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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](http://www.in.gov/sboa)

March 27, 2020

Charter School Board  
Vanguard Collegiate of Indianapolis  
2447 W 14th St.  
Indianapolis, IN 46222


We have reviewed the audit report of Vanguard Collegiate of Indianapolis which was opined upon by Greenwalt CPAs, Inc., 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 Vanguard Collegiate of Indianapolis 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 Substantial Doubt about the Organization's Ability to Continue as a Going Concern paragraph included in the Independent Auditors' Report and further detailed in Note 8.

In our opinion, Greenwalt CPAs, Inc. 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 Vanguard Collegiate of Indianapolis, was prepared in accordance with the guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner

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VANGUARD COLLEGIATE OF INDIANAPOLIS

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019

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GREENWALT<sup>CPAs</sup>  
We Deliver Peace of Mind

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# VANGUARD COLLEGIATE OF INDIANAPOLIS

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JUNE 30, 2019

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Greenwalt CPAs, Inc.  
5342 W. Vermont Street  
Indianapolis, IN 46224  
[www.greenwaltcpas.com](http://www.greenwaltcpas.com)

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Vanguard Collegiate of Indianapolis:

We have audited the accompanying financial statements of Vanguard Collegiate of Indianapolis (an Indiana public charter school, "the School"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, and *Guidelines for Audits of Charter Schools Performed by Private Examiners* established by the Indiana State Board of Accounts. 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 auditor considers internal control relevant to the School'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 School'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 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 8 to the financial statements, the School incurred a significant loss during its first year of operations, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*Greenwald CPAs, Inc.*

March 11, 2020

VANGUARD COLLEGIATE OF INDIANAPOLIS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

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ASSETS

**CURRENT ASSETS**

Cash	\$ 22,400
Deferred lease incentive, current	<u>57,539</u>

*Total current assets* 79,939

**DEFERRED LEASE INCENTIVE, LONG-TERM**

5,300

**PROPERTY AND EQUIPMENT**

Furniture	32,775
Equipment	29,640
Computer equipment	12,884
Textbooks	6,000
Leasehold improvements	53,335
Accumulated depreciation	<u>(37,471)</u>

*Total property and equipment, net* 97,163

*Total assets* \$ 182,402

LIABILITIES AND ACCUMULATED DEFICIT

**CURRENT LIABILITIES**

Accounts payable	\$ 56,961
Accrued expenses	105,329
Line of credit	<u>117,248</u>

*Total current liabilities* 279,538

**COMMITMENTS AND CONTINGENCY (NOTES 4 AND 8)**

**ACCUMULATED DEFICIT WITHOUT DONOR RESTRICTIONS** (97,136)

*Total liabilities and accumulated deficit* \$ 182,402

VANGUARD COLLEGIATE OF INDIANAPOLIS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

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	<b>WITHOUT DONOR RESTRICTIONS</b>
<b>REVENUE AND SUPPORT</b>	
State funding	\$ 487,490
Federal funding	534,597
Contributions	5,089
Other income	7,029
Interest	161
	<hr/>
<i>Total revenue and support</i>	1,034,366
	<hr/>
<b>EXPENSES</b>	
Program	967,906
Management and general	271,130
	<hr/>
<i>Total expenses</i>	1,239,036
	<hr/>
<b>CHANGE IN NET ASSETS</b>	(204,670)
<b>NET ASSETS, BEGINNING OF YEAR</b>	107,534
	<hr/>
<b>ACCUMULATED DEFICIT, END OF YEAR</b>	\$ (97,136)
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# VANGUARD COLLEGIATE OF INDIANAPOLIS

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

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	<u>Program</u>	<u>Management &amp; General</u>	<u>Total</u>
Salaries and wages	\$ 468,486	\$ 158,318	\$ 626,804
Staff development	6,202	-	6,202
Student lunch	56,678	-	56,678
Purchased and contracted services	11,314	16,412	27,726
Advertising	-	7,114	7,114
Travel	1,133	14,983	16,116
Classroom, kitchen, and office supplies	132,647	22,327	154,974
Occupancy	256,351	28,483	284,834
Depreciation	34,174	3,797	37,971
Extra-curricular	921	-	921
Interest	-	5,638	5,638
Insurance	-	8,104	8,104
Printing	-	5,032	5,032
Other	-	922	922
	<hr/>	<hr/>	<hr/>
<i>Total functional expenses</i>	<u>\$ 967,906</u>	<u>\$ 271,130</u>	<u>\$ 1,239,036</u>

