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December 11, 2020

Charter School Board  
Avondale Meadows Academy, Inc.  
d/b/a/ United Schools of Indianapolis  
3980 Meadows Dr.  
Indianapolis, IN 46205

We have reviewed the audit report of Avondale Meadows Academy, Inc. d/b/a/ United Schools of Indianapolis, which was opined upon by Greenwalt CPAs, Inc., Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Avondale Meadows Academy, Inc. d/b/a/ United Schools of Indianapolis 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.

We call your attention to the finding in the report on page 30. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 31.

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

In addition to the report presented herein, a Supplemental Audit Report for Avondale Meadows Academy, Inc. d/b/a/ United Schools of Indianapolis, was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.

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

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AVONDALE MEADOWS ACADEMY, INC. D/B/A  
UNITED SCHOOLS OF INDIANAPOLIS

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020 AND 2019

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AVONDALE MEADOWS ACADEMY, INC. D/B/A  
UNITED SCHOOLS OF INDIANAPOLIS  
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JUNE 30, 2020 AND 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Avondale Meadows Academy, Inc.  
d/b/a United Schools of Indianapolis:

### Report on the Financial Statements

We have audited the accompanying financial statements of Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis (a network of Indiana public charter schools, USI), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities 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 the financial statements based on our audits. We conducted our audits 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 of America, *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources* and *Guidelines for Audits for Charter Schools performed by Private Examiners* established by the Indiana State Board of Accounts. 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 auditor considers 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 USI'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 USI as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020 on our consideration of USI'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 the effectiveness of USI's 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 USI's internal control over financial reporting and compliance.

*Greenwald CPAs, Inc.*

November 23, 2020

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>	<u>LIABILITIES AND NET ASSETS</u>	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and cash equivalents	\$ 2,743,249	\$ 1,490,444	Accounts payable	\$ 17,932	\$ 25,116
Cash restricted for construction	-	14,273	Payroll and other accrued expenses	1,041,903	1,089,388
	<u>2,743,249</u>	<u>1,504,717</u>	Current portion of long-term debt	285,000	308,467
<i>Total cash and cash equivalents</i>	2,743,249	1,504,717		<u>1,344,835</u>	<u>1,422,971</u>
Investments	200,054	208,839	<i>Total current liabilities</i>	1,344,835	1,422,971
Accounts receivable:			<b>LONG-TERM LIABILITIES, NET</b>		
Grants	374,257	398,562	Refundable advance of PPP funds	1,125,000	-
Other	26,603	26,061	Long-term debt, net of current portion, unamortized bond discount, and deferred bond issuance costs	20,088,724	20,347,567
Prepaid expenses and deposits	155,747	156,459		<u>22,558,559</u>	<u>21,770,538</u>
	<u>3,499,910</u>	<u>2,294,638</u>	<i>Total liabilities</i>	22,558,559	21,770,538
<i>Total current assets</i>	3,499,910	2,294,638	<b>COMMITMENT (NOTE 5)</b>		
<b>CASH RESTRICTED FOR BOND REDEMPTION</b>	<u>2,300,825</u>	<u>2,300,381</u>	<b>NET ASSETS</b>		
<b>PROPERTY AND EQUIPMENT</b>			Without donor restrictions	365,357	538,303
Land	564,800	564,800	Without donor restrictions - board designated	90,000	80,000
Buildings and building improvements	18,878,419	18,826,201		<u>455,357</u>	<u>618,303</u>
Furniture and equipment	1,422,975	1,390,934	<i>Total net assets without donor restrictions</i>	455,357	618,303
Textbooks	619,691	446,487			
Computers and software	703,895	642,541	With donor restrictions	320,678	254,670
Vehicles	3,500	5,000		<u>776,035</u>	<u>872,973</u>
Accumulated depreciation	(4,659,421)	(3,827,471)	<i>Total net assets</i>	776,035	872,973
	<u>17,533,859</u>	<u>18,048,492</u>			
<i>Total property and equipment, net</i>	17,533,859	18,048,492			
			<i>Total liabilities and net assets</i>	<u>\$ 23,334,594</u>	<u>\$ 22,643,511</u>
<i>Total assets</i>	<u>\$ 23,334,594</u>	<u>\$ 22,643,511</u>			

See accompanying notes to financial statements.

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE AND SUPPORT</b>						
State education support	\$ 8,236,375	\$ 1,062,264	\$ 9,298,639	\$ 8,707,558	\$ -	\$ 8,707,558
Federal funding	2,120,821	-	2,120,821	2,194,978	-	2,194,978
Student fees	32,213	-	32,213	43,551	-	43,551
Contributions and grants	156,471	-	156,471	209,685	236,913	446,598
Investment income	38,789	-	38,789	67,228	-	67,228
In-kind	2,125	-	2,125	7,258	-	7,258
Special events, net of expenses of \$9,023	94,475	-	94,475	-	-	-
Other	7,353	-	7,353	84,110	-	84,110
Net asset released from restriction	996,256	(996,256)	-	242,284	(242,284)	-
<i>Total revenue and support</i>	<u>11,684,878</u>	<u>66,008</u>	<u>11,750,886</u>	<u>11,556,652</u>	<u>(5,371)</u>	<u>11,551,281</u>
<b>EXPENSES (NOTE 10)</b>						
Salaries and wages	7,320,589	-	7,320,589	7,244,475	-	7,244,475
Professional services	799,259	-	799,259	871,068	-	871,068
Food cost	558,296	-	558,296	672,634	-	672,634
Repairs, maintenance, and supplies	550,136	-	550,136	598,830	-	598,830
Occupancy	416,655	-	416,655	448,519	-	448,519
Depreciation	833,447	-	833,447	810,350	-	810,350
Interest	1,132,671	-	1,132,671	1,128,287	-	1,128,287
Other	236,771	-	236,771	165,430	-	165,430
<i>Total expenses</i>	<u>11,847,824</u>	<u>-</u>	<u>11,847,824</u>	<u>11,939,593</u>	<u>-</u>	<u>11,939,593</u>
<b>CHANGE IN NET ASSETS</b>	(162,946)	66,008	(96,938)	(382,941)	(5,371)	(388,312)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>618,303</u>	<u>254,670</u>	<u>872,973</u>	<u>1,001,244</u>	<u>260,041</u>	<u>1,261,285</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 455,357</u>	<u>\$ 320,678</u>	<u>\$ 776,035</u>	<u>\$ 618,303</u>	<u>\$ 254,670</u>	<u>\$ 872,973</u>

See accompanying notes to financial statements.

