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February 19, 2020


Charter School Board
Northern Rush County Schools, Inc.
d/b/a Mays Community Academy
929 South Street
Mays, IN 46155

We have reviewed the audit report of Northern Rush County Schools, Inc. d/b/a Mays Community Academy 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 Northern Rush County Schools, Inc. d/b/a Mays Community 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, 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 Northern Rush County Schools, Inc. d/b/a Mays Community Academy, was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Northern Rush County Schools, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Rush County Schools, Incorporated d/b/a Mays Community Academy, 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 (deficiency), 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. 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 Northern Rush County Schools, Incorporated d/b/a Mays Community Academy as of June 30, 2019 and 2018, and the changes in its net assets (deficiency), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

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

Indianapolis, Indiana
January 30, 2020

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 146,442	\$ 68,016
Grants receivable	<u>94,285</u>	<u>-</u>
<i>Total current assets</i>	<u>240,727</u>	<u>68,016</u>
PROPERTY AND EQUIPMENT		
Land	88,400	88,400
Building and improvements	552,475	512,642
Furniture and equipment	223,468	212,108
Software and textbooks	90,082	80,254
Vehicles	5,000	5,000
Less: accumulated depreciation	<u>(216,415)</u>	<u>(160,391)</u>
<i>Property and equipment, net</i>	<u>743,010</u>	<u>738,013</u>
OTHER ASSETS		
Security deposit	<u>3,900</u>	<u>3,900</u>
TOTAL ASSETS	<u><u>\$ 987,637</u></u>	<u><u>\$ 809,929</u></u>
LIABILITIES AND NET ASSETS (DEFICIENCY)		
CURRENT LIABILITIES		
Lines of credit	\$ 238,847	\$ -
Current portion of notes payable	69,739	180,958
Accounts payable and accrued expenses	130,230	201,566
Refundable advance	-	29,475
Short-term financing	<u>-</u>	<u>101,000</u>
<i>Total current liabilities</i>	438,816	512,999
NOTES PAYABLE, NET OF CURRENT PORTION	<u>412,901</u>	<u>318,750</u>
<i>Total liabilities</i>	851,717	831,749
NET ASSETS (DEFICIENCY), WITHOUT DONOR RESTRICTIONS	<u>135,920</u>	<u>(21,820)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u><u>\$ 987,637</u></u>	<u><u>\$ 809,929</u></u>

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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
State education support	\$ 1,717,328	\$ 1,452,050
Grant revenue	456,069	326,072
Student fees	21,347	35,635
Contributions	51,589	54,930
Other income	<u>44,519</u>	<u>65,456</u>
<i>Total revenue and support</i>	<u>2,290,852</u>	<u>1,934,143</u>
EXPENSES		
Program services	1,638,724	1,546,962
Management and general	<u>494,388</u>	<u>486,812</u>
<i>Total expenses</i>	<u>2,133,112</u>	<u>2,033,774</u>
CHANGE IN NET ASSETS	157,740	(99,631)
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	<u>(21,820)</u>	<u>77,811</u>
NET ASSETS (DEFICIENCY), END OF YEAR	<u>\$ 135,920</u>	<u>\$ (21,820)</u>

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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 735,163	\$ 261,846	\$ 997,009	\$ 739,218	\$ 224,163	\$ 963,381
Employee benefits	324,968	64,102	389,070	240,990	48,066	289,056
Staff development	34,700	-	34,700	1,020	-	1,020
Professional services	39,148	72,815	111,963	47,426	96,900	144,326
Repairs and maintenance	-	19,562	19,562	-	37,237	37,237
Authorizer oversight fees	-	34,039	34,039	-	28,632	28,632
Food costs	77,218	-	77,218	83,023	-	83,023
Transportation	235,567	325	235,892	224,614	193	224,807
Information technology	12,578	-	12,578	32,056	-	32,056
Advertising	-	1,372	1,372	-	367	367
Classroom, kitchen, and office supplies	50,194	7,439	57,633	48,990	7,782	56,772
Occupancy	65,558	-	65,558	62,802	-	62,802
Depreciation	56,024	-	56,024	58,386	-	58,386
Interest	-	18,516	18,516	-	12,165	12,165
Insurance	2,500	-	2,500	2,619	-	2,619
Other	5,106	14,372	19,478	5,818	31,307	37,125
<i>Total functional expenses</i>	<u>\$ 1,638,724</u>	<u>\$ 494,388</u>	<u>\$ 2,133,112</u>	<u>\$ 1,546,962</u>	<u>\$ 486,812</u>	<u>\$ 2,033,774</u>

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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets (deficiency)	\$ 157,740	\$ (99,631)
Adjustments to reconcile change in net assets (deficiency) to net cash provided by operating activities:		
Depreciation	56,024	58,386
Change in certain assets and liabilities:		
Grants receivable	(94,285)	14,614
Accounts payable and accrued expenses	(71,336)	46,244
Refundable advance	(29,475)	-
	<u>18,668</u>	<u>19,613</u>
<i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(61,021)</u>	<u>(8,480)</u>
FINANCING ACTIVITIES		
Proceeds from short-term financing	100,000	559,000
Principal payments on short-term financing	(201,000)	(458,000)
Proceeds from (repayments of) lines of credit, net	238,847	(150,000)
Proceeds from notes payable	50,000	138,458
Repayments of notes payable	<u>(67,068)</u>	<u>(42,500)</u>
	<u>120,779</u>	<u>46,958</u>
<i>Net cash provided by financing activities</i>		
NET CHANGE IN CASH	78,426	58,091
CASH, BEGINNING OF YEAR	<u>68,016</u>	<u>9,925</u>
CASH, END OF YEAR	<u>\$ 146,442</u>	<u>\$ 68,016</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 18,516	\$ 12,165

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

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Northern Rush County Schools, Incorporated d/b/a Mays Community Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School is sponsored by Ball State University and operates a public charter school established under Indiana Code 20-24. The School served approximately 220 and 180 students during the years ended June 30, 2019 and 2018, respectively, in grades kindergarten through seven.

