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January 27, 2020

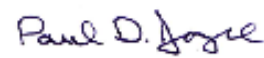
Charter School Board  
Aspire Charter Academy, Inc.  
4900 W. 15<sup>th</sup> Avenue  
Gary, IN 46406

We have reviewed the audit report of Aspire Charter Academy, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Aspire Charter Academy, Inc. as of June 30, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Aspire Charter Academy, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

# ASPIRE CHARTER ACADEMY, INC.



Financial Statements, Additional  
Information, and Federal Awards  
Supplemental Information as of and for the  
Years Ended June 30, 2019 and 2018, and  
Independent Auditor's Reports

# ASPIRE CHARTER ACADEMY, INC.

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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Aspire Charter Academy, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Aspire Charter Academy, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aspire Charter Academy, Inc. as of June 30, 2019 and 2018 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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, 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 have also issued our report dated December 13, 2019 on our consideration of Aspire Charter Academy, Inc.'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 Aspire Charter Academy, Inc.'s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink, appearing to read "DONOVAN", with a stylized, cursive-like font.

Indianapolis, Indiana  
December 13, 2019

# ASPIRE CHARTER ACADEMY, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 1,306,833	\$ 783,152
Due from governmental revenue sources	2,746,211	2,783,189
Less allowance for doubtful accounts	<u>(2,544,248)</u>	<u>(2,544,248)</u>
 Total due from governmental revenue sources, net of allowance for doubtful accounts	 <u>201,963</u>	 <u>238,941</u>
 Total current assets	 <u>1,508,796</u>	 <u>1,022,093</u>
NON-CURRENT ASSETS:		
Capital assets	191,883	191,883
Less accumulated depreciation	<u>(154,235)</u>	<u>(135,784)</u>
 Total capital assets, net of accumulated depreciation	 <u>37,648</u>	 <u>56,099</u>
 TOTAL	 <u>\$ 1,546,444</u>	 <u>\$ 1,078,192</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable	\$ 4,686	\$ -
Deferred revenue	6,316	2,873
Contracted service fee payable	<u>1,480,647</u>	<u>996,048</u>
 Total liabilities	 1,491,649	 998,921
NET ASSETS:		
Net assets without donor restrictions	<u>54,795</u>	<u>79,271</u>
 TOTAL	 <u>\$ 1,546,444</u>	 <u>\$ 1,078,192</u>

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

## ASPIRE CHARTER ACADEMY, INC.

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

	2019	2018
REVENUES AND SUPPORT:		
State aid	\$ 5,238,321	\$ 5,101,831
Other state sources	650,159	649,672
Federal sources	1,819,797	1,809,658
Private sources	52,565	46,988
In-kind contribution from NHA	<u>160,496</u>	<u>-</u>
Total revenues and support	<u>7,921,338</u>	<u>7,608,149</u>
EXPENSES:		
Contracted service fee	7,886,959	7,572,529
Depreciation	18,451	18,950
Board expenses	<u>40,404</u>	<u>34,880</u>
Total expenses	<u>7,945,814</u>	<u>7,626,359</u>
CHANGE IN NET ASSETS	(24,476)	(18,210)
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Beginning of year	<u>79,271</u>	<u>97,481</u>
End of year	<u>\$ 54,795</u>	<u>\$ 79,271</u>