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (96,938)	\$ (388,312)
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Depreciation	833,447	810,350
Unrealized and realized (gain) loss on investments	(8,056)	5,133
<i>(Increase) decrease in operating assets</i>		
Grants receivable	24,305	(140,141)
Other receivables	(542)	(18,561)
Prepaid expenses and deposits	712	(26,338)
<i>Increase (decrease) in operating liabilities</i>		
Accounts payable	(7,184)	(42,553)
Payroll and other accrued expenses	20,823	(52,159)
Refundable advance of PPP funds	1,125,000	-
<i>Net cash and cash equivalents provided by operating activities</i>	<u>1,891,567</u>	<u>147,419</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(251)	(28,070)
Proceeds from sale of investments	17,092	30,493
Purchases of property and equipment	(389,239)	(1,190,972)
Proceeds from sale of property and equipment	2,117	-
<i>Net cash and cash equivalents used in investing activities</i>	<u>(370,281)</u>	<u>(1,188,549)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal repayment of long-term debt	(282,310)	(74,550)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,238,976	(1,115,680)
<b>CASH AND CASH EQUIVALENTS AND CASH RESTRICTED FOR BOND REDEMPTION, BEGINNING OF YEAR</b>	<u>3,805,098</u>	<u>4,920,778</u>
<b>CASH AND CASH EQUIVALENTS AND CASH RESTRICTED FOR BOND REDEMPTION, END OF YEAR</b>	5,044,074	3,805,098
<b>CASH RESTRICTED FOR BOND REDEMPTION</b>	<u>(2,300,825)</u>	<u>(2,300,381)</u>
<b>TOTAL CASH AND CASH EQUIVALENTS IN CURRENT ASSETS</b>	<u>\$ 2,743,249</u>	<u>\$ 1,504,717</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest expense	<u>\$ 1,132,671</u>	<u>\$ 567,123</u>
<b>NON-CASH OPERATING ACTIVITIES</b>		
In-kind contributions	<u>\$ 3,277</u>	<u>\$ 7,258</u>
<b>NON-CASH INVESTING ACTIVITIES</b>		
Property and equipment purchases included in other accrued expenses	<u>\$ -</u>	<u>\$ 68,308</u>

**AVONDALE MEADOWS ACADEMY, INC. D/B/A  
UNITED SCHOOLS OF INDIANAPOLIS**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

GENERAL

Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis (USI) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. USI (formerly named Challenge Foundation Academy, Inc.) is the organizer of three charter schools located in Indianapolis, Indiana. Each of the schools is a public charter school established under Indiana Code 20-24 and sponsored by the City of Indianapolis Mayor's Office of Education Innovation (OEI). USI's main sources of revenue and support are from state and federal education funding.

Avondale Meadows Academy (Avondale), which opened in 2006, is a K-5 tuition-free quality public charter school founded on the Core Knowledge curriculum. The core focus is to provide an outstanding education for children equipping them with the knowledge, wisdom, core values, and behaviors to be successful in life. The mission of Avondale is to provide a rigorous and relevant college-preparatory program, grounded in the belief in the ability of every child to succeed at high levels.

Vision Academy at Riverside (Vision), which opened in 2014, is K-8. Vision provides every scholar in its school a college-preparatory education. Vision couples a literacy-based, content-rich academic program with a unique Vision curriculum, focused on goal setting and individual passions. Vision also offers every scholar ample after-school and extra-curricular opportunity as well as a rich array of family involvement opportunities, designed to ensure every scholar has the skills and support to succeed in college and in life.

Avondale Meadows Middle School (AMMS), which opened in July 2017, is a free, public, neighborhood charter school serving grades 6 - 8. AMMS offers a strong Core Knowledge curriculum which complements Indiana's Academic Standards and Common Core Standards. This curriculum is integrated with and supported by enVision Mathematics and Reader's and Writer's Workshop, which is intended to prepare students for college.

There are certain transactions that occur during the normal course of business between Avondale, Vision, and AMMS. These transactions have been eliminated for reporting purposes

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements have been prepared on an accrual basis of accounting. 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.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, USI considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were cash equivalents of \$2,300,825 and \$1,395,435 at June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, USI maintained cash in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) of \$250,000 by approximately \$1.5 million and \$2.3 million, respectively.

AVONDALE MEADOWS ACADEMY, INC. D/B/A  
 UNITED SCHOOLS OF INDIANAPOLIS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020 AND 2019

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

GRANTS AND ACCOUNTS RECEIVABLE

Grants receivable relate to activities funded under private grants and federal and state programs. Management believes that USI is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. All grants and accounts receivable are due within one year.

INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment income and gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions.

Accounting Standards for Fair Value Measurement define fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Those standards also establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Fair values measured on a recurring basis at June 30 are as follows:

	<u>2020 Totals</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Observable Inputs (Level 3)</u>
<u>INVESTMENTS</u>				
Corporate and government bonds	\$ 200,054	\$ 200,054	\$ -	\$ -

AVONDALE MEADOWS ACADEMY, INC. D/B/A  
 UNITED SCHOOLS OF INDIANAPOLIS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020 AND 2019

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

INVESTMENTS AND FAIR VALUE MEASUREMENTS, CONTINUED

	2019 <u>Totals</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Other Observable Inputs <u>(Level 3)</u>
<u>INVESTMENTS</u>				
Corporate and government bonds	\$ 208,839	\$ 208,839	\$ -	\$ -

Following is a description of the valuation methodologies used for assets measured at fair value. The methods for determining fair value have not changed in fiscal year 2020.

