



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B54563

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

March 10, 2020

Charter School Board
Lighthouse Academies of Northwest Indiana, Inc.
29140 Chapel Park Drive
Wesley Chapel, FL 33543


We have reviewed the audit report of Lighthouse Academies of Northwest 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 Lighthouse Academies of Northwest 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 finding on page 24. Please see the Schedule of Findings and Questioned Costs for further detail.

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 Lighthouse Academies of Northwest Indiana, Inc., 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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018



TABLE OF CONTENTS

	Page	
INDEPENDENT AUDITORS' REPORT	1 - 2	
FINANCIAL STATEMENTS		
Statements of Financial Position.....	3	
Statements of Activities and Change in Net Assets (Deficit)	4	
Statements of Functional Expenses	5	
Statements of Cash Flows.....	6	
Notes to the Financial Statements.....	7 - 12	
SUPPLEMENTARY INFORMATION		
Schedule of Expenditures of Federal Awards.....	13	
Notes to the Schedule of Expenditures of Federal Awards	14	
Schedules of Financial Position by School.....	15 - 16	
Schedules of Activities and Change in Net Assets (Deficit) by School	17 - 18	
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		19 - 20
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>THE UNIFORM GUIDANCE</i>		21 - 22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	23 - 24	
CORRECTIVE ACTION PLAN	25	
OTHER REPORT	26	



Donovan CPAs

Independent Auditors' Report

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Lighthouse Academies of Northwest Indiana, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and change in net assets (deficit), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Lighthouse Academies of Northwest Indiana, Inc. as of June 30, 2019 and 2018, and the changes in its net assets (deficit), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Likewise, the schedules of financial position by school and schedules of activities and change in net assets (deficit) by school on pages 15 through 18 are presented for purposes of additional analysis and are 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 January 30, 2020 on our consideration of Lighthouse Academies of Northwest 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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
January 30, 2020

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,795,573	\$ 2,464,089
Cash - restricted for bond interest	329,526	299,082
Accounts receivable:		
Grants	745,665	818,451
Other	5,844	13,532
Prepaid expenses	<u>12,498</u>	<u>36,110</u>
<i>Total current assets</i>	<u>2,889,106</u>	<u>3,631,264</u>
PROPERTY AND EQUIPMENT, NET	<u>17,277,330</u>	<u>17,892,590</u>
OTHER ASSETS		
Cash - restricted for debt service	1,706,179	1,689,287
Cash - restricted for property repairs and replacement	<u>205,411</u>	<u>201,778</u>
<i>Total other assets</i>	<u>1,911,590</u>	<u>1,891,065</u>
TOTAL ASSETS	<u><u>\$ 22,078,026</u></u>	<u><u>\$ 23,414,919</u></u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 295,000	\$ 280,000
Accounts payable and accrued expenses	<u>2,908,698</u>	<u>2,369,420</u>
<i>Total current liabilities</i>	<u>3,203,698</u>	<u>2,649,420</u>
LONG-TERM LIABILITIES		
Bonds payable	19,375,000	19,667,454
Less: unamortized debt issuance costs	<u>(235,006)</u>	<u>(244,222)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>19,139,994</u>	<u>19,423,232</u>
<i>Total liabilities</i>	22,343,692	22,072,652
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS	<u>(265,666)</u>	<u>1,342,267</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u><u>\$ 22,078,026</u></u>	<u><u>\$ 23,414,919</u></u>

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
State education support	\$ 15,000,429	\$ 15,704,600
Grant revenue	6,072,234	6,006,091
Student fees	66,156	108,550
Fundraising	59,977	73,879
Interest	44,383	18,892
Other	185,780	58,694
	<u>21,428,959</u>	<u>21,970,706</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	19,531,443	18,080,661
Management and general	3,472,942	3,472,240
Fundraising	32,507	29,358
	<u>23,036,892</u>	<u>21,582,259</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	(1,607,933)	388,447
NET ASSETS, BEGINNING OF YEAR	<u>1,342,267</u>	<u>953,820</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (265,666)</u>	<u>\$ 1,342,267</u>