VANGUARD COLLEGIATE OF INDIANAPOLIS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

Page 1 of 2

NET CHANGE IN CASH

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from state and federal funding	\$ 1,034,205
Cash paid to suppliers and employees	(1,100,377)
Interest received	161
Interest paid	<u>(5,638)</u>

*Net cash used in operating activities* (71,649)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of property and equipment	(127,656)
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Net proceeds from line of credit	<u>117,248</u>
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**NET CHANGE IN CASH** (82,057)

**CASH, BEGINNING OF YEAR** 104,457

**CASH, END OF YEAR** \$ 22,400

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

CHANGE IN NET ASSETS	<u>\$ (204,670)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES	
Depreciation	37,971
<i>Increase in operating assets:</i>	
Deferred lease incentive	(62,839)
<i>Increase in operating liabilities:</i>	
Accounts payable	56,961
Accrued expenses	<u>100,928</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (71,649)</u></u>

# VANGUARD COLLEGIATE OF INDIANAPOLIS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### DESCRIPTION OF ORGANIZATION

Vanguard Collegiate of Indianapolis ("the School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24. Through meaningful and quality instruction of rigorous curriculum and character development, Vanguard Collegiate of Indianapolis provides an academically challenging, data-driven curriculum and a structured, goal-oriented school community for 5<sup>th</sup> through 8<sup>th</sup> grade students. Vanguard Collegiate equips scholars with critical thinking skills, integrity, and sense of social and personal responsibility, seizing the educational opportunities afforded to them, thus, bringing their dreams and those of their families, to fruition.

The School receives the majority of its funding from the Indiana Department of Education. Their revenues are supplemented with funds from contributions and other revenue.

#### BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

The School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2019.

#### PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased, or, if contributed, at the estimated fair value at the date of the gift. The School capitalizes additions of property and equipment in excess of \$1,000 that have a useful life or extend the useful life greater than one year. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets as follows:

Furniture and equipment	5 years
Computers equipment	3 years
Textbooks	4 years
Leasehold improvements	Lease term

# VANGUARD COLLEGIATE OF INDIANAPOLIS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### NET ASSETS

The School maintains the following classifications of net assets:

#### WITHOUT DONOR RESTRICTIONS

These include revenue and expenses from the regular operations of the School, which are at the discretion of management and the Board of Directors.

#### WITH DONOR RESTRICTIONS

These include contributions and grants with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### REVENUE RECOGNITION

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and 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 the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants as costs are incurred.

#### CONTRIBUTIONS AND GRANTS

Contributions and grants are recognized when the donor makes an unconditional promise to give to the School and are recorded at their fair values as revenues and assets in the period the promise was received. Contributions with donor restrictions are reported as increases in net assets with donor restrictions.

#### ADVERTISING

Advertising expenses totaled \$7,114 for fiscal year 2019. The School's policy is to recognize advertising expenditures in the period in which they are incurred.

#### FUNCTIONAL ALLOCATION OF EXPENSES

In the accompanying statements of functional expense, all expenses are allocated to program and management and general expenses. Expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived.

#### TAX STATUS

The School is an Indiana not-for-profit corporation, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

# VANGUARD COLLEGIATE OF INDIANAPOLIS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through March 11, 2020 which is the date these financial statements were available to be issued.

#### NEW ACCOUNTING PRONOUNCEMENT

During fiscal year 2019 the School adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification by reducing the three categories of unrestricted, temporarily restricted, and permanently restricted to two, net assets with and without donor restrictions. In addition, the update requires a new disclosure regarding liquidity and the availability of resources. The School has adjusted the presentation of these statements accordingly.

### 2. AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating and other commitments. The School has various sources of liquid assets at its disposal, including cash.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to ongoing activities of the school as well as the supporting operations to be general expenditures.

Financial assets available for general expenditure, within one year, consist of the following at June 30, 2019:

Financial assets at year-end:

Cash	\$	22,400
Financial assets available to meet expenditures within one year	\$	<u>22,400</u>

### 3. LINE OF CREDIT

The School has a \$150,000 line of credit with a financial institution, which expired in September 2019. Subsequent to year-end the line was extended through March 2020 and the total amount available on the line was reduced to \$34,533. Interest is payable at the prime rate plus 2.75%, which was 8.25% at June 30, 2019. At June 30, 2019, the balance outstanding was \$117,248. This loan is secured by substantially all assets of the School.

