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January 14, 2020


Charter School Board  
Damar Charter School, Inc.  
d/b/a Damar Charter Academy  
6067 Decatur Boulevard  
Indianapolis, IN 46241

We have reviewed the audit report of Damar Charter School, Inc. d/b/a Damar Charter Academy which was opined upon by BKD, LLP, 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 Damar Charter School, Inc. d/b/a Damar Charter 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, BKD, LLP 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 Damar Charter School, Inc. d/b/a Damar Charter Academy, was prepared in accordance with the guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**  
June 30, 2019 and 2018

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## Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Directors  
Damar Charter School, Inc.  
Indianapolis, Indiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Damar Charter School, Inc. d/b/a Damar Charter Academy (Academy), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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.

### *Auditor's 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 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 Damar Charter School, Inc. d/b/a Damar Charter 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.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2019, Damar Charter School adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of activities by fund listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated December 20, 2019, on our consideration of 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 solely 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 the effectiveness of Academy's 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 Academy's internal control over financial reporting and compliance.

**BKD, LLP**

Indianapolis, Indiana  
December 20, 2019

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

**Assets**

	<b>2019</b>	<b>2018</b>
Cash	\$ 1,420,054	\$ 1,224,065
Tuition and other receivables, net of allowance of \$583,128	6,176	2,986
Medicaid receivable	42,000	43,586
Property and equipment, net	293,866	266,041
Total assets	\$ 1,762,096	\$ 1,536,678

**Liabilities and Net Assets**

**Liabilities**

Accounts payable - Damar Services, Inc.	\$ 266,049	\$ 301,423
Accounts payable - other	30,000	30,000
Deferred rent expense	12,676	-
Total liabilities	308,725	331,423

**Net Assets**

Without donor restrictions	1,353,485	1,196,251
With donor restrictions	99,886	9,004
Total net assets	1,453,371	1,205,255
Total liabilities and net assets	\$ 1,762,096	\$ 1,536,678

**Damar Charter School, Inc.  
d/b/a Damar Charter Academy**

**Statements of Activities  
Years Ended June 30, 2019 and 2018**

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 10,170	\$ 100,000	\$ 110,170
Grants	281,122	-	281,122
State basic grant (tuition support)	2,668,888	-	2,668,888
Medicaid	57,232	-	57,232
Other revenue	95,481	-	95,481
Net assets released from restriction	9,118	(9,118)	-
Total revenues, gains and other support	<u>3,122,011</u>	<u>90,882</u>	<u>3,212,893</u>
<b>Expenses</b>			
Program services	2,500,951	-	2,500,951
Management and general	466,321	-	466,321
Total expenses	<u>2,967,272</u>	<u>-</u>	<u>2,967,272</u>
<b>Change in Net Assets Before Other Changes</b>	154,739	90,882	245,621
<b>Other Changes</b>			
Gain on disposal of property and equipment	<u>2,495</u>	<u>-</u>	<u>2,495</u>
<b>Change in Net Assets</b>	157,234	90,882	248,116
<b>Net Assets, Beginning of Year</b>	<u>1,196,251</u>	<u>9,004</u>	<u>1,205,255</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,353,485</u>	<u>\$ 99,886</u>	<u>\$ 1,453,371</u>

<b>2018</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 63,043	\$ 15,000	\$ 78,043
279,238	-	279,238
2,593,435	-	2,593,435
91,906	-	91,906
99,463	-	99,463
29,629	(29,629)	-
<u>3,156,714</u>	<u>(14,629)</u>	<u>3,142,085</u>
2,415,362	-	2,415,362
451,984	-	451,984
<u>2,867,346</u>	<u>-</u>	<u>2,867,346</u>
289,368	(14,629)	274,739
<u>-</u>	<u>-</u>	<u>-</u>
289,368	(14,629)	274,739
906,883	23,633	930,516
<u>\$ 1,196,251</u>	<u>\$ 9,004</u>	<u>\$ 1,205,255</u>

