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April 14, 2020

Charter School Board  
Lighthouse Academies of Indiana, Inc.  
d/b/a Victory College Prep.  
1780 Sloan Avenue  
Indianapolis, IN 46203

We have reviewed the audit report of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. 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 Indiana, Inc. d/b/a Victory College Prep. 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 Emphasis of Matters paragraph included in the Independent Auditors' Report and further detailed in Notes 2 and 3.

In our opinion, Donovan CPAs prepared the audit report in accordance guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep., 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Lighthouse Academies of Indiana, Inc.

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

We have audited the accompanying financial statements of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("VCP"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and change in net assets (deficiency), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. as of June 30, 2019 and 2018, and the changes in its net assets (deficiency), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Emphasis of Matters**

As discussed in Note 2 to the financial statements, the Board of Directors of Lighthouse Academies, Inc. voted to close Indianapolis Lighthouse East effective June 30, 2019. The financial statements do not include any adjustments that will ultimately result from this development. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming VCP will continue as a going concern. As discussed in Note 3 to the financial statements, VCP has incurred significant losses from operations and has a deficiency in net assets of \$347,853 as of June 30, 2019. Additionally, the closure of the Indianapolis Lighthouse East location represents a reduction in revenue of approximately \$4.3 million, while the liabilities of the closed school remain to be paid, totaling approximately \$6.7 million as of June 30, 2019. This places a significant financial burden on the remaining location of VCP (formerly Indianapolis Lighthouse South). These factors combined raise substantial doubt about VCP's ability to continue as a going concern. Management's intentions with respect to this matter are also described in Note 3. The accompanying 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.

## **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 (deficiency) by school on pages 16 - 19 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 March 31, 2020 on our consideration of VCP'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 VCP's internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana  
March 31, 2020

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 513,943	\$ 1,930,369
Cash - temporarily held in clearing account	381,243	-
Cash - restricted for bond interest	281,488	254,929
Accounts receivable:		
Grants	215,844	216,185
Other	22,214	69,804
Prepaid expenses	<u>268</u>	<u>268</u>
<i>Total current assets</i>	<u>1,415,000</u>	<u>2,471,555</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>13,793,116</u>	<u>14,417,168</u>
<b>OTHER ASSETS</b>		
Cash - restricted for debt service	1,434,094	1,419,901
Cash - restricted for property repairs and replacement	<u>205,412</u>	<u>201,778</u>
<i>Total other assets</i>	<u>1,639,506</u>	<u>1,621,679</u>
<b>TOTAL ASSETS</b>	<u>\$ 16,847,622</u>	<u>\$ 18,510,402</u>
<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of bonds payable	\$ 250,000	\$ 234,900
Current portion of note payable	6,822	6,474
Accounts payable and accrued expenses	858,747	1,490,934
Security deposit	<u>10,000</u>	<u>10,000</u>
<i>Total current liabilities</i>	<u>1,125,569</u>	<u>1,742,308</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds payable, net of current portion	16,285,000	16,535,100
Note payable, net of current portion	13,126	21,834
Less: unamortized debt issuance costs	<u>(228,220)</u>	<u>(237,170)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>16,069,906</u>	<u>16,319,764</u>
<i>Total liabilities</i>	17,195,475	18,062,072
<b>NET ASSETS (DEFICIENCY), WITHOUT DONOR RESTRICTIONS</b>	<u>(347,853)</u>	<u>448,330</u>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)</b>	<u>\$ 16,847,622</u>	<u>\$ 18,510,402</u>

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

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)**  
**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 9,693,505	\$ 10,097,650
Grant revenue	3,859,228	4,155,825
Contributions	1,667	29,003
Rent	211,861	178,280
Student fees	99,465	81,707
Fundraising	27,265	40,577
Interest	39,352	16,228
Forgiveness of amounts owed to related parties	325,918	-
Other	35,383	34,571
	<u>14,293,644</u>	<u>14,633,841</u>
<i>Total revenue and support</i>		
	<u>14,293,644</u>	<u>14,633,841</u>
<b>EXPENSES</b>		
Program services	13,113,481	12,722,355
Management and general	1,965,179	2,104,973
Fundraising	11,167	19,976
	<u>15,089,827</u>	<u>14,847,304</u>
<i>Total expenses</i>		
	<u>15,089,827</u>	<u>14,847,304</u>
<b>CHANGE IN NET ASSETS</b>	(796,183)	(213,463)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>448,330</u>	<u>661,793</u>
<b>NET ASSETS (DEFICIENCY), END OF YEAR</b>	<u>\$ (347,853)</u>	<u>\$ 448,330</u>

