	<hr/>
	223,522	393,042
	<hr/>	<hr/>
<i>Total assets</i>	<u>\$ 445,159</u>	<u>\$ 1,108,937</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 77,850	\$ 29,639
Payroll and other accrued expenses	20,849	37,923
Deferred rent expense	3,000	5,500
Current portion of note and loan payable	113,066	109,388
	<hr/>	<hr/>
<i>Total current liabilities</i>	214,765	182,450
<b>LONG-TERM LIABILITIES</b>		
Note and loan payable, net of current portion and discount	<hr/>	<hr/>
	261,672	364,890
	<hr/>	<hr/>
<i>Total liabilities</i>	476,437	547,340
<b>COMMITMENTS AND CONTINGENCY (NOTES 5, 9 AND 10)</b>		
 <b>NET ASSETS (ACCUMULATED DEFICIT)</b>		
Without donor restrictions	(75,972)	507,055
Without donor restrictions - board designated	<hr/>	<hr/>
	30,000	30,000
	<hr/>	<hr/>
<i>Total net assets (accumulated deficit) without donor restrictions</i>	(45,972)	537,055
With donor restrictions	<hr/>	<hr/>
	14,694	24,542
	<hr/>	<hr/>
<i>Total net assets (accumulated deficit)</i>	(31,278)	561,597
	<hr/>	<hr/>
<i>Total liabilities and net assets (accumulated deficit)</i>	<u>\$ 445,159</u>	<u>\$ 1,108,937</u>

See accompanying notes to financial statements.

ALTERNATIVES IN EDUCATION, INC. D/B/A MARION ACADEMY  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE AND SUPPORT</b>						
State education support	\$ 1,458,524	\$ -	\$ 1,458,524	\$ 2,260,375	\$ -	\$ 2,260,375
Federal funding	156,467	-	156,467	87,746	-	87,746
Contributions and grants, including in-kind of \$199,200 and \$289,200	199,200	-	199,200	290,660	-	290,660
Other	15,901	-	15,901	8,846	-	8,846
Net assets released from restriction	9,848	(9,848)	-	10,914	(10,914)	-
<i>Total revenue and support</i>	<u>1,839,940</u>	<u>(9,848)</u>	<u>1,830,092</u>	<u>2,658,541</u>	<u>(10,914)</u>	<u>2,647,627</u>
<b>EXPENSES</b>						
Salaries and wages	1,048,068	-	1,048,068	1,079,064	-	1,079,064
Payroll taxes	81,022	-	81,022	85,117	-	85,117
Employee benefits	101,323	-	101,323	107,329	-	107,329
Professional fees	402,016	-	402,016	362,182	-	362,182
Facilities	225,684	-	225,684	299,639	-	299,639
Supplies and materials	70,864	-	70,864	67,317	-	67,317
Information technology	85,805	-	85,805	66,120	-	66,120
Transportation	10,135	-	10,135	6,250	-	6,250
School lunch program	37,498	-	37,498	41,243	-	41,243
Nurse services	62,679	-	62,679	22,399	-	22,399
Insurance	35,611	-	35,611	56,669	-	56,669
Fundraising	4,629	-	4,629	3,724	-	3,724
Depreciation and amortization	187,112	-	187,112	210,058	-	210,058
Interest	21,626	-	21,626	23,908	-	23,908
Other	48,895	-	48,895	38,851	-	38,851
<i>Total expenses</i>	<u>2,422,967</u>	<u>-</u>	<u>2,422,967</u>	<u>2,469,870</u>	<u>-</u>	<u>2,469,870</u>
<b>CHANGE IN NET ASSETS</b>	(583,027)	(9,848)	(592,875)	188,671	(10,914)	177,757
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>537,055</u>	<u>24,542</u>	<u>561,597</u>	<u>348,384</u>	<u>35,456</u>	<u>383,840</u>
<b>NET ASSETS (ACCUMULATED DEFICIT), END OF YEAR</b>	<u>\$ (45,972)</u>	<u>\$ 14,694</u>	<u>\$ (31,278)</u>	<u>\$ 537,055</u>	<u>\$ 24,542</u>	<u>\$ 561,597</u>