**Damar Charter School, Inc.  
d/b/a Damar Charter Academy**

**Statements of Functional Expenses  
Years Ended June 30, 2019 and 2018**

	<b>2019</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries and wages	\$ 1,264,628	\$ 292,029	\$ 1,556,657
Employee benefits	206,440	48,424	254,864
Payroll taxes	92,632	21,728	114,360
Professional services	264,538	29,393	293,931
Office supplies	7,827	870	8,697
Occupancy	363,363	40,374	403,737
Conference and meetings	37,144	4,127	41,271
Depreciation	87,867	9,763	97,630
Insurance	18,302	2,034	20,336
Educational supplies	2,825	314	3,139
Student transportation	73,063	8,118	81,181
Miscellaneous and other	82,322	9,147	91,469
	<u>\$ 2,500,951</u>	<u>\$ 466,321</u>	<u>\$ 2,967,272</u>

	<b>2018</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries and wages	\$ 1,197,330	\$ 301,581	\$ 1,498,911
Employee benefits	201,848	32,913	234,761
Payroll taxes	93,682	15,280	108,962
Professional services	268,267	29,807	298,074
Office supplies	4,453	495	4,948
Occupancy	365,774	40,641	406,415
Conference and meetings	22,807	2,534	25,341
Depreciation	91,085	10,121	101,206
Insurance	12,756	1,417	14,173
Educational supplies	1,965	218	2,183
Student transportation	72,511	8,057	80,568
Miscellaneous and other	82,884	8,920	91,804
	<u>\$ 2,415,362</u>	<u>\$ 451,984</u>	<u>\$ 2,867,346</u>

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Change in net assets	\$ 248,116	\$ 274,739
Items not requiring cash		
Depreciation	97,630	101,206
Changes in		
Tuition receivable	(3,190)	31,822
Medicaid receivable	1,586	283
Accounts payable	(35,374)	(26,545)
Accrued expenses	-	(1,976)
Deferred rent expense	12,676	(8,153)
Net cash provided by operating activities	321,444	371,376
<b>Investing Activity</b> - purchase of property and equipment	(125,455)	(65,755)
<b>Financing Activity</b> - payments on note payable	-	(48,786)
<b>Increase in Cash</b>	195,989	256,835
<b>Cash, Beginning of Year</b>	1,224,065	967,230
<b>Cash, End of Year</b>	\$ 1,420,054	\$ 1,224,065

# **Damar Charter School, Inc. d/b/a Damar Charter Academy**

## **Notes to Financial Statements June 30, 2019 and 2018**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### ***Nature of Operations***

On August 16, 2011, the Damar Charter School, Inc. d/b/a Damar Charter Academy (Academy) signed an agreement with The Mayor of Indianapolis to begin operations as a public charter school. The first day of school was August 17, 2011. The mission of the Academy is to provide students with autism and other developmental and intellectual challenges the opportunity to achieve to their highest academic potential while developing practical behavioral, communication and daily living skills toward improved community integration and success. The Academy utilizes best practice and research-informed teaching and support strategies tailored specifically to each student as developed and reflected in an individual education plan.

The Academy signed an initial seven year charter with the Mayor's Office to operate the school, with the seven years term ending September 30, 2018. During fiscal year 2018, the renewal application was approved by the Mayor's office and the scheduled term date was extended to September 30, 2025.

Beginning in the 2017-18 school year, the Academy implemented a classroom expansion, which resulted in an additional two classrooms and approximately 30-35 students. In the 2018-19 school year, the Academy maintained the expanded classrooms with a chartered student population of 185 students that provides additional room to accommodate up to 205 students. During the 2017-18 school year, the Academy had a total student population of 195 students.

Although open to all Indiana students, this Kindergarten through 12<sup>th</sup> grade public school predominantly has children with developmental disabilities or learning disabilities enrolled as students. The student population is a mix of Damar Service's residential clients and non-resident students. The Academy was formed as a 501(c)(3) under the Internal Revenue Service code.

Damar Services, Inc. (Damar Services) functions as the Academy's education management organization (EMO) under a management services agreement dated August 16, 2011, and which is coterminous with the Academy's charter. In addition to the contractual services provided under the EMO agreement, Damar Services voluntarily provides up to 20 additional staff every school day, which facilitates additional support in the Academy's classrooms and increases the staff to student ratios. The additional staff provided by Damar Services is critical to the success of the Academy. The Academy has one employee, which is the President and Chief Executive Officer of Damar Services.

