



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B54538

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

March 2, 2020

Charter School Board  
Matchbook Learning Schools of Indiana, Inc.  
1163 N Belmont Ave  
Indianapolis, IN 46222

We have reviewed the audit report of Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, 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.


We call your attention to the findings in the report on pages 18 through 20. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 3.

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 Matchbook Learning Schools of Indiana, 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

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Year Ended June 30, 2019



## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position .....	3
Statement of Activities and Change in Net Assets.....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to the Financial Statements .....	7 - 10
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards.....	11
Notes to the Schedule of Expenditures of Federal Awards.....	12
<b>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</b> .....	13 - 14
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>THE UNIFORM GUIDANCE</i></b> .....	15 - 17
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b> .....	18 - 20
<b>CORRECTIVE ACTION PLAN</b> .....	21
<b>OTHER REPORT</b> .....	22



# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Matchbook Learning Schools of Indiana, Inc.

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

We have audited the accompanying financial statements of Matchbook Learning Schools of Indiana, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statement of activities and change in net assets, functional expense, 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.

---

**[www.cpadonovan.com](http://www.cpadonovan.com)**

**Avon** | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Matchbook Learning Schools of Indiana, 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 February 5, 2020 on our consideration of Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, Inc.'s internal control over financial reporting and compliance.

## **Emphasis of Matter**

As discussed in Note 3 to the financial statements, Matchbook Learning Schools of Indiana, Inc. recorded in-kind contributions and offsetting expenses from Indianapolis Public Schools, a related party, totaling \$1,927,119 during the year ended June 30, 2019. These in-kind transactions represent approximately 23% of total revenue and support and 26% of total expenses for the year ended June 30, 2019. These amounts are calculated by Indianapolis Public Schools using significant estimates and judgments and are recorded by management of Matchbook Learning Schools of Indiana, Inc. as presented. Our opinion is not modified with respect to this matter.

DONOVAN



Indianapolis, Indiana  
February 5, 2020

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 695,421
Grants receivable	328,060
Prepaid expenses	<u>19,337</u>

*Total current assets* 1,042,818

**PROPERTY AND EQUIPMENT**

Furniture and equipment	47,474
Software	149,629
Less: accumulated depreciation	<u>(45,713)</u>

*Property and equipment, net* 151,390

**TOTAL ASSETS**

\$ 1,194,208

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 103,475
Accrued expenses	326,911
Note payable to IPS	<u>20,000</u>

*Total liabilities* 450,386

**NET ASSETS, WITHOUT DONOR RESTRICTIONS**

743,822

**TOTAL LIABILITIES AND NET ASSETS**

\$ 1,194,208

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

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Year Ended June 30, 2019**

**REVENUE AND SUPPORT**

Student-based allocation funding from IPS	\$ 4,164,923
Grants	2,095,224
In-kind contributions from IPS	1,927,119
Contributions	24,765
Interest	1,924

<i>Total revenue and support</i>	8,213,955
----------------------------------	-----------