ALTERNATIVES IN EDUCATION, INC. D/B/A MARION ACADEMY  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (592,875)	\$ 177,757
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS</b>		
TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Depreciation and amortization	187,112	210,058
Discount on loan payable	9,848	10,914
<i>(Increase) decrease in operating assets:</i>		
Grants receivable	(36,944)	369,625
Prepaid expenses	5,451	(13,109)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	48,211	(71,109)
Payroll and other accrued expenses	(17,074)	12,923
Deferred rent expense	(2,500)	(16,500)
	<u>(398,771)</u>	<u>680,559</u>
<i>Net cash provided by (used in) operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(17,592)</u>	<u>(99,564)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on note and loan payable	<u>(109,388)</u>	<u>(105,889)</u>
<b>NET CHANGE IN CASH</b>	(525,751)	475,106
<b>CASH, BEGINNING OF YEAR</b>	<u>666,504</u>	<u>191,398</u>
<b>CASH, END OF YEAR</b>	<u>\$ 140,753</u>	<u>\$ 666,504</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	<u>\$ 10,465</u>	<u>\$ 11,494</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

Alternatives in Education, Inc. d/b/a Marion Academy was an Indiana public charter middle school and high school with a mission to provide students who are not on a traditional academic path with a structured and supportive environment to prepare for either a post-secondary education or a career.

Marion Academy provided students who had been in the juvenile justice system, expelled or were at risk for expulsion with structured opportunities to earn an Indiana Core 40 high school diploma and in demand industry certifications.

For students who were located at the Marion County Juvenile Detention Center (MCJDC), Marion Academy (through its Hillside Academy program) worked to provide youth with a continuum of educational services to ensure students did not experience a gap in their education while at the MCJDC.

During 2016, Marion entered an agreement with Pride Academy to provide teachers and resources towards the education of middle school and high school students. This agreement concluded in June 2018.

Marion Academy received the majority of its funding from the Indiana Department of Education (IDOE). IDOE revenues were supplemented with funds from the United States Department of Education, private grants, and in-kind support.

Marion Academy ceased operations in August 2019. See Note 9.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Marion Academy considered all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were \$16,025 of cash equivalents at June 30, 2019. There were no cash equivalents at June 30, 2018. Marion Academy maintained cash in excess of Federal Deposit Insurance Corporation (FDIC) limits of approximately \$429,000 at June 30, 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS

Marion Academy maintained the following classifications of net assets:

Net Assets without Donor Restrictions

These included revenue and expenses from the regular operations of Marion Academy, which were at the discretion of management and the Board of Directors. Marion Academy's charter was authorized through the Indianapolis Mayor's Office of Education Innovation (OEI). The OEI requires that each school establish an account held in escrow of \$30,000 no later than December of the third year of operations. The escrow account was designated for any potential dissolution of Marion Academy. At June 30, 2019 and 2018, Marion Academy held \$30,000 in escrow which has been presented as net assets without donor restrictions in the statements of financial position.

Net Assets with Donor Restrictions

These included donations and grant revenues with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction was accomplished, net assets with donor restrictions were reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions at June 30, 2019 and 2018 consisted of a contribution related to a below-market interest rate loan that was released ratably over the life of the loan. See Note 4.

REVENUE RECOGNITION AND CONCENTRATION OF CREDIT RISK

Revenues primarily came from resources provided under the Indiana Charter Schools Act. Under the Act, Marion Academy received 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 was based on enrollment and was paid in monthly installments in July through June coinciding with the academic school year. Revenue was recognized in the year in which educational services were rendered.

A portion of the Marion Academy's revenue was the product of cost reimbursement grants. Accordingly, Marion Academy recognized revenue under these grants as costs were incurred.

In fiscal years 2019 and 2018, 88.2% and 88.7% of revenue came from the Indiana Department of Education, respectively.