- Government and corporate bonds: Valued based on quoted market prices.

The cost of investments at June 30, 2020 and 2019 was \$194,518 and \$207,501, respectively.

PROPERTY AND EQUIPMENT

Purchases of property and equipment greater than \$1,000 that materially increase value or extend useful lives are capitalized and are recorded at cost. Computer purchases exceeding \$300 are recorded at cost and capitalized. Donated property and equipment is recorded at estimated fair market value on the date of contribution. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Building and improvements	40 years
Furniture, equipment, and vehicles	5 years
Textbooks	4 years
Computers and software	3 years

NET ASSETS

USI maintains these classes of net assets:

- Net assets without donor restrictions – which represent assets that the Board of Directors has discretionary control to use in carrying on the operations of USI in accordance with its articles of incorporation and by-laws.
- Net assets with donor restrictions – which represent assets restricted by the donor, grantor, or other outside party for a specific purpose, time period, or in perpetuity.

AVONDALE MEADOWS ACADEMY, INC. D/B/A  
UNITED SCHOOLS OF INDIANAPOLIS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

REVENUE RECOGNITION

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, USI 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 USI's revenue is the product of cost reimbursement grants. Accordingly, USI recognizes revenue under these grants as costs are incurred.

CONTRIBUTIONS AND GRANTS

Unconditional contributions and grants are measured at their fair values and are reported as an increase in net assets in the period they are promised. USI reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

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.

CONTRIBUTED SERVICES

Pursuant to the Not-for-Profit Organizations Revenue Recognition Accounting Standards, contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by USI.

Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

In-kind contributions have been included in the statements of activities. They have been treated as non-cash activities for the purposes of the statements of cash flows. Total in-kind contributions received for the fiscal years ended June 30, 2020 and 2019 were \$2,125 and \$7,258, respectively, for contributed goods and services. \$1,152 of goods was donated for the special event in fiscal year 2020.

Volunteers provide program services throughout the year that do not meet the recognition criteria for contributed services. These services include volunteering at events, picking up donations, and various clerical tasks. The value of these services has not been reflected in the statements of activities.

ADVERTISING

Advertising expenses totaled \$49,522 and \$10,481 for fiscal years 2020 and 2019, respectively. USI's policy is to record advertising expenditures in the period in which they are incurred.

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

TAX STATUS

USI is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, however, USI would be subject to tax on income unrelated to its tax-exempt purpose. USI is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

SUBSEQUENT EVENTS

USI evaluated subsequent events through November 23, 2020, which is the date these financial statements were available to be issued. See note 12.

NEW ACCOUNTING PRONOUNCEMENTS

USI has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of July 1, 2019. The ASU provided clarified guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. USI applied the update on a modified prospective basis to agreements that were either not completed as of the effective date or entered into as of the effective date. The application of the update had no impact on net assets as of July 1, 2019.

USI has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of and for the year ended June 30, 2020. The ASU and all subsequently issued clarifying ASU's replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The update provides organizations with a single revenue recognition model for recognizing revenue with customers; specifically requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. USI has adopted ASU 2014-09 on the modified retrospective basis. The provisions of Topic 606 were adopted for the year ended June 30, 2020 and had no impact on net assets as of July 1, 2019.

2. **AVAILABLE RESOURCES AND LIQUIDITY**

USI regularly monitors liquidity required to meet its operations and other commitments. USI has various sources of liquid assets at its disposal. Per OEI guidelines, USI is required to have 45 days cash on hand.

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

AVONDALE MEADOWS ACADEMY, INC. D/B/A  
 UNITED SCHOOLS OF INDIANAPOLIS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020 AND 2019

2. AVAILABLE RESOURCES AND LIQUIDITY, CONTINUED

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents without restriction	\$ 2,743,249	\$ 1,490,444
Investments	200,054	208,839
Grants receivable	374,257	398,562
Accounts receivable	26,603	26,061
Total financial assets available for use within one year	<u>3,344,163</u>	<u>2,123,906</u>
Board designated net assets	(90,000)	(80,000)
Net assets with donor restrictions	(320,678)	(254,670)
Total financial assets not available for use within one year	<u>(410,678)</u>	<u>(334,670)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,933,485</u>	<u>\$ 1,789,236</u>

3. LONG-TERM DEBT

Long-term debt consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
2017 Series Bonds	\$ 21,080,000	\$ 21,345,000
Equipment loan payable to IFF	-	43,467
Total debt	21,080,000	21,388,467
Less: current portion	(285,000)	(308,467)
Less: unamortized discount on 2017 series bonds	(447,041)	(463,598)
Less: deferred loan costs	(259,235)	(268,835)
Long-term, net	<u>\$ 20,088,724</u>	<u>\$ 20,347,567</u>

In June 2018, USI obtained financing for the purpose of refinancing the previously existing Series 2013 bonds, paying off a development lease arrangement, and constructing a new building for AMMS through the sale of Educational Facilities Multipurpose Revenue Bonds, Series 2017, issued by the Indiana Finance Authority. The Series 2017 bonds are payable in a series of escalating payments of principal and interest beginning in July 2019 and January 2018, respectively, with the final payment due in July 2047. The note carries an interest rate beginning at 5.0% and rising to 5.375% by July 2038. The loan is secured by land, building, and other business assets.

AVONDALE MEADOWS ACADEMY, INC. D/B/A  
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**3. LONG-TERM DEBT, CONTINUED**

Approximately \$5,000,000 of the bonds' balance was used in the construction of the AMMS building and grounds of which \$- and \$14,273 was remaining at June 30, 2020 and 2019, respectively. The Series 2017 bonds require the establishment of a debt reserve fund of \$1,442,968 that will assist with final payment of the bonds. A bond escrow account with a balance of \$857,857 and \$857,413 at June 30, 2020 and 2019, respectively, was also established in conjunction with the Series 2017 bond agreement to secure against defeasance on the bonds. Both escrow accounts are reported as cash restricted for bond redemption in the statements of financial position.