### 4. OPERATING LEASES

The School leases copier equipment under an operating lease with the expiration date of June 2020. Total expense for the copier lease, including overage charges, for fiscal year 2019 was \$13,084.

In July 2018, the School began to lease property through July 2020. The lease includes de-escalating monthly rent payments varying from \$28,315 to \$14,583. Total rent expense during fiscal year 2019 was \$238,059.

# VANGUARD COLLEGIATE OF INDIANAPOLIS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

### 4. OPERATING LEASES, CONTINUED

Future minimum rental payments required under operating leases for the years ending June 30 are as follows:

2020	\$ 187,278
2021	14,583
	<u>\$ 201,861</u>

### 5. FEDERAL, STATE, AND LOCAL GRANT AWARDS

In accordance with guidelines established by the Indiana State Board of Accounts, this federal, state, and local grant information was included to aid in the verification of Indiana financial assistance on the Annual Financial Report (AFR).

Program Name	Grantor Name	CFDA	Revenue	Expense	Funding Type
CSP Innovation Grant	Indiana Department of Education	84.282A	\$534,597	\$534,597	Federal grant passed through state or local government
Basic Tuition Support	Indiana Department of Education	N/A	\$456,990	\$456,990	State or Local Government
Charter Facility Grant	Indiana Department of Education	N/A	\$30,500	\$30,500	State or Local Government
			\$1,022,087	\$1,022,087	

### 6. RISKS AND UNCERTAINTIES

The School provides educational instruction services to persons primarily residing in Indianapolis, Indiana and greater Marion County, and is subject to the risks of economic and competitive forces at work within this geographic area.

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

### 7. SUBSEQUENT EVENTS

During July 2019, the School received an additional loan of \$25,000 to purchase equipment and furniture associated with the expansion of the School. The loan bears no interest and is to be repaid in monthly installments beginning November 2019, with full repayment due by October 2022.

Additionally, during August 2019, the School received a loan in the amount of \$12,000 from a related party to cover additional expenses. The loan bears no interest and has no required monthly payment. As of January 2020, the loan has been partially repaid.

Subsequent to year end, the School entered into an arrangement to take an advance on its receivables at 85% of the receivable gross value up to \$325,000 in gross receivables.

# VANGUARD COLLEGIATE OF INDIANAPOLIS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **8. GOING CONCERN, SIGNIFICANT LOSS IN FIRST YEAR OF OPERATIONS**

Pursuant to ASC Topic 205-40, Going Concern, the School is required to evaluate whether there is substantial doubt about its ability to continue as a going concern in each reporting period. In evaluating the School's ability to continue as a going concern for this reporting period, management evaluated the conditions and events that could raise substantial doubt about the School's ability to continue as a going concern within one year of the date the financial statements were issued (March 11, 2020). Management considered its current projections of future cash flow, current financial conditions, sources of liquidity and obligations due on or before March 11, 2021.

Fiscal year 2019 was the School's first year of operations. Lower than anticipated enrollment resulted in lower funding. In addition, the School had anticipated receiving grants that were not awarded during the fiscal year. The reduction in anticipated funding coupled with unanticipated additional costs to start up resulted in a loss of \$204,670 for the year and negative working capital. Management and the Board have implemented several strategies to improve the financial condition of the School and ensure its ability to continue as a going concern. The School has taken several steps to contain costs including renegotiating its lease, reducing transportation costs, and not backfilling positions. The School has obtained a new financing arrangement that allows the School to take an advance on its receivables to improve cash flow (see Note 7). In addition, the School has negotiated extended payment terms with its vendors. The School has applied for and anticipates several new sources of grant funding, including private donations. The School has grown its Board to include individuals that can assist the School with its fundraising efforts. Lastly, the School has retained a consultant to help it improve its recruitment with a goal of achieving an enrollment of 120 students by September 2020. The School has begun to see the benefits of implementing its plan. The financial statements for the period of July 1, 2019 – January 31, 2020 reflect a net surplus of approximately \$12,000.

Management's intention and belief is that these strategies will be successful in achieving the financial position of the School. If these strategies are not successful, it could cause the School to be unable to meet its obligations which become due on or before March 11, 2021. As a result, substantial doubt continues to exist about the ability of the School to continue as a going concern within one year from March 11, 2020, the date these financial statements are available to be issued. The financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.

VANGUARD COLLEGIATE OF INDIANAPOLIS  
OTHER REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

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

Supplemental Audit Report of Vanguard Collegiate of Indianapolis