CONTRIBUTIONS AND GRANTS

Contributions and grants received were recognized when the donor made an unconditional promise to give to Marion Academy and were recorded at their fair values as revenues and assets in the period the promise was received. Contributions and grants that are restricted by the donor were reported as increases in net assets without donor restrictions if the restrictions expired in the year in which the contributions or grants were recognized. All other contributions with donor restrictions were reported as increases in net assets with donor restrictions. When a restriction expired, net assets with donor restrictions were reclassified to net assets without donor restrictions.

All grants receivable were due within one year. In addition, all grants receivable were considered collectible and no allowance for doubtful accounts was deemed necessary by management at June 30, 2019 and 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTED SERVICES

Pursuant to the Not-for-Profit Organizations Revenue Recognition Accounting Standards for contributed services, contributions of services were recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Marion Academy. Contributions of tangible assets were recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions were offset by like amounts included in expenses.

Marion Academy received \$199,200 of in-kind contributions during the year ended June 30, 2019 for rent and staffing at the MCJDC. Marion Academy received \$289,200 of in-kind contributions during the year ended June 30, 2018 for rent and staffing at the Pride Resource Center and MCJDC. These in-kind contributions have been included in contributions on the statement of activities. They have been treated as non-cash activities for the purposes of the statement of cash flows.

TAX STATUS

Marion Academy is an Indiana non-profit corporation and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Marion Academy is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

SUBSEQUENT EVENTS

Subsequent events have been considered through December 23, 2019, which was the date the financial statements were available to be issued. See Notes 9 and 10.

NEW ACCOUNTING PRONOUNCEMENT

Marion Academy adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The update addressed the complexity and understandability of net asset classification by reducing the three categories of unrestricted, temporarily restricted and permanently restricted to two, net assets with and without donor restrictions. In addition, the update requires a new disclosure regarding liquidity and the availability of resources, the presentation of expenses by natural classifications and function and the netting of investment expenses with revenue. Marion Academy has adjusted the presentation of these statements accordingly. With the exception of Note 2, the update has been applied retrospectively to all periods presented, but had no impact on total net assets as of June 30, 2018.

2. AVAILABLE RESOURCES AND LIQUIDITY

Marion Academy regularly monitored liquidity required to meet its operations and other commitments. Per OEI guidelines, Marion academy was required to have 45 days cash on hand.

For purposes of analyzing resources available to meet general expenditures within one year, Marion Academy considered all expenses related to ongoing activities to be general expenditures.

ALTERNATIVES IN EDUCATION, INC. D/B/A MARION ACADEMY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019 AND 2018

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2. AVAILABLE RESOURCES AND LIQUIDITY, CONTINUED

The following table reflects Marion Academy's financial assets that were available for general expenditures within one year as of June 30, 2019.

Financial assets at year-end:

Cash and cash equivalents	\$ 140,753
Grants receivable	<u>52,201</u>
Financial assets available to meet general expenditures within one year	<u>\$ 192,954</u>

Subsequent to year end, Marion Academy closed. See Note 9. Board designated net assets of \$30,000, included in cash and cash equivalents, were available for dissolution related expenses.

3. PROPERTY AND EQUIPMENT

Property and equipment were recorded at cost, or if contributed, at the estimated fair value at the date of the gift. Marion Academy capitalized additions of property and equipment greater than \$1,000 with a useful life greater than a year and that which extended the originally estimated economic life of the property and equipment that were capitalized. Depreciation and amortization were computed on the straight-line method over estimated useful lives ranging from 3 to 5 years once property and equipment was placed in service. Marion Academy did not own any real property. Routine maintenance and repairs were charged to expense as incurred.

As a part of Marion Academy's closure in August 2019 (Note 9), property and equipment was sold or transferred. As of the date of this report, property and equipment from the main Marion Academy campus was sold or transferred to a local community school for approximately \$35,000. Marion Academy also sold or transferred to MCJDC assets previously located on site at the MCJDC for approximately \$11,500.