The Academy is governed by an independent board of directors whose members include five elected directors, three Damar Services board of directors and a Damar Services staff director.

The Academy's revenues and other support are derived principally from tuition support from the State of Indiana. This revenue is based upon a formula from the Department of Education for the number of students enrolled in the Academy. Additionally, the Academy receives grants and contributions from donors for the support of its activities.

**Damar Charter School, Inc.  
d/b/a Damar Charter Academy**

**Notes to Financial Statements  
June 30, 2019 and 2018**

***Use of 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 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 revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash***

At June 30, 2019, the Academy's cash accounts exceeded federally insured limits by approximately \$1,170,000

***Tuition Receivable***

The tuition receivable balance primarily represents the unpaid amounts due from the State of Indiana for tuition support. At June 30, 2013, the State of Indiana forgave the Common School Loan and accordingly, the Academy reduced the corresponding basic tuition grant receivable. However, the State of Indiana made no provision to reimburse for the special education portion of the receivable. The State has acknowledged that the special education receivable is owed, but does not have a funding solution outside of an Indiana General Assembly approval. As a result, the Academy reduced the remaining tuition grant receivable to zero.

The allowance for doubtful accounts is determined by management based on the Academy's historical losses, specific customer circumstances and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed.

The allowance for doubtful accounts was \$583,128 at June 30, 2019 and 2018, to recognize that the State of Indiana may not pay the portion of 2013 tuition support that is due to the Academy.

***Property and Equipment***

Property and equipment is depreciated on a straight-line basis over the estimated useful life of each asset. The Academy provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Equipment	3 - 5
Computers	3 - 5
Software	3 - 5

**Damar Charter School, Inc.  
d/b/a Damar Charter Academy**

**Notes to Financial Statements  
June 30, 2019 and 2018**

***Long-Lived Asset Impairment***

The Academy evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2019 and 2018.

***Net Assets With Donor Restriction***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operating and not subject to donor restriction. Net assets with donor restrictions are subject to donor-imposed restrictions. The Academy's donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets with donor restrictions. Gifts received with a donor stipulation that limits their user are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

***Government Grants***

Support funded by grants is recognized as the Academy performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

***Income Taxes***

The Academy is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Academy is subject to federal income tax on any unrelated business taxable income. The Academy files tax returns in the U.S. federal jurisdiction. With few exceptions, the Academy is no longer subject to U.S. federal examinations by tax authorities for years before 2016.

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**

**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***Expense Allocation***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, and management and general categories based upon head count, time tracking and expense tracking.

***Subsequent Events***

Subsequent events have been evaluated through December 20, 2019, which is the date the financial statements were available to be issued.

**Note 2: Change in Accounting Principle**

In 2019, the Academy, adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

***Statement of Financial Position***

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

***Statement of Activities***

- Expenses are reported by both nature and function in one location.

***Notes to the Financial Statements***

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

**Damar Charter School, Inc.  
d/b/a Damar Charter Academy**

**Notes to Financial Statements  
June 30, 2019 and 2018**

**Note 3: Property and Equipment**

Property and equipment at June 30 consists of:

	<b>2019</b>	<b>2018</b>
Equipment	\$ 766,709	\$ 720,808
Computers	252,434	172,916
Software	39,901	39,901
	1,059,044	933,625
Less accumulated depreciation and amortization	(765,178)	(667,584)
	\$ 293,866	\$ 266,041

**Note 4: Net Assets With Donor Restrictions**

Net assets with donor restrictions at June 30 are restricted for the following purposes:

	<b>2019</b>	<b>2018</b>
Substance abuse prevention	\$ -	\$ 9,004
Counseling initiatives	99,886	-
	\$ 99,886	\$ 9,004

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors:

	<b>2019</b>	<b>2018</b>
Substance abuse prevention	\$ 9,004	\$ 5,996
Counseling initiatives	114	23,633
	\$ 9,118	\$ 29,629

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**

**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**Note 5: Operating Leases**

***Rent and Lease Expense***

Under a lease dated November 2012, the Academy leases approximately 20,000 square feet of space from Damar Services. The initial term of this lease expired on June 30, 2018 and the rent calculated to an effective lease per square foot of approximately \$9.76. On July 1, 2018, this lease was extended to June 30, 2025. The effective lease per square foot under the extended lease is approximately \$10.62.