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

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>				<u>2018</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 5,768,155	\$ 659,303	\$ -	\$ 6,427,458	\$ 5,467,633	\$ 540,572	\$ -	\$ 6,008,205
Employee benefits	1,323,236	116,064	-	1,439,300	1,371,771	165,337	-	1,537,108
Staff development and recruitment	40,636	53,751	-	94,387	46,123	71,678	-	117,801
Academic services - Lighthouse Academies	-	863,687	-	863,687	-	1,013,977	-	1,013,977
Authorizer fees	-	65,776	-	65,776	-	48,564	-	48,564
Food service	631,126	-	-	631,126	614,484	-	-	614,484
Transportation service	1,484,310	-	-	1,484,310	1,165,603	-	-	1,165,603
Other professional services	563,639	125,937	-	689,576	341,339	138,175	-	479,514
Property and textbook rental	131,665	-	-	131,665	265,734	-	-	265,734
Classroom, kitchen, and office supplies	314,053	39,318	-	353,371	317,959	55,135	-	373,094
Occupancy	890,802	-	-	890,802	1,157,278	-	-	1,157,278
Depreciation	707,675	-	-	707,675	697,221	-	-	697,221
Amortization	8,950	-	-	8,950	8,950	-	-	8,950
Interest	1,175,082	-	-	1,175,082	1,183,650	-	-	1,183,650
Other	74,152	41,343	11,167	126,662	84,610	71,535	19,976	176,121
<i>Total functional expenses</i>	<u>\$ 13,113,481</u>	<u>\$ 1,965,179</u>	<u>\$ 11,167</u>	<u>\$ 15,089,827</u>	<u>\$ 12,722,355</u>	<u>\$ 2,104,973</u>	<u>\$ 19,976</u>	<u>\$ 14,847,304</u>

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

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets (deficiency)	\$ (796,183)	\$ (213,463)
Adjustments to reconcile change in net assets (deficiency) to net cash provided by (used in) operating activities:		
Depreciation	707,675	697,221
Amortization	8,950	8,950
Changes in certain assets and liabilities:		
Grants receivable	341	397,651
Other receivables	47,590	(50,880)
Prepaid expenses	-	114,193
Accounts payable and accrued expenses	(632,187)	138,193
Security deposit	-	(17,000)
	<u>                    </u>	<u>                    </u>
<i>Net cash provided by (used in) operating activities</i>	<u>(663,814)</u>	<u>1,074,865</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(83,623)</u>	<u>(234,554)</u>
<b>FINANCING ACTIVITIES</b>		
Principal repayment of bonds payable	(235,000)	-
Principal repayment of note payable	<u>(8,360)</u>	<u>(8,360)</u>
	<u>                    </u>	<u>                    </u>
<i>Net cash used in financing activities</i>	<u>(243,360)</u>	<u>(8,360)</u>
<b>NET CHANGE IN CASH</b>	(990,797)	831,951
<b>CASH, BEGINNING OF YEAR</b>	<u>3,806,977</u>	<u>2,975,026</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,816,180</u>	<u>\$ 3,806,977</u>
<b>CASH, END OF YEAR</b>		
Cash - unrestricted	\$ 513,943	\$ 1,930,369
Cash - temporarily held in clearing account	381,243	-
Cash - restricted for bond interest	281,488	254,929
Cash - restricted for debt service	1,434,094	1,419,901
Cash - restricted for property repairs and replacement	<u>205,412</u>	<u>201,778</u>
	<u>                    </u>	<u>                    </u>
<i>Total cash, end of year</i>	<u>\$ 2,816,180</u>	<u>\$ 3,806,977</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 1,176,307	\$ 1,183,650
Purchases of property and equipment financed through note payable	-	36,668

