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December 8, 2020

Charter School Board
Dynamic Minds Academy, Inc.
8350 Craig Street
Indianapolis, IN 46250

We have reviewed the audit report of Dynamic Minds Academy, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Dynamic Minds Academy, Inc. as of June 30, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

The report is filed with this letter 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

DYNAMIC MINDS ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Year Ended June 30, 2020



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Dynamic Minds Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Dynamic Minds Academy, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dynamic Minds Academy, Inc. as of June 30, 2020, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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
November 23, 2020

DYNAMIC MINDS ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 521,189
Grants receivable	11,986
Prepaid expenses	<u>17,058</u>
<i>Total current assets</i>	<u>550,233</u>

TOTAL ASSETS

\$ 550,233

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Paycheck Protection Program note payable	\$ 181,100
Accounts payable and accrued expenses	131,027
Refundable advance	<u>33,936</u>
<i>Total current liabilities</i>	346,063

LONG-TERM LIABILITIES

Deferred rent payable	<u>78,000</u>
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Total liabilities 424,063

NET ASSETS, WITHOUT DONOR RESTRICTIONS

126,170

TOTAL LIABILITIES AND NET ASSETS

\$ 550,233

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

DYNAMIC MINDS ACADEMY, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2020

REVENUE AND SUPPORT	
State education support	\$ 1,845,485
Grant revenue	119,956
Medicaid reimbursement	302,375
Contributions	4,999
Fundraising	<u>1,279</u>
<i>Total revenue and support</i>	<u>2,274,094</u>
 EXPENSES	
Program services	1,891,644
Management and general	<u>256,280</u>
<i>Total expenses</i>	<u>2,147,924</u>
 CHANGE IN NET ASSETS	 126,170
 NET ASSETS, BEGINNING OF YEAR	 <u>-</u>
 NET ASSETS, END OF YEAR	 <u>\$ 126,170</u>

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

DYNAMIC MINDS ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 834,552	\$ 129,708	\$ 964,260
Professional services	568,199	45,551	613,750
Occupancy	243,000	-	243,000
Employee benefits	189,959	14,438	204,397
Information technology	28,793	-	28,793
Insurance	-	26,949	26,949
Authorizer fees	-	20,493	20,493
Equipment	20,235	-	20,235
Interest	-	15,157	15,157
Classroom and office supplies	6,531	214	6,745
Other	50	3,770	3,820
Staff development	325	-	325
	<u> </u>	<u> </u>	<u> </u>
<i>Total functional expenses</i>	<u>\$ 1,891,644</u>	<u>\$ 256,280</u>	<u>\$ 2,147,924</u>

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

DYNAMIC MINDS ACADEMY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

OPERATING ACTIVITIES

Change in net assets	\$ 126,170
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in certain assets and liabilities:	
Grants receivable	(11,986)
Prepaid expenses	(17,058)
Accounts payable and accrued expenses	131,027
Refundable advance	33,936
Deferred rent payable	<u>78,000</u>
<i>Net cash provided by operating activities</i>	340,089

FINANCING ACTIVITIES

Proceeds from Paycheck Protection Program note payable	<u>181,100</u>
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NET CHANGE IN CASH

521,189

CASH, BEGINNING OF YEAR

-

CASH, END OF YEAR

\$ 521,189

SUPPLEMENTAL INFORMATION

Cash paid for interest	\$ 15,157
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See independent auditors' report and accompanying notes to the financial statements

DYNAMIC MINDS ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Dynamic Minds Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a public charter school on July 1, 2019 under Indiana Code 20-24 and is sponsored by Education One, L.L.C. through Trine University. The School served approximately 115 students in grades kindergarten through twelfth during the 2019-2020 school year.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions - which include unrestricted resources that are available for the operating objectives of the School; and
- net assets with donor restrictions - which represent resources restricted by donors for specific time or purpose.

As of June 30, 2020, the School had only net assets without donor 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 paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the 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 in the amount of costs and expenses at the time they are incurred.

The School has elected to defer implementation of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaces most existing revenue recognition guidance under U.S. GAAP and requires disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 was to take effect for fiscal years beginning after December 15, 2018, but in May 2020, the Financial Accounting Standards Board allowed for a one-year deferral. Management believes the implementation of ASU 2014-09 will not significantly affect how the School reports revenue.