**EXPENSES**

Program services	5,671,761
Management and general	1,681,380

<i>Total expenses</i>	7,353,141
-----------------------	-----------

<b>CHANGE IN NET ASSETS</b>	860,814
-----------------------------	---------

<b>NET DEFICIT, BEGINNING OF YEAR</b>	(116,992)
---------------------------------------	-----------

<b>NET ASSETS, END OF YEAR</b>	\$ 743,822
--------------------------------	------------

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

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.****STATEMENT OF FUNCTIONAL EXPENSES****For the Year Ended June 30, 2019**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Total</u></b>
In-kind expenses:			
Occupancy	\$ 1,211,883	\$ -	\$ 1,211,883
Repairs and maintenance	208,864	-	208,864
Student transportation	442,021	-	442,021
Security services	<u>-</u>	<u>64,351</u>	<u>64,351</u>
<i>Total in-kind expenses</i>	<u>1,862,768</u>	<u>64,351</u>	<u>1,927,119</u>
Direct expenses:			
Salaries and wages	2,010,544	981,402	2,991,946
Employee benefits	467,286	237,822	705,108
Staff development	28,452	9,992	38,444
Professional services	347,997	150,993	498,990
Repairs and maintenance	-	115,221	115,221
Food costs	296,075	-	296,075
Travel and meetings	36,029	11,685	47,714
Curriculum	402,175	-	402,175
Classroom and office supplies	80,325	46,415	126,740
Occupancy	-	25,034	25,034
Information technology	72,548	3,750	76,298
Depreciation	45,713	-	45,713
Insurance	4,876	15,944	20,820
Advertising	9,090	-	9,090
Other	<u>7,883</u>	<u>18,771</u>	<u>26,654</u>
<i>Total direct expenses</i>	<u>3,808,993</u>	<u>1,617,029</u>	<u>5,426,022</u>
<i>Total functional expenses</i>	<u>\$ 5,671,761</u>	<u>\$ 1,681,380</u>	<u>\$ 7,353,141</u>

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

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2019**

**OPERATING ACTIVITIES**

Change in net assets	\$ 860,814
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	45,713
Changes in certain assets and liabilities:	
Grants receivable	(328,060)
Prepaid expenses	(19,337)
Accounts payable	36,000
Accrued expenses	<u>326,911</u>
 <i>Net cash provided by operating activities</i>	 922,041

**INVESTING ACTIVITIES**

Purchases of property and equipment	(197,103)
-------------------------------------	-----------

**FINANCING ACTIVITIES**

Principal repayments on note payable to IPS	<u>(300,000)</u>
---	------------------

**NET CHANGE IN CASH**

424,938

**CASH, BEGINNING OF YEAR**

270,483

**CASH, END OF YEAR**

\$ 695,421

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

# MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Matchbook Learning Schools of Indiana, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a public charter school on July 1, 2018 under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. The School served approximately 560 students in grades kindergarten through eighth during the 2018-2019 school year.

In March 2018, the School entered into an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools ("IPS"), to operate a charter school within an IPS building. The agreement is for a term of five years, ending June 30, 2023, and renews automatically for an additional five-year term unless either party provides written notice at least 180 days prior to the expiration of the agreement. Under the agreement, IPS will pay to the School the amount the School would receive from the State of Indiana for state basic tuition support and complexity grant funding as if the School were a traditional charter school. The agreement can be terminated by either party within 30 days of written notice for material breach of the agreement, by IPS at the end of the school year for poor academic performance given written notice to the school 180 days prior, or by both parties by mutual consent effective as of a mutually agreeable date.

During 2018, the School received proceeds from an interest free note payable from IPS of \$320,000 to assist with payment of the School's pre-opening salaries, benefits, and other related expenses. The note payable was to be repaid in full during the year ended June 30, 2019 through withholdings of regular IPS payments. As of June 30, 2019, a balance of \$20,000 was not withheld and remains as a liability on the School's statement of financial position.

Financial Statement Presentation –The School has adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the School reports net assets under two classes: net assets with donor restrictions and net assets without donor restrictions. Contributions received with donor restrictions are reported as net assets with donor restrictions until the time or purpose restriction is met, then the contribution is released from donor restrictions and reported as net assets released from restrictions on the statements of activities and change in net assets.

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.

# MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition – The majority of the revenue comes from IPS as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School receives an amount per student in equal portion as if the School were organized as a traditional charter school. Funding from IPS is received monthly. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognized revenue under these grants in the amount 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 and legislation enacted by the State of Indiana. The School believes 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 with a unit cost of less than \$1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Furniture and equipment is depreciated over three to five years. Software is depreciated over three years.

Taxes on Income – Matchbook Learning Schools of Indiana, Inc. 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 year ended June 30, 2019, 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. Since the School commenced operations in 2017, all tax years are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 5, 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.

# **MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2019**

### **NOTE 2 - PRIOR PERIOD ACTIVITY**

Prior to the year ended June 30, 2019 (the School's first year of operations), the School received income from grants and a note payable from IPS to fund necessary startup costs. The School had a cash balance of \$270,483, a short-term note payable of \$320,000, accounts payable of \$67,475, and a net deficit balance of \$116,992 as of July 1, 2018.