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

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**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 Indiana, Inc. d/b/a Victory College Prep. ("VCP") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana, and was the organizer and governing body of two charter schools located in Indianapolis, Indiana through June 30, 2019: Indianapolis Lighthouse South and Indianapolis Lighthouse East. On March 21, 2019, VCP's Board of Directors voted to close the Indianapolis Lighthouse East location effective June 30, 2019. See Note 2 for further details regarding the school's closure.

Each of the schools is a public charter school established under Indiana Code 20-24 and sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis ("OEI"). Indianapolis Lighthouse South served approximately 890 students in grades kindergarten through twelve and Indianapolis Lighthouse East served approximately 360 students in grades seven through twelve during the 2018 - 2019 school year.

Financial Statement Presentation – Effective with the June 30, 2019 year end, VCP 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 has been restated to comply with ASU 2016-14.

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 VCP's revenue is the product of cost reimbursement grants. Accordingly, VCP recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

Grants Receivable – Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. VCP believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**

**d/b/a VICTORY COLLEGE PREP.**

**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 \$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. The estimated useful lives generally are as follows:

Buildings and improvements .....	30 years
Furniture and equipment .....	5 years
Vehicle .....	5 years

Debt Issuance Costs – VCP incurred costs associated with securing financing under Indiana Finance Authority Education Facilities Revenue Bonds. Total costs incurred were \$250,595. Amortization is provided on a straight-line basis over the term of the bonds (27 years). Accumulated amortization was \$22,375 and \$13,425 as of June 30, 2019 and 2018, respectively. Amortization expense was \$8,950 for 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 as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income – VCP 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 organization 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 VCP 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. VCP 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 – VCP evaluated subsequent events through March 31, 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 INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2019 and 2018**

**NOTE 2 - SCHOOL CLOSURE**

In the winter of 2018, Indianapolis Lighthouse East was placed on probation by OEI for a variety of reasons including operational deficiencies, teacher accreditation shortfalls, and delays in required reporting. On March 21, 2019, VCP's Board of Directors voted to close the Indianapolis Lighthouse East location effective June 30, 2019. The financial statements do not include any adjustments which will ultimately result from the school's closure. The assets and liabilities of Indianapolis Lighthouse East remain under control and responsibility of management of VCP.

**NOTE 3 - GOING CONCERN CONSIDERATIONS**

As reflected in the accompanying financial statements, VCP incurred significant losses during the years ended June 30, 2019 and 2018 and had a deficiency in net assets of \$347,853 as of June 30, 2019. Additionally, the closure of the Indianapolis Lighthouse East location represents a reduction in revenue of approximately \$4.3 million, while the liabilities of the closed school remain to be paid, totaling approximately \$6.7 million as of June 30, 2019. This places a significant financial burden on the remaining location of VCP (formerly Indianapolis Lighthouse South). These factors raise substantial doubt about VCP's ability to continue as a going concern. The ability of VCP to continue as a going concern is dependent upon VCP obtaining new sources of funding or financing, controlling its operating expenses, and the continued support of its authorizing sponsor. The accompanying financial statements do not include any adjustments that might be necessary if VCP is unable to continue as a going concern.

As disclosed in Note 9, VCP ended its management service agreement with Lighthouse Academies, Inc. effective July 1, 2019. Prior to the termination of the service agreement, the management company had provided financial and operational control of the building in exchange for 8% of the VCP's total operating budget. VCP restructured its operations and finance team to ensure stricter local oversight of day-to-day financial data and controllable budget line items. Further, VCP implemented a series of rigorous internal controls to ensure a far closer adherence to its approved annual operating budget which, if met, should provide a substantial operating surplus. VCP has also retained the accounting services of Center for Innovative Education Solutions ("CIES") to assist with transition away from the former management company and ensure an independent analysis of VCP's ongoing finances. CIES helped develop the operating budget both to meet the immediate needs of VCP and begin to develop short term financial stability. For long term financial stability, VCP has renegotiated several major contracts with local vendors which has dramatically reduced costs: most notably with Miller Transportation. Finally, leadership has acted swiftly to help offset the lost revenue of its Franklin Road (formerly the location of Indianapolis Lighthouse East) facility by finalizing two-year leases with both Circle City Preparatory Academy and Geo Academies. Management believes that local leadership provides the skill set necessary to guide decisions that can navigate and rectify past issues and continue operating as a financially-stable institution. Management of VCP believes the strategies implemented will allow it to continue as a going concern for the foreseeable future.