Rent expense is recognized on the straight-line method and was \$221,326 and \$209,927 for the years ended June 30, 2019 and 2018, respectively. Deferred rent expense to recognize the difference between rental payments made and rent expense according to the straight-line method was \$12,676 at June 30, 2019. There was no deferred rent at June 30, 2018.

The Academy also rents certain equipment from Damar Services, which totaled \$13,600 and \$13,568 for 2019 and 2018, respectively. The office equipment and vehicle leases are annual leases.

Future minimum lease payments for the office space under the new lease executed July 1, 2018 are as follow:

2020	\$ 209,029
2021	213,157
2022	217,431
2023	221,734
2024	226,243
Thereafter	<u>230,751</u>
	<u><u>\$ 1,318,345</u></u>

**Note 6: Management Services Agreement**

On August 16, 2011, the Academy and Damar Services signed a Charter School Service Contract. In effect, this contract authorizes Damar Services to provide all educational services to the Academy to include curriculum, instruction, employees, physical facilities, financial and all other facets required to run a public school. Damar Services assumes responsibility for the administration, operation and performance of the Academy, including all administrative services reasonably necessary for the operation of a charter school, as set forth in the Charter School Service Contract. Termination clauses for both the Academy and Damar Services are included in the contract.

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

The Academy and Damar Services have a management services agreement under which Damar Services provides management services for the Academy. In 2019 and 2018, the Academy paid \$133,000 to Damar Services under this agreement. The agreement continues through the termination or expiration of the Academy, unless otherwise cancelled under the contract terms.

***Contracted Services Detail***

As part of the management services agreement, Damar Services provides a number of contractual services and facilities to the Academy, which are noted below:

	<b>2019</b>	<b>2018</b>
Management agreement	\$ 133,000	\$ 133,000
Security	-	1,389
	<u>\$ 133,000</u>	<u>\$ 134,389</u>

Additionally, the Academy reimburses Damar Services for a variety of expenses, which include but are not limited to all employee costs, insurance, supplies, transportation, professional services and other miscellaneous items. The school Superintendent is the only Academy employee and is uncompensated.

Total payments to Damar Services for contracted services and other operating expenses for the fiscal years ended June 30, 2019 and 2018 was \$3,215,084 and \$2,916,484, respectively. During 2019 and 2018, Damar Services also made contributions to the Academy totaling \$107,746 and \$43,673 for program initiatives.

At June 30, 2019 and 2018, the Academy had accounts payable totaling \$266,049 and \$301,423, respectively.

**Damar Charter School, Inc.  
d/b/a Damar Charter Academy**

**Notes to Financial Statements  
June 30, 2019 and 2018**

**Note 7: Liquidity and Availability**

Financial assets are available for general expenditure, that is, without donor restrictions limiting their use, within one year of June 30, 2019 and 2018, comprise the following:

	<b>2019</b>	<b>2018</b>
Financial assets		
Cash	\$ 1,420,054	\$ 1,224,065
Tuition and other receivables	6,176	2,986
Medicaid receivable	42,000	43,586
	1,468,230	1,270,637
Net assets with donor restrictions	99,886	9,004
Cash held for lunch fund	19,180	11,770
Board reserve account	25,000	25,000
Authorizer reserve account	30,538	30,310
	174,604	76,084
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,293,626	\$ 1,194,553

The Academy manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these principles, the Academy forecasts its future cash flows and monitors its liquidity and reserves.

The board reserve account is maintained to provide liquidity for unanticipated expenditures or other cash needs based upon the operating cycle of the Academy. The authorizer reserve account is required by the Mayor’s office to provide funding for final expenses if the Academy ceased operations.

**Note 8: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Revenue, Grants and Other Support***

Approximately 83% of revenue received in 2019 and 2018 was from the State of Indiana under the State Basic Grant, which includes tuition support and special education funding.

Approximately 53% of contribution and grant support received in 2019 was from two funders.