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

	2019				2018			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 8,977,206	\$ 1,034,269	\$ -	\$ 10,011,475	\$ 8,404,447	\$ 959,949	\$ -	\$ 9,364,396
Employee benefits	2,255,039	202,258	-	2,457,297	1,957,996	256,500	-	2,214,496
Staff development and recruitment	295,535	-	-	295,535	54,735	-	-	54,735
Academic services - Lighthouse Academies	-	1,629,802	-	1,629,802	-	1,625,590	-	1,625,590
Authorizer oversight fee	-	307,793	-	307,793	-	322,391	-	322,391
Food service	1,026,193	-	-	1,026,193	1,024,003	-	-	1,024,003
Transportation service	1,258,500	-	-	1,258,500	1,240,874	-	-	1,240,874
Other professional services	813,111	160,369	-	973,480	611,212	179,192	-	790,404
Equipment rental	464,526	-	-	464,526	724,070	-	-	724,070
Classroom, kitchen, and office supplies	552,180	94,096	-	646,276	623,757	66,962	-	690,719
Occupancy	1,534,325	-	-	1,534,325	1,120,832	-	-	1,120,832
Depreciation	823,474	-	-	823,474	819,738	-	-	819,738
Amortization	9,216	-	-	9,216	9,216	-	-	9,216
Interest	1,397,916	-	-	1,397,916	1,409,637	-	-	1,409,637
Other	124,222	44,355	32,507	201,084	80,144	61,656	29,358	171,158
<i>Total functional expenses</i>	<u>\$ 19,531,443</u>	<u>\$ 3,472,942</u>	<u>\$ 32,507</u>	<u>\$ 23,036,892</u>	<u>\$ 18,080,661</u>	<u>\$ 3,472,240</u>	<u>\$ 29,358</u>	<u>\$ 21,582,259</u>

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

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	\$ (1,607,933)	\$ 388,447
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	823,474	819,738
Amortization	9,216	9,216
Changes in certain assets and liabilities:		
Grants receivable	72,786	(218,186)
Other receivables	7,688	(13,532)
Prepaid expenses	23,612	52,327
Accounts payable and accrued expenses	<u>539,278</u>	<u>346,747</u>
<i>Net cash provided by (used in) operating activities</i>	<u>(131,879)</u>	<u>1,384,757</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(208,214)</u>	<u>(465,039)</u>
FINANCING ACTIVITIES		
Principal repayment of note payable	-	(66,667)
Principal repayment of bonds payable	<u>(277,454)</u>	<u>(2,546)</u>
<i>Net cash used in financing activities</i>	<u>(277,454)</u>	<u>(69,213)</u>
NET CHANGE IN CASH	(617,547)	850,505
CASH, BEGINNING OF YEAR	<u>4,654,236</u>	<u>3,803,731</u>
CASH, END OF YEAR	<u>\$ 4,036,689</u>	<u>\$ 4,654,236</u>
CASH, END OF YEAR		
Cash - unrestricted	\$ 1,795,573	\$ 2,464,089
Cash - restricted for bond interest	329,526	299,082
Cash - restricted for debt service	1,706,179	1,689,287
Cash - restricted for property repairs and replacement	<u>205,411</u>	<u>201,778</u>
<i>Total cash, end of year</i>	<u>\$ 4,036,689</u>	<u>\$ 4,654,236</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 1,397,916	\$ 1,409,637

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Lighthouse Academies of Northwest Indiana, Inc. ("LANWI"), a public benefit not-for-profit organization incorporated under the laws of the State of Indiana, is the organizer and governing body of two charter schools located in Indiana. Both schools are public charter schools established under Indiana Code 20-24 and are sponsored by Ball State University. Gary Lighthouse Charter School served approximately 1,400 students in grades kindergarten through twelve and East Chicago Lighthouse Charter School served approximately 500 students in grades kindergarten through eight during the 2018 - 2019 school year.

Financial Statement Presentation – Effective with the June 30, 2019 year end, LANWI 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 (deficit) as of June 30, 2019 and 2018 were without 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 schools receive an amount per student in relation to the funding received by other public schools in the same geographic areas. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of LANWI's revenue is the product of cost reimbursement grants. Accordingly, LANWI recognizes 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 grants and legislation enacted by the State of Indiana. LANWI believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 equipment purchases with a unit cost of less than \$5,000 are charged to expense as incurred.