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2019 and 2018**

**NOTE 4 - RESTRICTED AND TEMPORARILY HELD CASH**

*Cash - temporarily held in clearing account* represents cash remitted by the State of Indiana for state education support and grant revenues which are held in escrow by a bank until monthly principal and interest payments on the bonds are made. After bond payments are withheld from the state's payments, the remaining cash balance transfers to VCP. This cash is considered unrestricted.

*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 5 - PROPERTY AND EQUIPMENT**

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

	<u>2019</u>	<u>2018</u>
Land	\$ 367,700	\$ 367,700
Buildings and improvements	14,375,411	14,350,824
Furniture and equipment	1,416,712	1,357,676
Vehicle	36,668	36,668
	16,196,491	16,112,868
Less: accumulated depreciation	(2,403,375)	(1,695,700)
	\$ 13,793,116	\$ 14,417,168

**NOTE 6 - BONDS PAYABLE**

VCP purchased its facilities with Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2016 with original amounts totaling \$16,770,000. Principal is payable in annual installments that increase from \$235,000 to \$1,320,000, 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.

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2019 and 2018**

**NOTE 6 - BONDS PAYABLE, Continued**

The bond agreement contains 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 each June 30; and
- a minimum debt service coverage ratio of 1.15 to 1.00, measured annually.

VCP did not meet any of the covenants for the year ended June 30, 2019. Management has obtained a forbearance of the covenant violations from the bondholder.

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

2020	\$	250,000
2021		265,000
2022		280,000
2023		300,000
2024		315,000
Thereafter		<u>15,125,000</u>
	\$	<u>16,535,000</u>

**NOTE 7 - NOTE PAYABLE**

VCP has a note payable due to TCF Equipment Finance. The note is payable in four equal, annual installments of \$8,360 on December 1 each year through 2021 and bears interest at a rate of 7.01%. The note is secured by a bus.

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

2020	\$	6,822
2021		7,300
2022		<u>5,826</u>
	\$	<u>19,948</u>

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2019 and 2018**

**NOTE 8 - LEASES**

VCP has an agreement to sublease a portion of one of its buildings to Circle City Preparatory, Inc. through June 30, 2020. Rental income includes base rent of \$170,000 annually, plus contingent rent of \$40,000 based on the number of students enrolled at the sublessee's school during the year ended June 30, 2019. The lease is renewable by mutual consent.

VCP leases various office equipment through June 2022 which require monthly payments. Minimum lease obligations for office equipment are as follows for the years ending June 30:

2020	\$	14,871
2021		14,871
2022		5,063

**NOTE 9 - COMMITMENTS**

During the years ended June 30, 2019 and 2018, VCP contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreement, VCP agreed to pay an amount equal to 7.5% of revenues, as defined, for such services, plus any necessary travel costs. Total expense under this agreement for both academic oversight and travel reimbursement was \$863,687 and \$1,013,977 for the years ended June 30, 2019 and 2018, respectively. This agreement was terminated effective June 30, 2019. In connection with the termination of the agreement with Lighthouse Academies, Inc., VCP recorded forgiveness of amounts previously owed to Lighthouse Academies, Inc. and other affiliated Lighthouse schools totaling \$325,918 during the year ended June 30, 2019.

VCP operates its schools under charters granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. The charter agreement with Indianapolis Lighthouse South remains in effect until June 30, 2026 and is renewable thereafter by mutual consent. On March 21, 2019, VCP's Board of Directors voted to close Indianapolis Lighthouse East, thereby forfeiting the charter effective the date of the school's closing, June 30, 2019.