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. As of June 30, 2020, there were no cash equivalents.

DYNAMIC MINDS ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred. As of June 30, 2020, there have been no purchases of property and equipment over the School capitalization policy.

Taxes on Income – Dynamic Minds Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2020, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Because the School commenced operations in 2019, all tax years are currently open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 23, 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.

NOTE 2 - FACTORED RECEIVABLES

The School has entered into a Receivables Purchase Agreement (“RPA”) with Charter School Capital, Inc. (“CSC”) to sell, transfer, and otherwise convey to CSC without recourse all of the School’s rights, title, and interest in, to, and under certain basic grant and other receivables. During the year ended June 30, 2020, the School executed the sale of receivables totaling \$643,900, for a cost of \$15,157, which is included in interest expense. As of June 30, 2020, there were no outstanding receivables due to CSC.

DYNAMIC MINDS ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes the Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from the PPP notes payable can be used for costs related to payroll, employee healthcare, rent, and utilities. On April 24, 2020, the School was granted a loan from The Huntington National Bank in the amount of \$181,100, pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on April 24, 2022 and bears interest at a rate of 1.00%. To the extent that the funds are used for qualifying expenses under the program during the 24-week period beginning on the date of the loan origination, the School may apply for loan forgiveness. The School has determined the PPP note payable represents a financial liability and has accounted for it in accordance with FASB ASC 470, *Simplifying the Classification of Debt*, until forgiveness is obtained. Management believes the funds will be used for qualifying expenses and will be substantially, if not fully, forgiven. Accordingly, the note payable is included as a current liability as of June 30, 2020.

NOTE 4 - REFUNDABLE ADVANCE

During the year ended June 30, 2020, the School received a special education grant. The grant must be spent by September 2021 in accordance with the submitted budget and any funds not expended must be returned. Accordingly, the revenue is recognized as approved expenditures are incurred. As of June 30, 2020, \$33,936 remained to be expended.

NOTE 5 - LEASE

The School leases its school facility from an unrelated party through June 30, 2024. The lease payments escalate over the term of the lease. In accordance with U.S. GAAP, the School is required to record rent expense using the straight-line method over the term of the lease. The difference between recorded rent expense and the actual cash outflow is presented on the statement of financial position as deferred rent payable.

For the year ended June 30, 2020, rent payments totaled \$165,000 and rent expense was \$243,000.

Deferred rent payable as of June 30, 2020 was \$78,000.

Minimum sublease obligations for the facility space are as follows for the years ending June 30:

2021	\$	180,000
2022		270,000
2023		270,000
2024		330,000

DYNAMIC MINDS ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - RETIREMENT PLANS

The School maintains a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make contributions at its discretion. Alternatively, an employee may participate in the Indiana State Teachers' Retirement Plan ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan sponsored by the State of Indiana and administered by the Indiana Public Retirement System Board. For the year ended June 30, 2020, the School contributed 5.5% of defined compensation to each employee's retirement plan account of choice. Retirement plan expense was \$37,602 for the year ended June 30, 2020.

NOTE 7 - COMMITMENT

The School operates under a charter agreement by Education One, L.L.C. ("Education One") through Trine University. As the sponsoring organization, Education One exercises certain oversight responsibilities. This charter agreement remains in effect until June 30, 2024 and is renewable thereafter by mutual consent. Education One assess a fee in an amount equal to no more than 3% of the basic tuition amount received by the School. The fees were \$20,493 for the year ended June 30, 2020. In addition, the charter agreement requires the School to establish an escrow account of \$50,000 should a dissolution occur. As of June 30, 2020, the escrow account had not been established.

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Marion and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. 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.

Bank deposits are maintained at The Huntington National Bank and are insured up to the FDIC insurance limit. As of June 30, 2020, and at times during the year, cash balances exceeded the FDIC insured limit.

DYNAMIC MINDS ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - LIQUIDITY

Financial assets held by the School include cash and grants receivable. Financial assets available to meet cash needs for general expenditures within one year totaled \$533,175 as of June 30, 2020.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.