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January 27, 2020

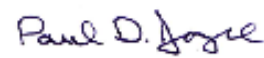
Charter School Board
Andrew J. Brown Charter School, Inc.
3600 N German Church Rd
Indianapolis, IN 46235

We have reviewed the audit report of Andrew J. Brown Charter School, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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

ANDREW J. BROWN CHARTER SCHOOL, INC.



Financial Statements, Additional
Information, and Federal Awards
Supplemental Information as of and for the
Year Ended June 30, 2019, and
Independent Auditors' Reports

ANDREW J. BROWN CHARTER SCHOOL, INC.

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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Andrew J. Brown Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Andrew J. Brown Charter School, 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.

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 audit. We conducted our audit 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 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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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Andrew J. Brown Charter School, Inc. as of June 30, 2019 and the changes in its net assets, functional expenses, and cash flows for the year 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 Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, Inc.'s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
December 13, 2019

ANDREW J. BROWN CHARTER SCHOOL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

CURRENT ASSETS:

Cash	\$ 1,063,248
Due from governmental revenue sources	2,469,251
Less allowance for doubtful accounts	<u>(2,252,626)</u>
 Total due from governmental revenue sources, net of allowance for doubtful accounts	 <u>216,625</u>
 Total current assets	 <u>1,279,873</u>

NON-CURRENT ASSETS:

Capital assets	291,172
Less accumulated depreciation	<u>(64,650)</u>
 Total capital assets, net of accumulated depreciation	 <u>226,522</u>

TOTAL \$ 1,506,395

LIABILITIES AND NET ASSETS

LIABILITIES:

Deferred revenue	\$ 23,651
Contracted service fee payable	<u>1,192,971</u>
 Total liabilities	 1,216,622

NET ASSETS:

Net assets without donor restrictions	<u>289,773</u>
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TOTAL \$ 1,506,395

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2019**

REVENUES AND SUPPORT:

State aid	\$ 4,705,286
Other state sources	701,985
Federal sources	1,220,128
Private sources	38,034
In-kind contribution from NHA	<u>563,563</u>
Total revenues and support	<u>7,228,996</u>

EXPENSES:

Contracted service fee	7,193,995
Depreciation	11,483
Board expenses	<u>47,107</u>
Total expenses	<u>7,252,585</u>

CHANGE IN NET ASSETS (23,589)

NET ASSETS WITHOUT DONOR RESTRICTIONS:

Beginning of year	<u>313,362</u>
End of year	<u>\$ 289,773</u>

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Total
Contracted service fee:			
Salaries and wages	\$ 2,835,572	\$ -	\$ 2,835,572
Retirement contributions	47,254	-	47,254
Other employee benefits	598,724	-	598,724
Payroll taxes	218,346	-	218,346
Accounting fees	20,676	64,157	84,833
Curriculum, textbooks, and supplies	186,350	-	186,350
Postage and shipping	2,336	-	2,336
Occupancy	1,246,163	11,420	1,257,583
Food service	455,208	-	455,208
Equipment rental and maintenance	42,460	-	42,460
Printing and publications	46,170	-	46,170
Travel	21,472	-	21,472
Conferences and meetings	82,168	-	82,168
Professional fees	494,428	-	494,428
Instructional support	-	121,104	121,104
Academic and general support	-	126,116	126,116
Enrollment and parent relations	-	32,131	32,131
Board support	-	62,594	62,594
Human resources	-	107,596	107,596
Support services	-	25,310	25,310
Technology	9,121	81,628	90,749
Marketing and business development	20,224	27,318	47,542
Insurance	24,556	-	24,556
Miscellaneous	183,393	-	183,393
	<hr/>	<hr/>	<hr/>
Total contracted service fee	6,534,621	659,374	7,193,995
Depreciation	11,483	-	11,483
Board expenses	47,107	-	47,107
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 6,593,211</u>	<u>\$ 659,374</u>	<u>\$ 7,252,585</u>

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2019

CASH FLOWS USED IN OPERATING ACTIVITIES:

State aid	\$ 4,881,256
Other state sources	701,985
Federal sources	1,053,809
Private sources	36,039
Payments for services rendered	<u>(6,799,003)</u>
 Net cash used in operating activities	 (125,914)
 CASH — Beginning of year	 <u>1,189,162</u>
 CASH — End of year	 <u>\$ 1,063,248</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:

Change in net assets	\$ (23,589)
Depreciation	11,483
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Change in due from governmental revenue sources	9,650
Change in deferred revenue	(1,995)
Change in contracted service fee payable	<u>(121,463)</u>
 NET CASH USED IN OPERATING ACTIVITIES	 <u>\$ (125,914)</u>

NON-CASH ACTIVITY:

In-kind contribution from NHA	<u>\$ 563,563</u>
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See independent auditors' report and notes to the financial statements.