Financial Statement Presentation – Effective with the June 30, 2019 year end, the School 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 the 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. Net assets as of June 30, 2019 and 2018 are without donor restrictions.

Accounting 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2019 and 2018.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Building and improvements	7 to 20 years
Furniture and equipment	5 to 7 years
Software and textbooks	3 to 5 years
Vehicles	5 years

Taxes on Income – Northern Rush County Schools, Incorporated has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2019 and 2018, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School 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 School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending after 2015 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through January 30, 2020, 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.

NOTE 2 - REFUNDABLE ADVANCE

The School has been awarded grants to provide educational instruction that are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The School had refundable grant advances in excess of expenditures of \$29,475 as of June 30, 2018. There were no refundable grant advances as of June 30, 2019.

NOTE 3 - LINES OF CREDIT

During the year ended June 30, 2019, the School entered into two line of credit arrangements with FCN Bank. The first line of credit has a \$300,000 borrowing capacity and incurred interest at 6.5% per annum, maturing October 2019. This was extended to July 2020 with an interest rate of 6.75%. The second line of credit has a \$120,000 borrowing capacity and incurred interest at 6.5% per annum, maturing August 2019. This was extended to July 2020 with an interest rate of 7%. The balance of the lines of credit as of June 30, 2019 was \$238,847.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Two notes payable to CentreBank with substantially identical terms; payable in monthly installments of \$2,822 total including interest at 5.50% per annum, secured by all School assets. The remaining unpaid portion was due upon maturity in June 2019. These were refinanced in July 2019.	\$ 118,133	\$ 138,458
Note payable to Indiana State Board of Education, payable \$21,250 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, maturing in July 2026.	318,750	361,250
Note payable to FCN Bank payable in one payment (June 2019) plus interest at 7.00% per annum. This was refinanced in July 2019.	<u>45,757</u>	<u>-</u>
	482,640	499,708
Less: current portion	<u>(69,739)</u>	<u>(180,958)</u>
Long-term portion	\$ <u>412,901</u>	\$ <u>318,750</u>

On July 19, 2019, the School entered into a note payable arrangement with FCN Bank for \$169,553, the proceeds of which were used to pay off the two CentreBank notes and FCN Bank note payable. The note calls for monthly payments of \$3,298, including interest at 6.25%. The note matures July 2024.

Principal maturities of long-term notes payable (after consideration of the July 2019 refinancing) are as follows for the years ending June 30:

2020	\$ 69,739
2021	74,088
2022	76,107
2023	78,269
2024	80,568
Thereafter	<u>103,869</u>
	\$ <u>482,640</u>

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 5 - SHORT-TERM FINANCING

From time to time throughout the years ended June 30, 2019 and 2018, the School utilized short-term note payable financing from members of the community to meet cash flow needs. The average interest rate on the short-term notes payable was 8%. The School borrowed and repaid \$100,000 and \$201,000, respectively, during the year ended June 30, 2019 and paid \$3,809 in interest thereon. The School borrowed and repaid \$559,000 and \$458,000, respectively, during the year ended June 30, 2018 and paid \$977 in interest thereon.

NOTE 6 - RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board.

Contribution requirements of plan members are determined annually by the INPRS Board. For the year ended June 30, 2019, the School contributed 10.5% of compensation for eligible teaching personnel to TRF and 4% for other employees to PERF. For the year ended June 30, 2018, the School contributed 7.5% of compensation for eligible teaching personnel to TRF and 11.2% for other employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2018 (the latest year reported), TRF and PERF were more than 80% funded. The School's total retirement expense was \$67,425 and \$51,732 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 - COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$34,039 and \$28,632 for the years ended June 30, 2019 and 2018, respectively. The charter remains in effect until June 30, 2023 and is renewable thereafter by mutual consent.

The School contracted with Indiana Charters LLC, a for-profit organization incorporated in the State of Indiana, to perform data management, financial, administrative, and general operational support services. Expenses under this contract were \$38,834 and \$31,666 for the years ended June 30, 2019 and 2018, respectively.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Rush and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments consist principally of receivables from the State of Indiana. At June 30, 2019, substantially all of the receivable balance was due from the State of Indiana. There was no balance in grants receivable subject to credit risk as of June 30, 2018. In addition, bank deposits are maintained primarily at CentreBank, First Financial, and FCN Bank and are insured up to the FDIC insurance limit.

NOTE 9 - LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2019 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. At June 30, 2019, the School's financial assets consists of cash and grants receivable, which totals \$240,727, all of which are available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the School has \$181,153 available on its lines of credit.

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets (deficiency). Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such no allocation of specific transactions between these categories was required.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
OTHER REPORT
For the Year Ended June 30, 2019

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

Supplemental Audit Report of Northern Rush County Schools, Incorporated
d/b/a Mays Community Academy

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*.