OEI assesses a fee equal to 1% of the basic tuition support received by VCP. The fees were \$65,776, and \$48,564 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 10 - RETIREMENT PLAN**

During the years ended June 30, 2019 and 2018, all VCP personnel were employees of Lighthouse Academies, Inc., which provided management services to VCP. VCP personnel were eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, VCP matched 100% of employee contributions up to 4% of compensation for the plan year. Additional contributions could have been made to the plan at the discretion of the VCP Board of Directors. No discretionary contributions were made during the years ended June 30, 2019 or 2018. Retirement plan expense was \$100,548 and \$88,273 for the years ended June 30, 2019 and 2018, respectively.

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2019 and 2018**

**NOTE 11 - RISKS AND UNCERTAINTIES**

VCP provides education services to families residing in Marion 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 VCP. Additionally, VCP 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 VCP 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 BMO Harris Bank and are insured up to the FDIC insurance limit of \$250,000. Funds held at these financial institutions exceeded the FDIC insurance limit as of June 30, 2019 and 2018.

**NOTE 12 - LIQUIDITY**

Under ASU 2016-14, VCP 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. VCP's financial assets include cash, restricted cash, temporarily held cash, grants receivable, and other receivables. Financial assets at June 30, 2019 total \$3,104,238, of which \$1,183,244 (excludes restricted cash) is available to meet cash needs for general expenditures within a year.

From time to time, VCP receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, VCP 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 VCP'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 13 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets (deficiency). Management of VCP has categorized expenses as program services, management and general, or fundraising 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 INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**SCHEDULE OF EXPEDITURES 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		\$ 221,791
National School Lunch Program	10.555		<u>554,192</u>
<i>Total U.S. Department of Agriculture</i>			<u>775,983</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I Grants to Local Education Agencies	84.010	19-9770 19-9575	1,420,493
Special Education Cluster			
Special Education - Grants to States	84.027	18611-605-PN01 18611-516-PN01	261,388
Charter Schools Program	84.282		32,664
21 <sup>st</sup> Century Community Learning Centers Grants	84.287	S287C170014	<u>198,790</u>
<i>Total U.S. Department of Education</i>			<u>1,913,335</u>
<i>Total federal awards expended</i>			<u>\$ 2,689,318</u>

See independent auditors' report and accompanying notes to this schedule

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**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 Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("VCP") 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 VCP, it is not intended to and does not present the financial position, change in net assets (deficiency), functional expenses, or cash flows of VCP.

**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**

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

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**

**June 30, 2019**

	<u>South</u>	<u>East</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 349,169	\$ 164,774	\$ -	\$ 513,943
Cash - temporarily held in clearing account	313,877	67,366	-	381,243
Cash - restricted for bond interest	168,893	112,595	-	281,488
Accounts receivable:				
Grants	199,242	16,602	-	215,844
Other	58,323	13,891	(50,000)	22,214
Prepaid expenses	268	-	-	268
<i>Total current assets</i>	<u>1,089,772</u>	<u>375,228</u>	<u>(50,000)</u>	<u>1,415,000</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>8,180,918</u>	<u>5,612,198</u>	<u>-</u>	<u>13,793,116</u>
<b>OTHER ASSETS</b>				
Cash - restricted for debt service	851,803	582,291	-	1,434,094
Cash - restricted for property repairs and replacement	123,247	82,165	-	205,412
<i>Total other assets</i>	<u>975,050</u>	<u>664,456</u>	<u>-</u>	<u>1,639,506</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,245,740</u></u>	<u><u>\$ 6,651,882</u></u>	<u><u>\$ (50,000)</u></u>	<u><u>\$ 16,847,622</u></u>
<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of bonds payable	\$ 150,000	\$ 100,000	\$ -	\$ 250,000
Current portion of note payable	6,822	-	-	6,822
Accounts payable and accrued expenses	740,852	167,895	(50,000)	858,747
Security deposit	-	10,000	-	10,000
<i>Total current liabilities</i>	<u>897,674</u>	<u>277,895</u>	<u>(50,000)</u>	<u>1,125,569</u>
<b>LONG-TERM LIABILITIES</b>				
Bonds payable, net of current portion	9,771,000	6,514,000	-	16,285,000
Note payable, net of current portion	13,126	-	-	13,126
Less: unamortized debt issuance costs	<u>(138,025)</u>	<u>(90,195)</u>	<u>-</u>	<u>(228,220)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>9,646,101</u>	<u>6,423,805</u>	<u>-</u>	<u>16,069,906</u>
<i>Total liabilities</i>	<u>10,543,775</u>	<u>6,701,700</u>	<u>(50,000)</u>	<u>17,195,475</u>
<b>NET ASSETS (DEFICIENCY)</b>	<u>(298,035)</u>	<u>(49,818)</u>	<u>-</u>	<u>(347,853)</u>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)</b>	<u><u>\$ 10,245,740</u></u>	<u><u>\$ 6,651,882</u></u>	<u><u>\$ (50,000)</u></u>	<u><u>\$ 16,847,622</u></u>