### **NOTE 3 - VALUATION OF IN-KIND SERVICES**

The School has recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$1,927,119 during the year ended June 30, 2019. These in-kind transactions represent approximately 23% of both total revenue and support and 26% of total expenses for the year ended June 30, 2019. The values of these in-kind services are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented.

### **NOTE 4 - LINE OF CREDIT**

The School has a line of credit with The National Bank of Indianapolis with maximum borrowings available of \$150,000. The line of credit matures October 2020 and bears interest at prime rate (5.50% at June 30, 2019). There was no outstanding balance on the line of credit at June 30, 2019.

### **NOTE 5 - RETIREMENT PLANS**

The School maintains a defined contribution Section 401(k) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make matching contributions on the first 5% of elective contributions. Retirement plan expense was \$41,698 for the year ended June 30, 2019.

### **NOTE 6 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Marion 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. The School also receives substantial financial assistance from IPS in the form of in-kind contributions covering occupancy, repairs and maintenance, student transportation, and security services. Changes to the Innovation Network Charter School Agreement with IPS 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.

# **MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2019**

### **NOTE 6 - RISKS AND UNCERTAINTIES, Continued**

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2019 and 2018, all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at The National Bank of Indianapolis are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institutions exceeded the FDIC insurance limit as of June 30, 2019.

### **NOTE 7 - 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. The School's financial assets include cash and grants receivable. Financial assets at June 30, 2019 total \$1,023,481, all of which are available to meet cash needs for general expenditures within a year. The School also has a line of credit with \$150,000 in available borrowings as of June 30, 2019, all of which is available to meet 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.

### **NOTE 8 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities and change in net assets. 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.

SUPPLEMENTARY INFORMATION

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2019**

<b>Federal Grantor Agency/Pass-Through Entity/Cluster Title/Program Title/ Project Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Awards Expended</b>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 79,020
National School Lunch Program	10.555		<u>291,130</u>
<i>Total U.S. Department of Agriculture</i>			<u>370,150</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Grants to Local Educational Agencies	84.010	18611-001-PN01	289,783
Special Education Cluster			
Special Education - Grants to States	84.027	19611-621-PN01	70,975
English Language Acquisition Grants	84.365	01119-109-PN01	14,990
Supporting Effective Instruction State Grants	84.367	7000-367A180013	29,000
Student Support and Academic Enrichment Program	84.424	2018-424-375	38,928
Charter Schools Program	84.282	U282A170017	<u>849,182</u>
<i>Total U.S. Department of Education</i>			<u>1,292,858</u>
<i>Total federal awards expended</i>			<u>\$ 1,663,008</u>

See independent auditors' report and accompanying notes to this schedule

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2019**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Matchbook Learning Schools of Indiana, Inc. (the "School") 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 the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

**NOTE 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.

**NOTE 3 - INDIRECT COST RATE**

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



# 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  
Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, 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 February 5, 2020.

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

In planning and performing our audit of the financial statements, we considered Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Matchbook Learning Schools of Indiana, 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.

---

[www.cpadonovan.com](http://www.cpadonovan.com)

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, 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 signature is written in a cursive style with a large, prominent "D" at the beginning.

Indianapolis, Indiana  
February 5, 2020



# Donovan CPAs

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

The Board of Directors  
Matchbook Learning Schools of Indiana, Inc.

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

We have audited Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, Inc.'s major federal programs for the year ended June 30, 2019. Matchbook Learning Schools of Indiana, Inc.'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 Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, Inc.'s compliance.

---

[www.cpadonovan.com](http://www.cpadonovan.com)

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

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

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

In our opinion, Matchbook Learning Schools of Indiana, 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.

## **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-01 and 2019-02. Our opinion on each major federal program is not modified with respect to these matters.

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

Management of Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, 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 Matchbook Learning Schools of Indiana, 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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-01 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-02 to be a significant deficiency.

Matchbook Learning Schools of Indiana Inc.'s response to the noncompliance findings identified in our audit is included on page 21. Matchbook Learning Schools of Indiana Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized initial "D".

Indianapolis, Indiana  
February 5, 2020

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, 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?	Yes
• Significant deficiency identified?	Yes
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)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.282	Charter Schools Program

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2019**

**II. Financial Statement Findings**

No matters are reportable.