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***Current Economic Conditions***

In addition to serving as the Academy's EMO, Damar Services provides a significant number of students and staff to the school. Any reduction to the census at Damar Services may ultimately have an adverse effect on the Academy's enrollment and classroom staffing. Further, Indiana school education funding is a component of the biennial budget approved by the Indiana General Assembly (IGA). Future funding bears a level of uncertainty dependent upon decisions related to the budget made by the IGA during session.

## **Supplementary Information**

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**  
**Statement of Activities by Fund**  
**Year Ended June 30, 2019**

	General Fund	Lunch Fund	Textbook Fund	Lilly Counseling	School Administration Fund	E-Rate	Title I Fund	Title II Fund	Federal Special Ed Fund	Facilities Grant Fund	Performance Awards	Total
<b>Revenues, Gains and Other Support</b>												
Contributions	\$ 110,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,170
Grants	15,769	-	-	100,000	16,905	-	59,889	7,328	-	97,000	-	296,891
State basic grant	2,668,888	-	-	-	-	-	-	-	-	-	-	2,668,888
Medicaid	41,463	-	-	-	-	-	-	-	-	-	-	41,463
Other revenue	(2,293)	85,213	12,561	-	-	-	-	-	-	-	-	95,481
Total revenues, gains and other support	<u>2,833,997</u>	<u>85,213</u>	<u>12,561</u>	<u>100,000</u>	<u>16,905</u>	<u>-</u>	<u>59,889</u>	<u>7,328</u>	<u>-</u>	<u>97,000</u>	<u>-</u>	<u>3,212,893</u>
<b>Expenses</b>												
Salaries and wages	1,488,045	-	-	-	10,284	-	51,000	7,328	-	-	-	1,556,657
Employee benefits	254,864	-	-	-	-	-	-	-	-	-	-	254,864
Payroll taxes	109,360	-	-	-	-	-	5,000	-	-	-	-	114,360
Professional services	293,931	-	-	-	-	-	-	-	-	-	-	293,931
Office supplies	5,558	-	-	-	-	-	3,139	-	-	-	-	8,697
Occupancy	403,737	-	-	-	-	-	-	-	-	-	-	403,737
Conference and meetings	41,271	-	-	-	-	-	-	-	-	-	-	41,271
Depreciation	97,630	-	-	-	-	-	-	-	-	-	-	97,630
Insurance	20,336	-	-	-	-	-	-	-	-	-	-	20,336
Educational supplies	3,139	-	-	-	-	-	-	-	-	-	-	3,139
Student transportation	81,181	-	-	-	-	-	-	-	-	-	-	81,181
Miscellaneous and other	12,405	78,314	-	-	-	-	750	-	-	-	-	91,469
Total expenses	<u>2,811,457</u>	<u>78,314</u>	<u>-</u>	<u>-</u>	<u>10,284</u>	<u>-</u>	<u>59,889</u>	<u>7,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,967,272</u>
<b>Change in Net Assets Before Other Changes</b>	22,540	6,899	12,561	100,000	6,621	-	-	-	-	97,000	-	245,621
<b>Other Changes</b>												
Gain on disposal on property and equipment	2,495	-	-	-	-	-	-	-	-	-	-	2,495
<b>Change in Net Assets</b>	25,035	6,899	12,561	100,000	6,621	-	-	-	-	97,000	-	248,116
<b>Net Assets, Beginning of Year</b>	<u>422,336</u>	<u>10,816</u>	<u>68,384</u>	<u>-</u>	<u>111,953</u>	<u>8,499</u>	<u>175,279</u>	<u>12,933</u>	<u>138,727</u>	<u>251,248</u>	<u>5,080</u>	<u>1,205,255</u>
<b>Net Assets, End of Year</b>	<u>\$ 447,371</u>	<u>\$ 17,715</u>	<u>\$ 80,945</u>	<u>\$ 100,000</u>	<u>\$ 118,574</u>	<u>\$ 8,499</u>	<u>\$ 175,279</u>	<u>\$ 12,933</u>	<u>\$ 138,727</u>	<u>\$ 348,248</u>	<u>\$ 5,080</u>	<u>\$ 1,453,371</u>