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

## ASPIRE CHARTER ACADEMY, INC.

### STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Program Services	Management and General	Total	Total
Contracted service fee:				
Salaries and wages	\$ 3,150,811	\$ -	\$ 3,150,811	\$ 2,873,015
Retirement contributions	46,166	-	46,166	39,268
Other employee benefits	598,400	-	598,400	569,651
Payroll taxes	247,959	-	247,959	226,283
Accounting fees	4,152	64,157	68,309	80,779
Curriculum, textbooks, and supplies	269,936	-	269,936	200,794
Postage and shipping	4,889	-	4,889	4,214
Occupancy	1,563,928	11,420	1,575,348	1,559,725
Food service	410,247	-	410,247	414,502
Equipment rental and maintenance	15,658	-	15,658	124,748
Printing and publications	19,784	-	19,784	88,782
Travel	15,037	-	15,037	39,130
Conferences and meetings	100,765	-	100,765	122,318
Professional fees	557,388	-	557,388	429,672
Instructional support	-	127,548	127,548	125,658
Academic and general support	-	203,433	203,433	193,298
Enrollment and parent relations	-	32,964	32,964	35,150
Board support	-	62,594	62,594	61,540
Human resources	-	115,842	115,842	123,672
Support services	-	25,310	25,310	26,449
Technology	12,440	87,907	100,347	105,752
Marketing and business development	50,799	27,578	78,377	59,425
Insurance	23,754	-	23,754	21,308
Miscellaneous	36,093	-	36,093	47,396
Total contracted service fee	7,128,206	758,753	7,886,959	7,572,529
Depreciation	18,451	-	18,451	18,950
Expenses of Board of Directors	40,404	-	40,404	34,880
Total expenses	\$ 7,187,061	\$ 758,753	\$ 7,945,814	\$ 7,626,359

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

# ASPIRE CHARTER ACADEMY, INC.

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

	2019	2018
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>		
State aid	\$ 5,199,392	\$ 5,101,831
Other state sources	650,159	649,672
Federal sources	1,895,704	1,877,658
Private sources	56,009	48,107
Payments for services rendered	<u>(7,277,583)</u>	<u>(7,434,395)</u>
Net cash provided by operating activities	523,681	242,873
CASH — Beginning of year	<u>783,152</u>	<u>540,279</u>
CASH — End of year	<u>\$ 1,306,833</u>	<u>\$ 783,152</u>
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (24,476)	\$ (18,210)
Depreciation	18,451	18,950
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in due from governmental revenue sources	36,978	67,999
Change in accounts payable	4,686	-
Change in contracted service fee payable	484,599	173,015
Change in deferred revenue	<u>3,443</u>	<u>1,119</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 523,681</u>	<u>\$ 242,873</u>
 <b>NON-CASH ACTIVITY:</b>		
In-kind contribution from NHA	<u>\$ 160,496</u>	

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

# ASPIRE CHARTER ACADEMY, INC.

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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### 1. NATURE OF OPERATIONS AND REPORTING ENTITY

Aspire Charter Academy, Inc. (the “Academy”) is a public benefit not-for-profit organization established under the laws of the State of Indiana that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy served approximately 690 students during the 2018-2019 school year.

The Board of Directors of the Academy entered into a management agreement (the “agreement”) with National Heritage Academies, Inc. (“NHA”) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until the termination or expiration of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives all Academy revenue from all sources as their contracted service fee. NHA is entitled to any difference between the gross management fee and the operating costs of the Academy as compensation for management services rendered.

The Academy operates a public charter school established under Indiana Code 20-24-3-1 and is sponsored by Ball State University, which is responsible for oversight of the Academy’s operations. Under this Charter, the Academy has agreed to pay to Ball State University an annual fee equal to 3% of the state tuition support, which is included in the expenses assumed by NHA as described above. This amounted to \$113,516 and \$110,100 for the fiscal years 2019 and 2018, respectively. The charter expires on June 30, 2020, and is subject to renewal.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Accounting* – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, and expenditures during the reporting period. Actual results could differ from those estimates.

*Cash* — Cash as of June 30, 2019 represents bank deposits with a carrying amount of \$1,306,833 and a bank balance of \$1,312,135 of which \$1,062,135 was uninsured and uncollateralized by federal depository insurance. The Academy does not have a deposit policy for custodial credit risk, as it typically does not anticipate holding uninsured deposits based on the nature of its management agreement with NHA. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Contracted Service Fee Payable* — Contracted service fee payable as of June 30, 2019 and 2018 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

*Capital Assets* — Capital assets, which include other equipment, are reported in the financial statements at historical cost. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

*The Financial Statements* — Effective with the June 30, 2019 year end, the Academy adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires changes to the financial reporting model for not-for-profit entities, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires additional disclosures regarding liquidity of financial assets. ASU 2016-14 must be applied on a retrospective basis, therefore the net assets as of and for the year ended June 30, 2018 have been restated to comply with ASU 2016-14.