The loan agreements contain certain covenants that limit USI's ability to incur indebtedness or guarantees, purchase or dispose of assets, or change the nature of the business. The agreement also contains financial maintenance covenants establishing a minimum debt service coverage ratio and days cash on hand requirement.

Costs associated with securing financing, have been deferred and are being amortized over the term of the bonds using the straight-line method.

Future maturities of long-term debt at June 30 are as follows:

2021	\$	285,000
2022		325,000
2023		365,000
2024		385,000
2025		400,000
Thereafter		<u>19,320,000</u>
	\$	<u>21,080,000</u>

**4. REFUNDABLE ADVANCE OF PPP FUNDS**

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which includes a Small Business Paycheck Protection Program ("PPP") under the auspices of the federal Small Business Administration ("SBA"). These funds can be used for costs related to payroll, employee health care, rent, and utilities. In April 2020, USI obtained \$1,125,000 from a financial institution under the PPP. The interest rate is 1%, the loan term is two years which begins after the lender makes a determination on forgiveness or 10 months after the 24-week expenditure period and will be paid at the end of the two-year term; however, to the extent the funds are used for qualifying expenses under the program, USI may apply for loan forgiveness for which USI expects to receive 100% forgiveness. Since the loan is expected to be forgiven, USI has elected to account for the loan as a conditional grant in accordance with FASB ASC 958-605. As such the loan is presented as a refundable advance in the statements of financial position. When USI meets the conditions of forgiveness, the loan will be recognized as grant income.

AVONDALE MEADOWS ACADEMY, INC. D/B/A  
 UNITED SCHOOLS OF INDIANAPOLIS  
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5. OPERATING LEASES

USI leases equipment under operating leases with various expiration dates through June 2022. Total expense under operating leases for fiscal years 2020 and 2019 was \$59,232 and \$57,733, respectively.

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

2021	\$ 57,348
2022	<u>43,527</u>
	<u>\$ 100,875</u>

6. BOARD DESIGNATED NET ASSETS

The Charters for Avondale, Vision, and AMMS require that each establish an account held in escrow of \$30,000 no later than December of the third year of operations. The escrow is designated for any potential dissolution costs of the school. Board designated net assets were as follows at June 30:

	<u>2020</u>	<u>2019</u>
Avondale	\$ 30,000	\$ 30,000
Vision	30,000	30,000
AMMS	<u>30,000</u>	<u>20,000</u>
	<u>\$ 90,000</u>	<u>\$ 80,000</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent resources received from grantors and donors that were not expended for restricted purposes. Net assets with donor restrictions as of June 30 were available for the following purposes:

	<u>2020</u>	<u>2019</u>
Teacher awards and bonuses	\$ 166,431	\$ 184,831
Teacher continuing education	145,352	-
Capacity building	-	10,624
Other programs	<u>8,895</u>	<u>59,215</u>
	<u>\$ 320,678</u>	<u>\$ 254,670</u>

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**7. NET ASSETS WITH DONOR RESTRICTIONS, CONTINUED**

Net assets were released from donor restrictions by satisfying the restricted purpose. The following purpose restrictions were accomplished during the years ended June 30:

	<u>2020</u>	<u>2019</u>
Teacher awards and bonuses	\$ 18,399	\$ 16,517
Teacher continuing education	64,648	-
Capacity building	10,624	149,376
Facility costs	779,250	-
Other programs	123,335	76,391
	<u>\$ 996,256</u>	<u>\$ 242,284</u>

**8. RETIREMENT PLANS**

USI provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. USI contributed 5.5% of compensation for teaching faculty to TRF related to fiscal year 2020 and 7.5% related to fiscal year 2019. Should USI elect to withdraw from TRF, USI could be subject to a withdrawal fee. USI's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2019 (the latest year reported). TRF was more than 88% funded. A copy of the complete annual report for the year ended June 30, 2019 can be obtained at:

[https://www.in.gov/inprs/files/2019\\_INPRSCAFRBook.pdf](https://www.in.gov/inprs/files/2019_INPRSCAFRBook.pdf)

USI also offers a 403(b) defined contribution retirement plan. Non-teaching personnel and teachers who opt to not participate in TRF are eligible for benefits under the 403(b) plan. Under the 403(b) plan, USI contributes 7.5% of employee's compensation.

For fiscal years 2020 and 2019, retirement plan expense under both plans was \$343,235 and \$378,971, respectively.

**9. RISKS AND UNCERTAINTIES**

USI provides education services to families residing in Marion county 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 USI. Additionally, USI is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on USI.

AVONDALE MEADOWS ACADEMY, INC. D/B/A  
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9. RISKS AND UNCERTAINTIES, CONTINUED

Financial instruments that potentially subject USI to concentrations of credit risk consist principally of revenues from the State of Indiana. For 2020 and 2019, the basic state tuition support was 63.1% and 63.9% of total revenue, respectively. At June 30, 2020 and 2019, substantially all of the grants receivable balance was due from the State of Indiana.

10. FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a natural classification basis in the statement of activities. Following is a summary of expenses comprising program services and management and general, and fundraising for the years ended June 30:

<u>2020</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 4,651,412	\$ 2,564,496	\$ 104,681	\$ 7,320,589
Professional services	234,431	564,828	-	799,259
Food cost	558,296	-	-	558,296
Repairs, maintenance, and supplies	359,566	190,570	-	550,136
Occupancy	416,655	-	-	416,655
Depreciation	833,447	-	-	833,447
Interest	1,132,671	-	-	1,132,671
Other	211,931	-	24,840	236,771
	<u>\$ 8,398,409</u>	<u>\$ 3,319,894</u>	<u>\$ 129,521</u>	<u>\$ 11,847,824</u>

<u>2019</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 4,788,615	\$ 2,402,031	\$ 53,829	\$ 7,244,475
Professional services	298,762	572,306	-	871,068
Food cost	672,634	-	-	672,634
Repairs, maintenance, and supplies	430,760	168,070	-	598,830
Occupancy	448,519	-	-	448,519
Depreciation	810,350	-	-	810,350
Interest	1,128,287	-	-	1,128,287
Other	160,733	-	4,697	165,430
	<u>\$ 8,738,660</u>	<u>\$ 3,142,407</u>	<u>\$ 58,526</u>	<u>\$ 11,939,593</u>

AVONDALE MEADOWS ACADEMY, INC. D/B/A  
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11. **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
National School Lunch Program	Indiana Department of Education	10.555	\$ 603,228	\$ 592,383	Federal grant passed through state or local government
Title I, Part A Cluster	Indiana Department of Education	84.010	\$ 987,167	\$ 987,693	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B)	Indiana Department of Education	84.027	\$ 226,114	\$ 225,970	Federal grant passed through state or local government
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367A	\$ 81,350	\$ 81,350	Federal grant passed through state or local government
Student Support and Academic Enrichment	Indiana Department of Education	8.424A	\$ 65,646	\$ 65,646	Federal grant passed through state or local government
Public Charter Schools Quality Counts	Indiana Department of Education	84.282A	\$ 157,316	\$ 161,898	Federal grant passed through state or local government
Basic Tuition Support	Indiana Department of Education	N/A	\$ 7,407,603	\$ 7,407,603	State or Local Government
State Special Education Grant	Indiana Department of Education	N/A	\$ 572,196	\$ 572,196	State or Local Government
Charter School Grant	Indiana Department of Education	N/A	\$ 779,250	\$ 779,250	State or Local Government
Medicaid Reimbursement	Indiana Department of Education	N/A	\$ 39,859	\$ 39,859	State or Local Government
Textbook Reimbursement	Indiana Department of Education	N/A	\$ 71,961	\$ 71,961	State or Local Government
Mediation Testing	Indiana Department of Education	N/A	\$ 15,282	\$ 15,282	State or Local Government
Non-English-Speaking Program	Indiana Department of Education	N/A	\$ 11,040	\$ 11,040	State or Local Government
Teacher Appreciation Grants	Indiana Department of Education	N/A	\$ 38,212	\$ 38,212	State or Local Government
School Connectivity	Indiana Department of Education	N/A	\$ 8,481	\$ 8,481	State or Local Government
Secured School Safety Program	Indiana Department of Homeland Security	N/A	\$ 144,755	\$ 144,755	State or Local Government

AVONDALE MEADOWS ACADEMY, INC. D/B/A  
 UNITED SCHOOLS OF INDIANAPOLIS  
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11. FEDERAL, STATE, AND LOCAL GRANT AWARDS, CONTINUED

Career Ladders Grant	Indiana Department of Education	N/A	\$ 210,000	\$ 64,648	State or Local Government
		Total	\$ 11,419,460	\$ 11,268,227	

12. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a worldwide pandemic due to the outbreak of a novel strain of coronavirus, called COVID-19. USI began its 2020-2021 school year in August 2020 with all students attending virtually. The extent of the impact of COVID-19 on USI's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, teachers, faculty, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact USI's financial condition or results of operations is uncertain.



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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of  
Avondale Meadows Academy, Inc.  
d/b/a United Schools of Indianapolis:

We have audited the financial statements of USI as of and for the years ended June 30, 2020 and 2019, and our report thereon dated November 23, 2020, which expressed an unmodified opinion on those financial statements, appears on page one. 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, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for the purpose of additional analysis and is not a required part of the financial statements. Exhibits I and II are presented for purposes of additional analysis, rather than to present financial position and results of operations by school and are not a required part of the financial statements. The schedule of expenditures of federal awards and Exhibits I and II are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional 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 schedule of expenditures of federal awards for the year ended June 30, 2020, and the statements of financial position and activities by school as of and for the years ended June 30, 2020 and 2019, are fairly stated, in all material respects, in relation to the financial statements as a whole.