ANDREW J. BROWN CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. NATURE OF OPERATIONS AND REPORTING ENTITY

Andrew J. Brown Charter School, 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 665 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 the Mayor of the Consolidated City of Indianapolis, which is responsible for oversight of the Academy’s operations. Under this Charter, the Academy has agreed to pay to the Mayor of the Consolidated City of Indianapolis an annual fee equal to 1% of the state tuition support, which is included in the expenses assumed by NHA as described above. This amounted to \$36,198 for the fiscal year 2019. The charter expires on June 30, 2024 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 \$1,063,248 and a bank balance of \$1,063,997 of which \$813,997 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 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 leasehold improvements and 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.

Leasehold improvements are depreciated using the straight-line method over useful lives of 30 years. 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 July 1, 2018 has 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 Statement of Activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the Statement 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 \$2,252,626 that was not reimbursed through the provisions of House Bill 1001, however the Academy has reserved for its potential uncollectibility. The remaining balance of \$216,625 relates to routine amounts due from other state programs and federal programs.

4. LIQUIDITY

The Academy has \$1,279,873 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 \$1,063,248 and amounts due from governmental revenue sources of \$216,625 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 \$1,208,764 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:

	Beginning Balance	Additions	Disposals	Ending Balance
Other equipment	\$ 26,674	\$ -	\$ -	\$ 26,674
Leasehold Improvements	<u>264,498</u>	<u>-</u>	<u>-</u>	<u>264,498</u>
Total capital assets at historical cost	<u>291,172</u>	<u>-</u>	<u>-</u>	<u>291,172</u>
Less accumulated depreciation — equipment	(13,491)	(2,667)	-	(16,158)
Leasehold Improvements	<u>(39,676)</u>	<u>(8,816)</u>	<u>-</u>	<u>(48,492)</u>
Total accumulated depreciation	<u>(53,167)</u>	<u>(11,483)</u>	<u>-</u>	<u>(64,650)</u>
Total capital asset activity, net	<u>\$238,005</u>	<u>\$ (11,483)</u>	<u>\$ -</u>	<u>\$226,522</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 \$760,480 payable in twelve monthly payments of \$63,373.

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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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
Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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
Andrew J. Brown Charter School, Inc.

Report on Compliance for Each Major Federal Program

We have audited Andrew J. Brown Charter School, 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. Andrew J. Brown Charter School'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 Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, Inc.'s compliance.

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Opinion on Each Major Federal Program

In our opinion, Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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

ANDREW J. BROWN CHARTER SCHOOL, 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>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 99,397
National School Lunch Program	10.555	N/A	<u>354,676</u>
<i>Total U.S. Department of Agriculture</i>			<u>454,073</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I Grants to Local Educational Agencies			
	84.010	19-9615	653,662
	84.010A	S010A170014	7,233
Supporting Effective Instruction			
State Grants	84.367	S367A160013	14,714
	84.367	S367A180013	33,616
English Language Acquisition			
State Grants	84.365	01117-101-PN01	10,862
		01119-100-PN01	25,331
Student Support and Academic Enrichment Program			
	84.424	2018-424-336	<u>20,637</u>
<i>Total U.S. Department of Education</i>			<u>766,055</u>
<i>Total federal awards expended</i>			<u>\$ 1,220,128</u>

ANDREW J. BROWN CHARTER SCHOOL, INC.

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, Inc., it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Andrew J. Brown Charter School, 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

Andrew J. Brown Charter School, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

ANDREW J. BROWN CHARTER SCHOOL, INC.

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

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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.

ANDREW J. BROWN CHARTER SCHOOL, INC.

OTHER REPORT FOR THE YEAR ENDED JUNE 30, 2019

The reports presented herein were prepared in addition to another official report prepared for Andrew J. Brown Charter School, Inc. as listed below:

Supplemental Audit Report of Andrew J. Brown Charter School, 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*.