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	30 years
Furniture and equipment	3 to 5 years

Debt Issuance Costs – LANWI incurred debt issuance costs totaling \$258,046 associated with securing financing under Indiana Finance Authority Education Facilities Revenue Bonds. Amortization of the debt issuance costs is provided on a straight-line basis over the term of the bonds (27 years). Accumulated amortization was \$23,040 and \$13,824 as of June 30, 2019 and 2018, respectively. Amortization expense was \$9,216 for each of the years ended June 30, 2019 and 2018. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented on the statements of financial position as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income – Lighthouse Academies of Northwest 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, LANWI 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 LANWI 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. LANWI 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 – LANWI 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.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 2 - RESTRICTED CASH

Cash - restricted for bond interest is reserved for the payment of interest on the bond semi-annually. Funds are placed in the account monthly to cover one-sixth of the semi-annual interest payment.

Cash - restricted for debt service is reserved for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements.

Cash - restricted for property repairs and replacement was established with the bond proceeds and represents resources available for repairing and replacing facilities.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,245,200	\$ 1,245,200
Buildings and improvements	17,170,944	17,003,434
Furniture and equipment	1,901,520	1,860,816
	<u>20,317,664</u>	<u>20,109,450</u>
Less: accumulated depreciation	<u>(3,040,334)</u>	<u>(2,216,860)</u>
	<u>\$ 17,277,330</u>	<u>\$ 17,892,590</u>

NOTE 4 - BONDS PAYABLE

LANWI purchased its facilities with Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2016 with original amounts totaling \$19,950,000. Principal is payable in annual installments that increase from \$280,000 to \$1,575,000, beginning in December 2018 and maturing in December 2044. Interest payments are made semi-annually at rates ranging from 6.25% to 7.25% in accordance with the bond agreements. The bonds are secured by land, buildings, and improvements.

The Indiana Finance Authority Educational Facilities Revenue Bond agreements contain certain covenants requiring:

- submission of audited financial statements within 150 days after the end of the fiscal year or, if audited financial statements are not available at that time, unaudited financial statements, and audited financial statements within ten business days after availability;
- a minimum 45 days cash on hand as of June 30, 2019 and each annual reporting period thereafter (35 days cash on hand as of June 30, 2018); and
- meeting a minimum debt service coverage ratio of 1.15 to 1.00, measured annually.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 4 - BONDS PAYABLE, Continued

LANWI was not in compliance with the days cash on hand and debt service coverage ratio covenants as of and for the year ended June 30, 2019. LANWI obtained a waiver of the covenant violations from the bond holder.

Principal maturities of bonds payable are as follows for the years ending June 30:

2020	\$	295,000
2021		315,000
2022		335,000
2023		355,000
2024		375,000
Thereafter		<u>17,995,000</u>
	\$	<u>19,670,000</u>

NOTE 5 - NOTE PAYABLE

LANWI had a note payable due to Lighthouse Academies, Inc., which is under contract to manage the LANWI schools. The note provided for monthly interest payments at 4.5% per annum. The note was paid in full in 2018.

NOTE 6 - LEASES

LANWI leases certain items of equipment under operating leases. Total lease expense under operating leases was \$182,464 and \$80,671 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments are as follows for the years ending June 30:

2020	\$	129,132
2021		96,916
2022		84,000
2023		96,000

NOTE 7 - RETIREMENT PLAN

All LANWI personnel are employees of Lighthouse Academies, Inc., which provides management services to LANWI. LANWI personnel are eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, LANWI matches 100% of employee contributions up to 4% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the LANWI Board of Directors. No discretionary contributions were made during the years ended June 30, 2019 and 2018. Retirement plan expense was \$93,884 and \$53,762 for the years ended June 30, 2019 and 2018, respectively.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 8 - COMMITMENTS

LANWI has contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreements, LANWI has agreed to pay an amount equal to 7.5% of revenue, as defined, for such services, plus any necessary travel costs. Expense under the agreements for both academic oversight and travel costs was \$1,629,802 and \$1,625,590 for the years ended June 30, 2019 and 2018, respectively. This agreement remains in effect as long as the schools' charters remain in effect.

LANWI's two schools operate under charters granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charters, LANWI has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received associated with its two schools. Total expense under the charter agreements was \$307,793 and \$322,391 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - RISKS AND UNCERTAINTIES

LANWI provides education services to families residing in Lake and surrounding counties of 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 LANWI. Additionally, LANWI is subject to monitoring and audit by state and federal agencies. These examinations may result in additional liability to be imposed.

