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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 11, 2020

Charter School Board
Neighborhood Charter Network, Inc.
3725 Kiel Ave.
Indianapolis, IN 46224

We have reviewed the Supplemental Audit Report for Neighborhood Charter Network, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Page 3 contains three audit results and comments. Management's response is on page 5.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**SUPPLEMENTAL AUDIT REPORT
OF
NEIGHBORHOOD CHARTER NETWORK, INC.**

MARION COUNTY, INDIANA

July 1, 2018 to June 30, 2019



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NEIGHBORHOOD CHARTER NETWORK, INC.
MARION COUNTY, INDIANA
School Officials
July 1, 2018 to June 30, 2019

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Dennis Casey	07/01/18 – 06/30/19
Executive Director	Kevin Kubacki	07/01/18 – 06/30/19
Director of Operations	Denise Castellanos	07/01/18 – 06/30/19



Donovan CPAs

The Board of Directors
Neighborhood Charter Network, Inc.

We have audited the financial statements of Neighborhood Charter Network, Inc., (“NCN”) as of and for the year ended June 30, 2019, and have issued our report thereon dated January 31, 2020. As part of our audit, we tested the School’s compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Indianapolis, Indiana
January 31, 2020

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

NEIGHBORHOOD CHARTER NETWORK, INC.

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2018 to June 30, 2019

REQUIRED REPORTS

We examined the Form 9 reports submitted by both Neighborhood Charter Network, Inc. schools for the period July 1, 2018 to June 30, 2019. We noted that neither of the schools were in compliance as the Form 9 did not accurately reflect fund activity during the year. Funds related to federal cost-reimbursement grants did not reflect ending balances for those grants per the financial records. Additionally, the total cash balances did not agree with cash reported the financial records.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

RECEIPTS AND DEPOSITS

We tested twenty-five receipts for both Neighborhood Charter Network, Inc. schools. Of the twenty-five receipts tested for Kindezi Academy, six were not deposited timely.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

CREDIT CARD USAGE

We tested five credit card statements for Neighborhood Charter Network, Inc. Of the five credit cards tested, we noted penalties and interest totaling \$573.

Payment shall not be made on the basis of a statement or a credit card slip only. Procedures for payments shall be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee is the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

NEIGHBORHOOD CHARTER NETWORK, INC.

MARION COUNTY, INDIANA

Exit Conference

July 1, 2018 to June 30, 2019

The contents of this report were discussed on January 28, 2020 with Terry Baker (Board Treasurer), Kevin Kubacki (Executive Director), Denise Castellanos (Director of Operations), and Brian Anderson (Consultant). The Official Response has been made a part of this report and may be found on page 5.



January 31, 2020

Donovan CPAs
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

The Neighborhood Charter Network has already or will take the following actions to address the FY2019 supplemental audit report comments:

1. We will continue to manage the differences in timing and required reporting that exist for charter schools in the state of Indiana. As part of that, we will monitor our cash basis fund reporting on our Form 9 submission and adjust as necessary. Adjustments are typically required when we either make accrual-based receivable and payable adjustments or when we receive retroactive grant budget approvals after a reporting deadline has already passed.
2. We have added staff that allows us to keep up with increased transactional activity as we grow. We have addressed our deposit processes and training for those involved.
3. We have implemented a new purchasing software program that allows us to get authorizations for all transactions in a more efficient manner. This will help us avoid a late credit card payment in the future.

Sincerely,

A handwritten signature in black ink that reads "Denise Castellanos".

The Neighborhood Charter Network Management
Denise Castellanos, Director of Operations