At June 30, property and equipment included:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 289,689	\$ 337,126
Computer hardware and software	266,566	212,953
Textbooks	192,471	181,055
Furniture	135,102	135,102
Vehicles	<u>35,700</u>	<u>35,700</u>
Net assets of disposal group	919,528	901,936
Accumulated depreciation	<u>(696,006)</u>	<u>(508,894)</u>
	<u>\$ 223,522</u>	<u>\$ 393,042</u>

ALTERNATIVES IN EDUCATION, INC. D/B/A MARION ACADEMY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019 AND 2018

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4. NOTE AND LOAN PAYABLE

Marion Academy has a note payable with a financial lender which expires in November 2020. The original amount of the loan was \$350,000 with interest at the rate of 5% and requires monthly payments including principal and interest of \$6,605. At June 30, 2019 and 2018, the balance outstanding was \$108,182 and \$180,070, respectively. Subsequent to year end Marion Academy paid \$50,000 towards this loan.

Marion Academy obtained a loan from the State of Indiana through the Charter and Innovation School Advance Program for \$375,000 in January 2016, which matures in July 2026. The interest rate on the loan is 1% per annum and semi-annual payments of \$18,750 principal plus interest were being deducted from Marion Academy's monthly state tuition support payments beginning January 2017. The loan is considered below-market and, to reflect the time value of money, the liability recorded in the financial statements reflected future payments discounted at an imputed interest rate of 3.5%, which was Marion Academy's long-term borrowing rate at June 30, 2019 and 2018. The balance on the loan at June 30, 2019 and 2018 was \$281,250 and \$318,750, net of unamortized discount of \$14,694 and \$24,542, respectively.

The future aggregate minimum principal payments on the note and loan payable are as follows for the years ending June 30:

2020	\$ 113,066
2021	70,116
2022	37,500
2023	37,500
Thereafter	131,250
Total note and loan payable	<u>389,432</u>
Less: current portion	(113,066)
Less: discount on loan payable	<u>(14,694)</u>
Long term portion	<u>\$ 261,672</u>

5. OPERATING LEASES

In June 2015, Marion Academy entered an agreement with The Board of School Commissioners of the City of Indianapolis through June 2022. Under the agreement, Marion Academy was permitted use of the Indianapolis Public Schools (IPS) Building located at 2107 North Riley Avenue in Indianapolis. Base lease payments escalate over the term of the lease. The lease includes a provision for annual enrollment caps. If Marion Academy exceeded the enrollment cap, an additional fee would be due based on the number of students over the cap times the per student rent. The per student rent is based on the annual lease payment divided by the enrollment cap. Rent expense for each of the fiscal years 2019 and 2018 was \$172,000.

Marion Academy also leases office copiers and printers under two agreements which expire October 2020 and November 2022, respectively. In 2018, Marion Academy canceled one lease. The remaining lease requires minimum monthly payments of \$941 plus various charges for usage overages. Lease expense for equipment was \$6,145 and \$10,153 for fiscal years 2019 and 2018, respectively.

ALTERNATIVES IN EDUCATION, INC. D/B/A MARION ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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5. OPERATING LEASES, CONTINUED

Future minimum payments for both of these agreements are as follows for the years ending June 30:

2020	\$ 198,145
2021	198,145
2022	198,145
2023	<u>1,882</u>
Total	<u>\$ 596,317</u>

6. RETIREMENT PLANS

Marion Academy provided retirement benefits for teaching personnel by participating in the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan 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. In fiscal years 2019 and 2018, Marion Academy contributed 6% of compensation for teaching faculty to TRF. Should Marion Academy elect to withdraw from TRF, Marion Academy could be subject to a withdrawal fee. Marion Academy's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2018 (the latest year reported), TRF was more than 84% funded. A copy of the complete annual report for the year ended June 30, 2018 can be obtained at:

[https://www.in.gov/inprs/files/2018\\_INPRSCAFRBook.pdf](https://www.in.gov/inprs/files/2018_INPRSCAFRBook.pdf)

In fiscal years 2019 and 2018, the retirement plan expense under the TRF was \$20,714 and \$25,026, respectively.

7. FUNCTIONAL EXPENSES

Expenses have been classified as program, and management and general, and fundraising based on the actual direct expenditures and cost allocations based upon estimates of time spent by Marion Academy personnel.

The costs of providing the educational activities have been summarized on a natural classification basis in the statement of activities.