Financial instruments that potentially subject LANWI to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2019 and 2018, substantially all receivable balances were due from the State of Indiana. Cash deposits are maintained at J.P. Morgan Chase Bank and UMB Bank and are insured up to the FDIC insurance limit of \$250,000. As of June 30, 2019 and 2018, LANWI carried balances in its bank accounts in excess of FDIC insurance limits.

NOTE 10 - LIQUIDITY

Under ASU 2016-14, the LANWI 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 LANWI's financial assets include cash, restricted cash, grants receivable, and other receivables.

Financial assets, June 30, 2019	\$ 4,788,198
Less: those unavailable for general expenditures within one year, due to:	
Restricted cash for use in payment of bond interest, debt service, and property repairs and replacement	<u>(2,241,116)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,547,082</u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 10 - LIQUIDITY, Continued

From time to time, LANWI receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, LANWI 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 LANWI'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 11 - 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 (deficit). Management of LANWI 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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, 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		\$ 335,387
National School Lunch Program	10.555		<u>857,615</u>
<i>Total U.S. Department of Agriculture</i>			<u>1,193,002</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I Grants to Local Educational Agencies	84.010	18-9535/19-9535 18-9595/19-9595	2,480,576
Special Education Cluster			
Special Education - Grants to States	84.027	18611-561-PN01 19611-561-PN01 14217-501-PN01 18611-501-PN01 19611-501-PN01	80,960 32,626 6,283 278,887 68,262
Special Education – Preschool Grants	84.173	19618-501-PN01	<u>681</u>
<i>Total for special education cluster</i>			467,699
Supporting Effective Instruction State Grants	84.367		277,241
Student Support and Academic Enrichment Grants	84.424		<u>122,973</u>
<i>Total U.S. Department of Education</i>			<u>3,348,489</u>
<i>Total federal awards expended</i>			<u>\$ 4,541,491</u>

See accompanying notes to this schedule

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO 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 Lighthouse Academies of Northwest Indiana, Inc. ("LANWI") 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 LANWI, it is not intended to and does not present the financial position, change in net assets (deficit), functional expenses, or cash flows of LANWI.

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

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2019

	<u>Gary</u>	<u>East Chicago</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,076,859	\$ 718,714	\$ -	\$ 1,795,573
Cash - restricted for bond interest	263,621	65,905	-	329,526
Accounts receivable:				
Grants	553,274	192,391	-	745,665
Other	30,844	-	(25,000)	5,844
Prepaid expenses	<u>-</u>	<u>12,498</u>	<u>-</u>	<u>12,498</u>
<i>Total current assets</i>	<u>1,924,598</u>	<u>989,508</u>	<u>(25,000)</u>	<u>2,889,106</u>
PROPERTY AND EQUIPMENT, NET	<u>13,869,336</u>	<u>3,407,994</u>	<u>-</u>	<u>17,277,330</u>
OTHER ASSETS				
Cash - restricted for debt service	1,364,943	341,236	-	1,706,179
Cash - restricted for property repairs and replacement	<u>164,329</u>	<u>41,082</u>	<u>-</u>	<u>205,411</u>
<i>Total other assets</i>	<u>1,529,272</u>	<u>382,318</u>	<u>-</u>	<u>1,911,590</u>
TOTAL ASSETS	<u><u>\$ 17,323,206</u></u>	<u><u>\$ 4,779,820</u></u>	<u><u>\$ (25,000)</u></u>	<u><u>\$ 22,078,026</u></u>
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES				
Current portion of bonds payable	\$ 236,000	\$ 59,000	\$ -	\$ 295,000
Accounts payable and accrued expenses	<u>2,298,584</u>	<u>635,114</u>	<u>(25,000)</u>	<u>2,908,698</u>
<i>Total current liabilities</i>	<u>2,534,584</u>	<u>694,114</u>	<u>(25,000)</u>	<u>3,203,698</u>
LONG-TERM LIABILITIES				
Bonds payable	15,590,000	3,785,000	-	19,375,000
Less: unamortized debt issuance costs	<u>(189,066)</u>	<u>(45,940)</u>	<u>-</u>	<u>(235,006)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>15,400,934</u>	<u>3,739,060</u>	<u>-</u>	<u>19,139,994</u>
<i>Total liabilities</i>	17,935,518	4,433,174	(25,000)	22,343,692
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS	<u>(612,312)</u>	<u>346,646</u>	<u>-</u>	<u>(265,666)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u><u>\$ 17,323,206</u></u>	<u><u>\$ 4,779,820</u></u>	<u><u>\$ (25,000)</u></u>	<u><u>\$ 22,078,026</u></u>