See independent auditors' report

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**SCHEDULE OF FINANCIAL POSITION BY SCHOOL**

**June 30, 2018**

	<u>South</u>	<u>East</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 1,582,235	\$ 348,134	\$ -	\$ 1,930,369
Cash - restricted for bond interest	152,958	101,971	-	254,929
Accounts receivable:				
Grants	117,404	98,781	-	216,185
Other	194,279	18,585	(143,060)	69,804
Prepaid expenses	268	-	-	268
	<u>2,047,144</u>	<u>567,471</u>	<u>(143,060)</u>	<u>2,471,555</u>
<i>Total current assets</i>				
	<u>2,047,144</u>	<u>567,471</u>	<u>(143,060)</u>	<u>2,471,555</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>8,542,041</u>	<u>5,875,127</u>	<u>-</u>	<u>14,417,168</u>
<b>OTHER ASSETS</b>				
Cash - restricted for debt service	843,287	576,614	-	1,419,901
Cash - restricted for property repairs and replacement	121,067	80,711	-	201,778
	<u>964,354</u>	<u>657,325</u>	<u>-</u>	<u>1,621,679</u>
<i>Total other assets</i>				
	<u>964,354</u>	<u>657,325</u>	<u>-</u>	<u>1,621,679</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,553,539</u>	<u>\$ 7,099,923</u>	<u>\$ (143,060)</u>	<u>\$ 18,510,402</u>
<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of bonds payable	\$ 93,900	\$ 141,000	\$ -	\$ 234,900
Current portion of note payable	6,474	-	-	6,474
Accounts payable and accrued expenses	1,000,715	633,279	(143,060)	1,490,934
Security deposit	-	10,000	-	10,000
	<u>1,101,089</u>	<u>784,279</u>	<u>(143,060)</u>	<u>1,742,308</u>
<i>Total current liabilities</i>				
	<u>1,101,089</u>	<u>784,279</u>	<u>(143,060)</u>	<u>1,742,308</u>
<b>LONG-TERM LIABILITIES</b>				
Bonds payable, net of current portion	9,968,100	6,567,000	-	16,535,100
Note payable, net of current portion	21,834	-	-	21,834
Less: unamortized debt issuance costs	<u>(143,438)</u>	<u>(93,732)</u>	<u>-</u>	<u>(237,170)</u>
	<u>9,846,496</u>	<u>6,473,268</u>	<u>-</u>	<u>16,319,764</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>				
	<u>9,846,496</u>	<u>6,473,268</u>	<u>-</u>	<u>16,319,764</u>
<i>Total liabilities</i>	10,947,585	7,257,547	(143,060)	18,062,072
<b>NET ASSETS (DEFICIENCY)</b>	<u>605,954</u>	<u>(157,624)</u>	<u>-</u>	<u>448,330</u>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)</b>	<u>\$ 11,553,539</u>	<u>\$ 7,099,923</u>	<u>\$ (143,060)</u>	<u>\$ 18,510,402</u>