ALTERNATIVES IN EDUCATION, INC. D/B/A MARION ACADEMY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019 AND 2018

7. FUNCTIONAL EXPENSES, CONTINUED

The following is a summary of expenses comprising program, and management and general, and fundraising for the year ended June 30, 2019:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 849,284	\$ 381,129	\$ -	\$ 1,230,413
Professional services	365,718	98,977	-	464,695
Occupancy	225,684	-	-	225,684
Depreciation	187,112	-	-	187,112
Information technology	85,805	-	-	85,805
Student transportation and meals	47,633	-	-	47,633
Supplies and material	65,883	4,981	-	70,864
Insurance	-	35,611	-	35,611
Fundraising	-	-	4,629	4,629
Other and administrative	-	70,521	-	70,521
	<u>\$ 1,827,119</u>	<u>\$ 591,219</u>	<u>\$ 4,629</u>	<u>\$ 2,422,967</u>

8. FEDERAL, STATE, AND LOCAL GRANT AWARDS

In accordance with guidelines established by the Indiana State Board of Accounts, this federal, state, and local grant information was included to aid in the verification of Indiana financial assistance on the Annual Financial Report (AFR).

Program Name	Grantor Name	CFDA	Revenue	Expense	Funding Type
Title I, Part A Cluster	Indiana Department of Education	84.010	\$59,554	\$59,554	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B)	Indiana Department of Education	84.027	\$70,066	\$70,066	Federal grant passed through state or local government
National School Lunch Program	Indiana Department of Education	10.555	\$16,847	\$37,498	Federal grant passed through state or local government
Title IV, Part A	Indiana Department of Education	84.424A	\$10,000	\$10,000	Federal grant passed through state or local government
Basic Tuition Support	Indiana Department of Education	N/A	\$1,171,896	\$1,171,896	State or Local Government

ALTERNATIVES IN EDUCATION, INC. D/B/A MARION ACADEMY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019 AND 2018

8. FEDERAL, STATE, AND LOCAL GRANT AWARDS, CONTINUED

Charter School Grant	Indiana Department of Education	N/A	\$84,500	\$84,500	State or Local Government
Medicaid Reimbursement	Indiana Department of Education	N/A	\$3,455	\$3,455	State or Local Government
State Textbook Reimbursement	Indiana Department of Education	N/A	\$12,813	\$12,813	State or Local Government
State Special Education	Indiana Department of Education	N/A	\$180,872	\$180,872	State or Local Government
Teacher Appreciation Grant	Indiana Department of Education	N/A	\$4,988	\$4,988	State or Local Government
		Total	\$1,614,991	\$1,635,642	

9. GOING CONCERN AND DISCONTINUED OPERATIONS

Pursuant to ASC Topic 205-40, Going Concern, Marion Academy is required to evaluate whether there is substantial doubt about its ability to continue as a going concern each reporting period. In evaluating Marion Academy's ability to continue as a going concern for this reporting period, management evaluated the conditions and events that could raise substantial doubt about their ability to continue as a going concern within one year of the date the financial statements were issued (December 23, 2019). Management considered its current projections of future cash flow, current financial conditions, sources of liquidity and obligations due on or before December 23, 2019.

In late July 2019, Marion Academy received notice that the MCJDC was discontinuing its partnership with Marion Academy. As Marion Academy is funded primarily on a per student basis, the Board of Directors determined the loss of the MCJDC students made Marion Academy no longer financially viable for the 2019-2020 school year. Effective August 2, 2019 Marion Academy Board of Directors voted to cease operations. The winding down of operations is expected to conclude in December 2019.

10. COMMITMENT

In August 2019, Marion Academy entered into a contract with an independent consultant to assist with the dissolution activities discussed in Note 9. The expected payment related to this agreement for services and related travel is \$15,000 per month until the dissolution is finalized.

ALTERNATIVES IN EDUCATION, INC. D/B/A MARION ACADEMY  
OTHER REPORT  
JUNE 30, 2019

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

Supplemental Audit Report of Alternatives in Education, Inc. d/b/a Marion Academy