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**  
**Statement of Activities by Fund**  
**Year Ended June 30, 2018**

	General Fund	Lunch Fund	Textbook Fund	Lilly Counseling	School Administration Fund	E-Rate	Title I Fund	Title II Fund	Federal Special Ed Fund	Facilities Grant Fund	Performance Awards	Total
<b>Revenues, Gains and Other Support</b>												
Contributions	\$ 78,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,043
Grants	1,295	-	-	-	14,721	-	62,183	-	103,539	97,500	-	279,238
State basic grant	2,593,435	-	-	-	-	-	-	-	-	-	-	2,593,435
Medicaid	91,906	-	-	-	-	-	-	-	-	-	-	91,906
Other revenue	1,191	85,602	12,670	-	-	-	-	-	-	-	-	99,463
Total revenues, gains and other support	<u>2,765,870</u>	<u>85,602</u>	<u>12,670</u>	<u>-</u>	<u>14,721</u>	<u>-</u>	<u>62,183</u>	<u>-</u>	<u>103,539</u>	<u>97,500</u>	<u>-</u>	<u>3,142,085</u>
<b>Expenses</b>												
Salaries and wages	1,330,694	-	-	-	12,848	-	55,000	-	100,369	-	-	1,498,911
Employee benefits	234,761	-	-	-	-	-	-	-	-	-	-	234,761
Payroll taxes	100,792	-	-	-	-	-	5,000	-	3,170	-	-	108,962
Professional services	298,074	-	-	-	-	-	-	-	-	-	-	298,074
Office supplies	2,765	-	-	-	-	-	2,183	-	-	-	-	4,948
Occupancy	406,415	-	-	-	-	-	-	-	-	-	-	406,415
Conference and meetings	25,341	-	-	-	-	-	-	-	-	-	-	25,341
Depreciation	101,206	-	-	-	-	-	-	-	-	-	-	101,206
Insurance	14,173	-	-	-	-	-	-	-	-	-	-	14,173
Educational supplies	2,183	-	-	-	-	-	-	-	-	-	-	2,183
Student transportation	80,568	-	-	-	-	-	-	-	-	-	-	80,568
Miscellaneous and other	(8,971)	77,142	-	23,633	-	-	-	-	-	-	-	91,804
Total expenses	<u>2,588,001</u>	<u>77,142</u>	<u>-</u>	<u>23,633</u>	<u>12,848</u>	<u>-</u>	<u>62,183</u>	<u>-</u>	<u>103,539</u>	<u>-</u>	<u>-</u>	<u>2,867,346</u>
<b>Change in Net Assets Before Other Changes</b>	177,869	8,460	12,670	(23,633)	1,873	-	-	-	-	97,500	-	274,739
<b>Other Changes</b>												
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
<b>Change in Net Assets</b>	177,869	8,460	12,670	(23,633)	1,873	-	-	-	-	97,500	-	274,739
<b>Net Assets, Beginning of Year</b>	244,467	2,356	55,714	23,633	110,080	8,499	175,279	12,933	138,727	153,748	5,080	930,516
<b>Net Assets, End of Year</b>	<u>\$ 422,336</u>	<u>\$ 10,816</u>	<u>\$ 68,384</u>	<u>\$ -</u>	<u>\$ 111,953</u>	<u>\$ 8,499</u>	<u>\$ 175,279</u>	<u>\$ 12,933</u>	<u>\$ 138,727</u>	<u>\$ 251,248</u>	<u>\$ 5,080</u>	<u>\$ 1,205,255</u>

## **Other Information**

**Damar Charter School, Inc.**  
**d/b/a Damar Charter Academy**  
**Other Information**

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

**Supplemental Report of Damar Charter School, Inc.**

The Supplemental 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.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Directors  
Damar Charter School, Inc.  
d/b/a Damar Charter Academy  
Indianapolis, Indiana

We have audited, in accordance with 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 Damar Charter School, Inc. d/b/a Damar Charter Academy (Academy), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated which contained an emphasis of matter paragraph regarding a change in accounting principle.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered management'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 the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 the 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.

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 the 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 Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Indianapolis, Indiana  
December 20, 2019