See independent auditors' report

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY) BY SCHOOL**  
**For the Year Ended June 30, 2019**

	<u>South</u>	<u>East</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
State education support	\$ 6,826,939	\$ 2,866,566	\$ 9,693,505
Grant revenue	2,926,099	933,129	3,859,228
Contributions	1,434	233	1,667
Rent	4,500	207,361	211,861
Student fees	93,124	6,341	99,465
Fundraising	25,495	1,770	27,265
Interest	23,611	15,741	39,352
Forgiveness of amounts owed to related parties	122,216	203,702	325,918
Other	18,756	16,627	35,383
	<u>10,042,174</u>	<u>4,251,470</u>	<u>14,293,644</u>
<i>Total revenue and support</i>			
<b>EXPENSES</b>			
Program services	9,535,608	3,577,873	13,113,481
Management and general	1,399,388	565,791	1,965,179
Fundraising	11,167	-	11,167
	<u>10,946,163</u>	<u>4,143,664</u>	<u>15,089,827</u>
<i>Total expenses</i>			
<b>CHANGE IN NET ASSETS</b>	(903,989)	107,806	(796,183)
<b>NET ASSETS (DEFICIENCY), BEGINNING OF YEAR</b>	<u>605,954</u>	<u>(157,624)</u>	<u>448,330</u>
<b>NET DEFICIENCY, END OF YEAR</b>	<u>\$ (298,035)</u>	<u>\$ (49,818)</u>	<u>\$ (347,853)</u>

See independent auditors' report

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**

**d/b/a VICTORY COLLEGE PREP.**

**SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY) BY SCHOOL**

**For the Year Ended June 30, 2018**

	<u>South</u>	<u>East</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
State education support	\$ 7,043,105	\$ 3,054,545	\$ 10,097,650
Grant revenue	3,131,345	1,024,480	4,155,825
Contributions	2,200	26,803	29,003
Rent	-	178,280	178,280
Student fees	76,885	4,822	81,707
Fundraising	35,413	5,164	40,577
Interest	5,037	11,191	16,228
Other	35,294	(723)	34,571
	<u>10,329,279</u>	<u>4,304,562</u>	<u>14,633,841</u>
<i>Total revenue and support</i>			
<b>EXPENSES</b>			
Program services	8,962,277	3,760,078	12,722,355
Management and general	1,422,230	682,743	2,104,973
Fundraising	19,976	-	19,976
	<u>10,404,483</u>	<u>4,442,821</u>	<u>14,847,304</u>
<i>Total expenses</i>			
<b>CHANGE IN NET ASSETS</b>	(75,204)	(138,259)	(213,463)
<b>NET ASSETS (DEFICIENCY), BEGINNING OF YEAR</b>	<u>681,158</u>	<u>(19,365)</u>	<u>661,793</u>
<b>NET ASSETS (DEFICIENCY), END OF YEAR</b>	<u>\$ 605,954</u>	<u>\$ (157,624)</u>	<u>\$ 448,330</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 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 Indiana, Inc. d/b/a Victory College Prep. ("VCP"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net assets (deficiency), 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 March 31, 2020.

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

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

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

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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 VCP'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 VCP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VCP'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 initial "D".

Indianapolis, Indiana  
March 31, 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 Indiana, Inc.

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

We have audited Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep.'s ("VCP") 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 VCP's major federal programs for the year ended June 30, 2019. VCP'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 VCP'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 VCP'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 VCP's compliance.

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

## Opinion on Each Major Federal Program

In our opinion, VCP 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.

## Report on Internal Control over Compliance

Management of VCP 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 VCP 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 VCP 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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  
March 31, 2020

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**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?	None reported
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)?	No
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**II. Financial Statement Findings**

No matters are reportable.

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

No matters are reportable.

**LIGHTHOUSE ACADEMIES OF INDIANA, INC.**  
**d/b/a VICTORY COLLEGE PREP.**  
**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 Indiana, Inc. d/b/a Victory College Prep. as listed below:

Supplemental Audit Report of Lighthouse Academies of Indiana, Inc.  
d/b/a Victory College Prep.

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*.