See independent auditors' report

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2018

	<u>Gary</u>	<u>East Chicago</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,930,089	\$ 534,000	\$ -	\$ 2,464,089
Cash - restricted for bond interest	239,266	59,816	-	299,082
Accounts receivable:				
Grants	718,147	100,304	-	818,451
Other	143,962	13,032	(143,462)	13,532
Prepaid expenses	<u>22,551</u>	<u>13,559</u>	<u>-</u>	<u>36,110</u>
<i>Total current assets</i>	3,054,015	720,711	(143,462)	3,631,264
PROPERTY AND EQUIPMENT, NET	<u>14,345,135</u>	<u>3,547,455</u>	<u>-</u>	<u>17,892,590</u>
OTHER ASSETS				
Cash - restricted for debt service	1,358,256	331,031	-	1,689,287
Cash - restricted for property repairs and replacement	<u>162,325</u>	<u>39,453</u>	<u>-</u>	<u>201,778</u>
<i>Total other assets</i>	<u>1,520,581</u>	<u>370,484</u>	<u>-</u>	<u>1,891,065</u>
TOTAL ASSETS	<u>\$ 18,919,731</u>	<u>\$ 4,638,650</u>	<u>\$ (143,462)</u>	<u>\$ 23,414,919</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Note payable	\$ 225,263	54,737	\$ -	\$ 280,000
Accounts payable and accrued expenses	<u>1,821,711</u>	<u>691,171</u>	<u>(143,462)</u>	<u>2,369,420</u>
<i>Total current liabilities</i>	<u>2,046,974</u>	<u>745,908</u>	<u>(143,462)</u>	<u>2,649,420</u>
LONG-TERM LIABILITIES				
Bonds payable	15,822,200	3,845,254		19,667,454
Less: unamortized debt issuance costs	<u>(196,480)</u>	<u>(47,742)</u>	<u>-</u>	<u>(244,222)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>15,625,720</u>	<u>3,797,512</u>	<u>-</u>	<u>19,423,232</u>
<i>Total liabilities</i>	17,672,694	4,543,420	(143,462)	22,072,652
NET ASSETS,				
WITHOUT DONOR RESTRICTIONS	<u>1,247,037</u>	<u>95,230</u>	<u>-</u>	<u>1,342,267</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,919,731</u>	<u>\$ 4,638,650</u>	<u>\$ (143,462)</u>	<u>\$ 23,414,919</u>

See independent auditors' report

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT) BY SCHOOL
For the Year Ended June 30, 2019

	<u>Gary</u>	<u>East Chicago</u>	<u>Total</u>
REVENUE AND SUPPORT			
State education support	\$ 11,138,255	\$ 3,862,174	\$ 15,000,429
Grant revenue	4,639,325	1,432,909	6,072,234
Student fees	60,187	5,969	66,156
Fundraising	18,102	41,875	59,977
Interest	27,278	17,105	44,383
Other	<u>184,238</u>	<u>1,542</u>	<u>185,780</u>
<i>Total revenue and support</i>	<u>16,067,385</u>	<u>5,361,574</u>	<u>21,428,959</u>
EXPENSES			
Program services	15,238,321	4,293,122	19,531,443
Management and general	2,688,413	784,529	3,472,942
Fundraising	<u>-</u>	<u>32,507</u>	<u>32,507</u>
<i>Total expenses</i>	<u>17,926,734</u>	<u>5,110,158</u>	<u>23,036,892</u>
CHANGE IN NET ASSETS	(1,859,349)	251,416	(1,607,933)
NET ASSETS, BEGINNING OF YEAR	<u>1,247,037</u>	<u>95,230</u>	<u>1,342,267</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (612,312)</u>	<u>\$ 346,646</u>	<u>\$ (265,666)</u>