*Greenwalt CPAs, Inc.*

November 23, 2020

**ASSETS**

	<u>AVONDALE</u>	<u>VISION</u>	<u>AMMS</u>	<u>USI</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 1,162,912	\$ 1,312,114	\$ 432,229	(164,006)	\$ -	\$ 2,743,249
Investments	-	-	-	200,054	-	200,054
Accounts receivable:						
Grants	99,165	183,913	91,179	-	-	374,257
Other	-	-	-	26,603	-	26,603
Prepaid expenses and deposits	45,555	52,806	26,797	30,589	-	155,747
<i>Total current assets</i>	<u>1,307,632</u>	<u>1,548,833</u>	<u>550,205</u>	<u>93,240</u>	<u>-</u>	<u>3,499,910</u>
<b>CASH RESTRICTED FOR BOND REDEMPTION</b>	<u>1,691,617</u>	<u>411,140</u>	<u>198,068</u>	<u>-</u>	<u>-</u>	<u>2,300,825</u>
<b>PROPERTY AND EQUIPMENT</b>						
Land	564,800	-	-	-	-	564,800
Buildings and building improvements	4,875,489	8,678,703	5,324,227	-	-	18,878,419
Furniture and equipment	630,249	524,569	265,880	2,277	-	1,422,975
Textbooks	269,927	291,579	58,185	-	-	619,691
Computers and software	339,809	156,591	202,996	4,499	-	703,895
Vehicles	3,500	-	-	-	-	3,500
Accumulated depreciation	(1,979,419)	(2,157,781)	(519,491)	(2,730)	-	(4,659,421)
<i>Total property and equipment, net</i>	<u>4,704,355</u>	<u>7,493,661</u>	<u>5,331,797</u>	<u>4,046</u>	<u>-</u>	<u>17,533,859</u>
<i>Total assets</i>	<u>\$ 7,703,604</u>	<u>\$ 9,453,634</u>	<u>\$ 6,080,070</u>	<u>\$ 97,286</u>	<u>\$ -</u>	<u>\$ 23,334,594</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 9,485	\$ 255	\$ 4,836	\$ 3,356	\$ -	\$ 17,932
Payroll and other accrued expenses	336,255	450,850	183,343	71,455	-	1,041,903
Current portion of long-term debt	77,520	140,220	67,260	-	-	285,000
<i>Total current liabilities</i>	<u>423,260</u>	<u>591,325</u>	<u>255,439</u>	<u>74,811</u>	<u>-</u>	<u>1,344,835</u>
<b>LONG-TERM LIABILITIES, NET</b>						
Refundable advance for PPP	435,156	337,055	216,682	136,107	-	1,125,000
Long-term debt, net of current portion, unamortized bond discount, and deferred bond issuance costs	5,465,941	9,887,071	4,735,712	-	-	20,088,724
<i>Total liabilities</i>	<u>6,324,357</u>	<u>10,815,451</u>	<u>5,207,833</u>	<u>210,918</u>	<u>-</u>	<u>22,558,559</u>
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>						
Without donor restrictions	1,305,414	(1,441,709)	781,715	(280,063)	-	365,357
Without donor restrictions - board designated	30,000	30,000	30,000	-	-	90,000
<i>Total net assets without donor restrictions (accumulated deficit)</i>	<u>1,335,414</u>	<u>(1,411,709)</u>	<u>811,715</u>	<u>(280,063)</u>	<u>-</u>	<u>455,357</u>
With donor restrictions	43,833	49,892	60,522	166,431	-	320,678
<i>Total net assets (accumulated deficit)</i>	<u>1,379,247</u>	<u>(1,361,817)</u>	<u>872,237</u>	<u>(113,632)</u>	<u>-</u>	<u>776,035</u>
<i>Total liabilities and net assets</i>	<u>\$ 7,703,604</u>	<u>\$ 9,453,634</u>	<u>\$ 6,080,070</u>	<u>\$ 97,286</u>	<u>\$ -</u>	<u>\$ 23,334,594</u>

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS  
SCHEDULE OF ACTIVITIES BY SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit I  
Page 2 of 2

	AVONDALE	VISION	AMMS	USI	ELIMINATIONS	TOTAL
<b>REVENUE AND SUPPORT</b>						
State education support	\$ 3,696,328	\$ 4,049,627	\$ 1,552,684	\$ -	\$ -	\$ 9,298,639
Federal funding	744,027	911,609	465,185	-	-	2,120,821
Student fees	8,303	12,909	11,001	-	-	32,213
Contributions and grants	1,223	2,269	1,316	151,663	-	156,471
Investment income	21,804	-	665	16,320	-	38,789
In-kind	-	-	-	2,125	-	2,125
Special events, net of expense of \$9,023	-	-	-	94,475	-	94,475
Other	3,484	(803)	3,359	702,261	(700,948)	7,353
<i>Total revenue and support</i>	<u>4,475,169</u>	<u>4,975,611</u>	<u>2,034,210</u>	<u>966,844</u>	<u>(700,948)</u>	<u>11,750,886</u>
<b>EXPENSES</b>						
Salaries and wages	2,713,508	2,646,494	1,183,884	776,703	-	7,320,589
Professional services	519,023	529,630	239,851	211,703	(700,948)	799,259
Food cost	223,523	254,746	80,027	-	-	558,296
Repairs, maintenance, and supplies	144,994	157,725	86,573	160,844	-	550,136
Occupancy	154,296	162,123	100,137	99	-	416,655
Depreciation	229,415	339,109	263,558	1,365	-	833,447
Interest	307,890	557,606	267,175	-	-	1,132,671
Other	82,927	50,122	22,256	81,466	-	236,771
<i>Total expenses</i>	<u>4,375,576</u>	<u>4,697,555</u>	<u>2,243,461</u>	<u>1,232,180</u>	<u>(700,948)</u>	<u>11,847,824</u>
<b>CHANGE IN NET ASSETS</b>	99,593	278,056	(209,251)	(265,336)	-	(96,938)
<b>TRANSFER OF NET ASSETS</b>	7,173	67,536	3,689	(78,398)	-	-
<b>NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF YEAR</b>	<u>1,272,481</u>	<u>(1,707,409)</u>	<u>1,077,799</u>	<u>230,102</u>	<u>-</u>	<u>872,973</u>
<b>NET ASSETS (ACCUMULATED DEFICIT), END OF YEAR</b>	<u>\$ 1,379,247</u>	<u>\$ (1,361,817)</u>	<u>\$ 872,237</u>	<u>\$ (113,632)</u>	<u>\$ -</u>	<u>\$ 776,035</u>