Revenues, gains and other support are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in net assets without donor restriction. Other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of donor restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Income Taxes* — The Academy operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code.

Accordingly, no provision for federal income taxes has been made.

Professional accounting standards require the Academy to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2015 are open to audit for both federal and state purposes.

*Subsequent Events* — The Academy evaluated subsequent events through December 13, 2019, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

*Recent Accounting Pronouncements* — In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and changes in judgements and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Academy's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Academy has not yet determined which application method it will use. The Academy is in the process of evaluating potential effects of the new standard on the financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the Statements of Activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the Statements of Financial Position. The reporting of lease-related expenses in the Statements of Activities and Cash Flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Academy's year ending June 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined, but is expected to have minimal impact when adopted.

### **3. DUE FROM GOVERNMENTAL REVENUE SOURCES**

The Academy's accounts receivable balance consists of amounts due from the State of Indiana for tuition support relating to a) the first six months of the Academy's initial school year, b) enrollment growth occurring in subsequent school years, and c) grants and other receivables due from state and federal programs.

Pursuant to IC § 20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that are defined in the statute.

In April 2013, the Indiana General Assembly repealed IC § 20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. The amounts forgiven under House Bill 1001 were to be applied against the related accounts receivable balance previously recorded by the Academy. The Academy did not receive funds from the Common School Fund and as such, no amount was forgiven by the State.

Members of the Indiana General Assembly have been informed that a number of charter schools remain with an accounts receivable balance and those charter schools believe that the State remains obligated for amounts not reimbursed through the provisions of House Bill 1001. Legal efforts are being made to resolve any outstanding obligations of the State. As a result, the Academy continues to carry a receivable balance of \$2,544,248 that was not reimbursed through the provisions of House Bill 1001, however the Academy has reserved for its potential uncollectibility. The remaining balance of \$201,963 and \$238,941 as of June 30, 2019 and 2018, respectively, relates to routine amounts due from other state programs and federal programs.

#### **4. LIQUIDITY**

The Academy has \$1,508,796 of financial assets available within one year of the date of the statement of financial position to meet cash needs for general expenditures consisting of cash of \$1,306,833 and amounts due from governmental revenue sources of \$201,963 at June 30, 2019. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statement of financial position.

The Academy has a goal to maintain financial assets, which consist of cash and short-term receivables on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,271,060 at June 30, 2019.

While the Academy will not always carry financial assets in excess of 60 days of normal operating expenses, due to their management agreement with NHA, NHA is required to make contributions to the Academy if the Academy's expenditures exceed the school's revenue during the year.

#### **5. RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2019, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

## 6. CAPITAL ASSETS

Capital asset activity of the Academy as of and for the year ended June 30, 2019, was as follows:

2019	Beginning Balance	Additions	Disposals	Ending Balance
Other equipment	<u>\$ 191,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,883</u>
Total capital assets at historical cost	<u>191,883</u>	<u>-</u>	<u>-</u>	<u>191,883</u>
Less accumulated depreciation — equipment	<u>(135,784)</u>	<u>(18,451)</u>	<u>-</u>	<u>(154,235)</u>
Total accumulated depreciation	<u>(135,784)</u>	<u>(18,451)</u>	<u>-</u>	<u>(154,235)</u>
Total capital asset activity, net	<u>\$ 56,099</u>	<u>\$ (18,451)</u>	<u>\$ -</u>	<u>\$ 37,648</u>

Capital asset activity of the Academy as of and for the year ended June 30, 2018, was as follows:

2018	Beginning Balance	Additions	Disposals	Ending Balance
Other equipment	<u>\$ 191,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,883</u>
Total capital assets at historical cost	<u>191,883</u>	<u>-</u>	<u>-</u>	<u>191,883</u>
Less accumulated depreciation — equipment	<u>(116,834)</u>	<u>(18,950)</u>	<u>-</u>	<u>(135,784)</u>
Total accumulated depreciation	<u>(116,834)</u>	<u>(18,950)</u>	<u>-</u>	<u>(135,784)</u>
Total capital asset activity, net	<u>\$ 75,049</u>	<u>\$ (18,950)</u>	<u>\$ -</u>	<u>\$ 56,099</u>

## 7. CONTINGENCIES

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

## **8. OPERATING LEASE**

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2018 through June 30, 2019. Annual rental payments required by the lease are \$912,800 payable in twelve monthly payments of \$76,067.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2019 through June 30, 2020 at the same rental rate.

## **9. FUNCTIONAL EXPENSES**

The Academy provides educational services to its students. The costs of providing the program and support services are allocated on an actual basis, when possible. Certain expenses attributable to more than one function and require an allocation on a reasonable basis that is consistently applied.

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# Donovan CPAs

## INDEPENDENT AUDITORS' 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

The Board of Directors  
Aspire Charter Academy, Inc.

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 Aspire Charter Academy, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net assets, 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 December 13, 2019.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aspire Charter Academy, Inc.'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 Aspire Charter Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Aspire Charter Academy, Inc.'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 entity'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 Aspire Charter Academy, Inc.'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 Aspire Charter Academy, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aspire Charter Academy, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana  
December 13, 2019



# Donovan CPAs

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *THE UNIFORM GUIDANCE***

The Board of Directors  
Aspire Charter Academy, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited Aspire Charter Academy, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2019. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Aspire Charter Academy, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Aspire Charter Academy, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Aspire Charter Academy, Inc.'s compliance.

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

## **Opinion on Each Major Federal Program**

In our opinion, Aspire Charter Academy, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## **Report on Internal Control over Compliance**

Management of Aspire Charter Academy, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Aspire Charter Academy, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Aspire Charter Academy, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN



Indianapolis, Indiana  
December 13, 2019

**ASPIRE CHARTER ACADEMY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor Agency/Pass-Through Entity/Cluster Title/ Program Title/ Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 80,072
National School Lunch Program	10.555	N/A	<u>316,981</u>
<i>Total U.S. Department of Agriculture</i>			<u>397,053</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Pass-through Indiana Department of Education			
Title I Grants to Local Educational Agencies			
	84.010	18-9685	167,565
	84.010	19-9685	1,044,693
	84.010A	S010A170014	33,882
Supporting Effective Instruction State Grants			
	84.367	S367A160013	101,155
	84.367	S367A170013	12,985
	84.367	S367A180013	23,537
Student Support and Academic Enrichment Program			
	84.424	2018-424-332	<u>38,927</u>
<i>Total U.S. Department of Education</i>			<u>1,422,744</u>
<i>Total federal awards expended</i>			<u>\$ 1,819,797</u>

# **ASPIRE CHARTER ACADEMY, INC.**

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019**

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### **1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Aspire Charter Academy, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Aspire Charter Academy, Inc., it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Aspire Charter Academy, Inc.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **3. INDIRECT COST RATE**

Aspire Charter Academy, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

# ASPIRE CHARTER ACADEMY, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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### I. Summary of Auditors' Results

#### ***Financial Statements***

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

#### ***Federal Awards***

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

#### CFDA Number

#### Name of Federal Program or Cluster

10.553 & 10.555

Child Nutrition Cluster

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

### II. Financial Statement Findings

No matters are reportable.

### III. Federal Award Findings and Questioned Costs

No matters are reportable.

## **ASPIRE CHARTER ACADEMY, INC.**

### **OTHER REPORT FOR THE YEAR ENDED JUNE 30, 2019**

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The reports presented herein were prepared in addition to another official report prepared for Aspire Charter Academy, Inc. as listed below:

Supplemental Audit Report of Aspire Charter Academy, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.