See independent auditors' report

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL
For the Year Ended June 30, 2018

	<u>Gary</u>	<u>East Chicago</u>	<u>Total</u>
REVENUE AND SUPPORT			
State education support	\$ 11,878,141	\$ 3,826,459	\$ 15,704,600
Grant revenue	4,854,927	1,151,164	6,006,091
Student fees	90,330	18,220	108,550
Fundraising	20,598	53,281	73,879
Interest	15,114	3,778	18,892
Other	<u>58,216</u>	<u>478</u>	<u>58,694</u>
<i>Total revenue and support</i>	<u>16,917,326</u>	<u>5,053,380</u>	<u>21,970,706</u>
EXPENSES			
Program services	13,941,681	4,138,980	18,080,661
Management and general	2,668,627	803,613	3,472,240
Fundraising	<u>-</u>	<u>29,358</u>	<u>29,358</u>
<i>Total expenses</i>	<u>16,610,308</u>	<u>4,971,951</u>	<u>21,582,259</u>
CHANGE IN NET ASSETS	307,018	81,429	388,447
NET ASSETS, BEGINNING OF YEAR	<u>940,019</u>	<u>13,801</u>	<u>953,820</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,247,037</u></u>	<u><u>\$ 95,230</u></u>	<u><u>\$ 1,342,267</u></u>

See independent auditors' report



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
Lighthouse Academies of Northwest 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 Lighthouse Academies of Northwest 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 (deficit), 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 January 30, 2020.

Internal Control over Financial Reporting

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

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 Lighthouse Academies of Northwest 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 Lighthouse Academies of Northwest 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 Lighthouse Academies of Northwest 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, stylized 'D'.

Indianapolis, Indiana
January 30, 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
Lighthouse Academies of Northwest Indiana, Inc.

Report on Compliance for Each Major Federal Program

We have audited Lighthouse Academies of Northwest 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 each of the schools' major federal programs for the year ended June 30, 2019. Lighthouse Academies of Northwest 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 Lighthouse Academies of Northwest 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 Lighthouse Academies of Northwest 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 Lighthouse Academies of Northwest Indiana, Inc.'s compliance.

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, Lighthouse Academies of Northwest 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 item 2019-01. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Management of Lighthouse Academies of Northwest 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 Lighthouse Academies of Northwest 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 Lighthouse Academies of Northwest 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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-01 to be a significant deficiency.

Lighthouse Academies of Northwest Indiana, Inc.'s response to the noncompliance findings identified in our audit is included on page 25. Lighthouse Academies of Northwest 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
Indianapolis, Indiana
January 30, 2020



LIGHTHOUSE ACADEMIES OF NORTHWEST 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?	No
• 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>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
	National School Lunch Program

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.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

III. Federal Award Findings and Questioned Costs

FINDING 2019-01 GENERAL PROCUREMENT STANDARDS, RECORD RETENTION
Significant Deficiency

Criteria

Per 2 CFR part 200.318(i), “the non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.”

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

Lighthouse Academies of Northwest Indiana, Inc.’s (the “School”) procurement policy includes requirements for minimum procurement records retention, however, no such documentation was retained to confirm the school was properly applying its procurement policy.

Cause

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 implement controls to ensure document retention per its procurement policies. These controls should specifically address the School’s internal processes of filing and documenting the history of procurement.

Views of Responsible Officials and Planned Corrective Actions

See Corrective Action Plan on page 25.

Lighthouse Academies of Northwest Indiana, Inc.

January 30, 2020

Donovan CPAs
9245 N. Meridian St, Suite 302
Indianapolis, IN 46260

Attn: Benjamin A. Lippert, CPA

RE: Response to Finding 2019-01 General Procurement Standards, Record Retention

The school did not retain documentation that shows its procurements were made in accordance with OMB Circular A-110 (2 CFR part 215)

Response: To ensure document retention per the adopted procurement policies, a secure electronic document filing system has been created and is managed by the IT department of Lighthouse Academies. This system allows for documents to be shared, accessed and available for future reference.

LIGHTHOUSE ACADEMIES OF NORTHWEST 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 Lighthouse Academies of Northwest Indiana, Inc. as listed below:

Supplemental Audit Report of Lighthouse Academies of Northwest 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*.