**III. Federal Award Findings and Questioned Costs**

**FINDING 2019-01 ACTIVITIES ALLOWED OR UNALLOWED**

**Material Weakness**

**Criteria**

Each eligible applicant may use these funds in accordance with its approved application to plan and implement a charter school, or to disseminate information about the charter school and successful practices in charter schools (20 USC 7221c(f)(2)).

Per the Indiana Department of Education CSP Quality Counts Innovation Grant Application, Part 3, item 8, the “CSP Quality Counts Innovation Grant funds will be used only to supplement and not supplant state and local funds a school would otherwise receive. A Request for Amendment to CSP Quality Counts Innovation Grant Application will be submitted under these circumstances: 1) a 10% funding change in a budget category; and/or 2) a change in the scope of activities within a category”.

**Condition**

Matchbook Learning Schools of Indiana, Inc. (the “School”) overspent funds in certain budget categories by greater than 10% without requesting an amendment to the approved grant application budget.

**Cause**

The School exceeded its supplies budget category and began to claim supply purchases under the property and equipment budget category.

**Effect**

The School expended \$16,875 more for supplies and \$19,925 more for contractual expenses than what was approved in the grant application budget.

**Recommendation**

We recommend the School develop internal controls governing the allocation of expenditures to grant budgets. These controls should specifically address ensuring that invoices are in line with the submitted grant application or applying for the appropriate amendments from the Indiana Department of Education. The School should also contact the Indiana Department of Education to communicate the error noted herein and discuss options to remedy the error.

**Questioned Costs**

\$36,800

**Views of Responsible Officials and Planned Corrective Actions**

See Corrective Action Plan on page 21.

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2019**

**III. Federal Award Findings and Questioned Costs, Continued**

FINDING 2019-02 PROCUREMENT AND SUSPENSION AND DEBARMENT  
Significant Deficiency

Criteria

Per 2 CFR part 200, Appendix XI, Compliance Supplement, section 3.1-I-1, “Institutions of higher education, hospitals, and other non-profit organizations will use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110 (2 CFR part 215). Their subrecipients will use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110 (2 CFR part 215) or the A-102 common rule, as applicable.”

Condition

Matchbook Learning Schools of Indiana, Inc.’s (the “School”) procurement policy is not in line with OMB Circular A-110 (2 CFR part 215) as it does not contain procedures for when sealed bids are required. Federal guidelines require a sealed bid for any purchases exceeding \$150,000. The School’s policies also omit procedures necessary to confirm if a vendor is suspended or debarred. Additionally, no documentation was retained to confirm the School was properly applying its procurement policy.

Cause

The School’s policy does not meet federal requirement and the School did not retain documentation that shows its procurements were made in accordance with OMB Circular A-110 (2 CFR part 215).

Effect

We were unable to test the School’s application of the procurement policies.

Recommendation

We recommend the School update its procurement policy to comply with OMB Circular A-110 (2 CFR part 215). We also recommend the School implement controls to document the use of its procurement policies. These controls should specifically address the School’s internal processes of evaluating vendors by purchase threshold.

Views of Responsible Officials and Planned Corrective Actions

See Corrective Action Plan on page 21.

Matchbook Learning Schools of Indiana overspent funds in certain budget categories by greater than 10% without requesting an amendment to the approved grant application budget.

**Matchbook Learning will adopt internal controls governing the application of expenditures to grant budgets. These controls will specifically address ensuring that invoices are in line with the submitted budgets.**

The School's policy does not meet federal requirement and the School did not retain documentation that shows its procurements were made in accordance with OMB Circular A-110 (2 CFR part 215).

**Matchbook Learning will update its procurement policy to comply with OMB Circular A-110 (2 CFR part 215). We will also implement controls to document the use of our procurement policies.**

A handwritten signature in black ink, appearing to read "Don Stewart", with a stylized flourish at the end.

Don Stewart  
Director of Operations  
Matchbook Learning

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**

**OTHER REPORT**

**For the Year Ended June 30, 2019**

The reports presented herein were prepared in addition to another official report prepared for Matchbook Learning Schools of Indiana, Inc. as listed below:

Supplemental Audit Report of Matchbook Learning Schools of Indiana, 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*.