**ASSETS**

	<b>AVONDALE</b>	<b>VISION</b>	<b>AMMS</b>	<b>USI</b>	<b>ELIMINATIONS</b>	<b>TOTAL</b>
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 593,091	\$ 569,404	\$ 263,972	\$ 63,977	\$ -	\$ 1,490,444
Cash restricted for construction	-	-	14,273	-	-	14,273
<i>Total cash</i>	593,091	569,404	278,245	63,977	-	1,504,717
Investments	-	-	-	208,839	-	208,839
Accounts receivable:						
Grants	95,637	134,306	168,619	-	-	398,562
Other	415	8,110	7,536	10,000	-	26,061
Prepaid expenses and deposits	56,284	48,650	27,612	23,913	-	156,459
<i>Total current assets</i>	745,427	760,470	482,012	306,729	-	2,294,638
<b>CASH RESTRICTED FOR BOND REDEMPTION</b>	1,700,065	405,708	194,608	-	-	2,300,381
<b>PROPERTY AND EQUIPMENT</b>						
Land	564,800	-	-	-	-	564,800
Buildings and building improvements	4,827,412	8,678,703	5,320,086	-	-	18,826,201
Furniture and equipment	630,249	516,205	242,203	2,277	-	1,390,934
Textbooks	178,075	224,520	43,892	-	-	446,487
Computers and software	304,094	155,093	181,314	2,040	-	642,541
Vehicles	3,500	1,500	-	-	-	5,000
Accumulated depreciation	(1,750,002)	(1,820,172)	(255,933)	(1,364)	-	(3,827,471)
<i>Total property and equipment, net</i>	4,758,128	7,755,849	5,531,562	2,953	-	18,048,492
<i>Total assets</i>	<u>\$ 7,203,620</u>	<u>\$ 8,922,027</u>	<u>\$ 6,208,182</u>	<u>\$ 309,682</u>	<u>\$ -</u>	<u>\$ 22,643,511</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 93	\$ 2,907	\$ 17,443	\$ 4,673	\$ -	\$ 25,116
Payroll and other accrued expenses	324,036	436,851	253,594	74,907	-	1,089,388
Current portion of long-term debt	72,080	173,847	62,540	-	-	308,467
<i>Total current liabilities</i>	396,209	613,605	333,577	79,580	-	1,422,971
<b>LONG-TERM LIABILITIES, NET</b>						
Long-term debt, net of current portion, unamortized bond discount, and deferred bond issuance costs	5,534,930	10,015,831	4,796,806	-	-	20,347,567
<i>Total liabilities</i>	5,931,139	10,629,436	5,130,383	79,580	-	21,770,538
<b>NET ASSETS (ACCUMULATED DEFICIT)</b>						
Without donor restrictions	1,193,818	(1,738,302)	1,048,140	34,647	-	538,303
Without donor restrictions - board designated	30,000	30,000	20,000	-	-	80,000
<i>Total net assets without donor restrictions (accumulated deficit)</i>	1,223,818	(1,708,302)	1,068,140	34,647	-	618,303
With donor restrictions	48,663	893	9,659	195,455	-	254,670
<i>Total net assets (accumulated deficit)</i>	1,272,481	(1,707,409)	1,077,799	230,102	-	872,973
<i>Total liabilities and net assets</i>	<u>\$ 7,203,620</u>	<u>\$ 8,922,027</u>	<u>\$ 6,208,182</u>	<u>\$ 309,682</u>	<u>\$ -</u>	<u>\$ 22,643,511</u>

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS  
 SCHEDULE OF ACTIVITIES BY SCHOOL  
 FOR THE YEAR ENDED JUNE 30, 2019

Exhibit II  
 Page 2 of 2

	AVONDALE	VISION	AMMS	USI	ELIMINATIONS	TOTAL
<b>REVENUE AND SUPPORT</b>						
State education support	\$ 3,520,955	\$ 3,657,020	1,529,583	\$ -	\$ -	\$ 8,707,558
Federal funding	839,145	958,940	396,893	-	-	2,194,978
Student fees	14,722	9,295	19,534	-	-	43,551
Contributions and grants	80,602	51,071	130	314,795	-	446,598
Investment income	33,750	-	7,213	26,265	-	67,228
In-kind	-	-	-	7,258	-	7,258
Other	18,666	13,396	23,131	589,613	(560,696)	84,110
<i>Total revenue and support</i>	<u>4,507,840</u>	<u>4,689,722</u>	<u>1,976,484</u>	<u>937,931</u>	<u>(560,696)</u>	<u>11,551,281</u>
<b>EXPENSES</b>						
Salaries and wages	2,825,895	2,696,128	1,046,482	675,970	-	7,244,475
Professional services	493,182	485,669	251,712	201,201	(560,696)	871,068
Food cost	263,959	304,872	103,803	-	-	672,634
Repairs, maintenance, and supplies	176,890	150,737	125,854	145,349	-	598,830
Occupancy	170,241	176,532	101,633	113	-	448,519
Depreciation	208,097	398,323	203,021	909	-	810,350
Interest	311,494	568,502	248,291	-	-	1,128,287
Other	46,939	30,951	24,611	62,929	-	165,430
<i>Total expenses</i>	<u>4,496,697</u>	<u>4,811,714</u>	<u>2,105,407</u>	<u>1,086,471</u>	<u>(560,696)</u>	<u>11,939,593</u>
<b>CHANGE IN NET ASSETS</b>	11,143	(121,992)	(128,923)	(148,540)	-	(388,312)
<b>TRANSFER OF NET ASSETS</b>	141,642	34,519	176,148	(352,309)	-	-
<b>NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF YEAR</b>	<u>1,119,696</u>	<u>(1,619,936)</u>	<u>1,030,574</u>	<u>730,951</u>	<u>-</u>	<u>1,261,285</u>
<b>NET ASSETS (ACCUMULATED DEFICIT), END OF YEAR</b>	<u>\$ 1,272,481</u>	<u>\$ (1,707,409)</u>	<u>\$ 1,077,799</u>	<u>\$ 230,102</u>	<u>\$ -</u>	<u>\$ 872,973</u>

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the Indiana Department of Education			
<u>Child Nutrition Cluster</u>			
National School Lunch Program	10.555	2019-2020-9645	\$ 233,984
		2019-2020-9040	90,543
		2019-2020-9935	<u>267,856</u>
<i>Total National Child Nutrition Cluster, School Lunch Program, and U.S. Department of Agriculture</i>			<u>592,383</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	S010A190014-9645	367,584
		S010A180014-9040	12,062
		S010A190014-9040	137,640
		S010A180014-9935	24,334
		S010A190014-9935	426,073
		S010A190014-9935	<u>20,000</u>
<i>Total Title I, Part A</i>			<u>987,693</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	20611-533-PN01	84,129
		20619-533-PN01	3,126
		20611-609-PN01	41,096
		18619-577-PN01	1,822
		19611-577-PN01	1,522
		19619-577-PN01	2,091
		20611-577-PN01	<u>92,184</u>
<i>Total Special Education Cluster (IDEA)</i>			<u>225,970</u>
Supporting Effective Instruction State Grants	84.367A	S367A190013-9645	23,626
		S367A180013-9040	6,133
		S367A190013-9040	17,882
		S367A190013-9935	<u>33,709</u>
<i>Total Supporting Effective Instruction State Grants</i>			<u>81,350</u>
Student Support and Academic Enrichment	84.424A	2019-424-335	27,227
		2019-424-298	10,000
		2019-424-362	<u>28,419</u>
<i>Total Student Support and Academic Enrichment</i>			<u>65,646</u>

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF EDUCATION, CONTINUED</b>			
Public Charter Schools Quality Counts	84.282A	A58-9-190T-5656	161,898
<i>Total Indiana Department of Education and U.S. Department of Education</i>			<u>1,522,557</u>
<i>Total expenditures of federal awards</i>			<u>\$ 2,114,940</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of USI under programs of the federal government for the year ended June 30, 2020. 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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of USI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of USI.

**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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. INDIRECT COST RATE**

USI has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance except for federal awards granted by the US Department of Education. The US Department of Education requires a de minimis indirect cost rate of 8-percent.



Greenwalt CPAs, Inc.  
5342 W. Vermont Street  
Indianapolis, IN 46224  
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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*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Avondale Meadows Academy, Inc.  
d/b/a United Schools of Indianapolis:

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 of America, the financial statements of Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis (USI), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2020.

**Internal Control Over Financial Reporting**

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether USI'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 financial statements. 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 USI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Greenwald CPAs, Inc.*

November 23, 2020



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

To the Board of Directors of  
Avondale Meadows Academy, Inc.  
d/b/a United Schools of Indianapolis:

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

We have audited Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis' (USI) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of USI's major federal programs for the year ended June 30, 2020. USI'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of USI'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 of America; and the audit 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). Those standards and the 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 USI'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 USI's compliance.

**Opinion on Each Major Federal Program**

In our opinion, USI 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, 2020.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020 – 001. Our opinion on each major federal program is not modified with respect to this matter.

USI's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. USI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of USI 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 USI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 USI's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

USI's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. USI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Greenwald CPAs, Inc.*

November 23, 2020

**AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**A. SUMMARY OF AUDIT RESULTS**

Financial Statements

- |   |                                    |
|---|------------------------------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified                         |
| 2. Internal control over financial reporting:   |                                    |
| Material weakness(es) identified?   | _____yes      ___X___no            |
| Significant deficiency(ies) identified?   | _____yes      ___X___none reported |
| 3. Noncompliance material to financial statements noted?  | _____yes      ___X___no            |

Federal Awards

- |   |   |
|---|---|
| 4. Internal control over major federal programs:  |   |
| Material weakness(es) identified?   | _____yes      ___X___no   |
| Significant deficiency(ies) identified?   | ___X___yes      _____none reported                              |
| 5. Type of auditors' report issued on compliance for major federal programs:                          | Unmodified  |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | ___X___yes      _____no   |
| 7. Identification of major program:   | <u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>   |
| 84.010  | Title I, Part A<br>Title I Grants to Local Educational Agencies |
| 8. Dollar threshold used to distinguish between type A and type B programs:                           | \$ 750,000  |
| 9. Auditee qualified as low-risk auditee?   | ___X___yes      _____no   |

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

Finding 2020-001

*Identification of federal program:* US DEPARTMENT OF EDUCATION 84.010 Title I, Part A, Grants to Local Education Agencies

*Criteria:* An LEA must serve eligible schools or attendance areas in rank order according to their percentage of poverty (Title I, Section 1113). Eligibility for Title I in Indiana is determined on the Eligible School Summary of the Title I application. Enrollment and Poverty numbers are automatically pulled from the Indiana Department of Education's (IDOE) Official Pupil Enrollment (PE) count for each school into the Eligible School Summary page of the Title I application. These numbers are used to calculate percent poverty which is then used to rank schools for Title I eligibility. Schools are required to maintain enrollment data for students. The collection of Real Time data is required under IC 20-19-3-9-4. IDOE is required to obtain and maintain information in such a manner that permits any person with authorization to accurately determine where a student is enrolled and attending classes within two (2) regular instructional days of the date of inquiry. Schools are required to submit RT data at least once per week. This is done through a file upload to the Title I Application Center.

*Condition:* Poverty level determination by student is based on information provided by parents on the application for free and reduced lunch. Students who qualify for government assistance receive direct certification which is determined using an IDOE database. The Business Manager pulls and enters direct certification data as well as processes, approves and enters free and reduced lunch application data into the School's student database software. USI's student database software is used to generate the data that is uploaded to the Title I Application Center. USI was unable to provide free and reduced lunch applications for some of the non-direct certification students tested (see context below).

*Cause:* USI does not have a monitoring control whereby individual student eligibility and required supporting documentation is periodically reviewed.

*Potential effect:* USI may have reported inaccurate poverty-level information to IDOE.

*Questioned costs:* Unknown

*Context:* A total sample of forty (40) students classified as poverty eligible within the USI system were tested. Twenty (20) of the forty (40) students tested were non-direct certification. USI was unable to provide the free and reduced lunch application for two (2) of the twenty (20) non-direct certification students.

*Recommendation:* We recommend that USI implement an electronic document retention solution where by applications are stored at the time they are processed.

*Views of Responsible Officials:* See attached Corrective Action Plan.



November 6, 2020

To: U.S. Department of Education

Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

Greenwalt CPAs, Inc.  
5342 West Vermont Street  
Indianapolis, IN 46224

Audit period:

The findings from the fiscal year ended 2020 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2020 – 001

Schedule of Expenditures of Federal Awards

Recommendation: We recommend that USI implement an electronic document retention solution where by applications are stored at the time free and reduced lunch applications are processed.

Action Taken: We concur with the recommendation, and it was implemented effective 10/7/2020.

If the U.S. Department of Justice has questions regarding this plan, please call Janie Seivers at 317.608.0477

Sincerely yours,



Janie Seivers  
Director of Business Affairs

AVONDALE MEADOWS ACADEMY, INC. D/B/A UNITED SCHOOLS OF INDIANAPOLIS  
OTHER REPORT  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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

Supplemental Audit Report of Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis