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December 21, 2020


Charter School Board
Invent Learning Hub, Inc.
1849 E Pleasant Run Pkwy S Dr.
Indianapolis, IN 46203

We have reviewed the audit report of Invent Learning Hub, Inc. which was opined upon by Donovan CPAs, 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 Invent Learning Hub, 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.

In addition to the report presented herein, a Supplemental Audit Report for Invent Learning Hub, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

INVENT LEARNING HUB, 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
Invent Learning Hub, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Invent Learning Hub, 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 Invent Learning Hub, 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 letters are cursive and slightly slanted to the right.

Indianapolis, Indiana
December 10, 2020

INVENT LEARNING HUB, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 507,653
Grants receivable	112,168
	619,821
<i>Total current assets</i>	619,821

PROPERTY AND EQUIPMENT

Building and improvements	1,892,310
Furniture and equipment	170,403
Less: accumulated depreciation	(89,331)
	1,973,382
<i>Property and equipment, net</i>	1,973,382

TOTAL ASSETS

\$ 2,593,203

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of note payable	\$ 40,026
Accounts payable	24,563
Accrued expenses	30,049
Refundable advance - CARES Act funding	56,410
	151,048
<i>Total current liabilities</i>	151,048

LONG-TERM LIABILITIES

Note payable, net of current portion	1,434,669
Less: unamortized debt issuance costs	(26,084)
	1,408,585
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	1,408,585

<i>Total liabilities</i>	1,559,633
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NET ASSETS, WITHOUT DONOR RESTRICTIONS

1,033,570

TOTAL LIABILITIES AND NET ASSETS

\$ 2,593,203

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

INVENT LEARNING HUB, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2020

REVENUE AND SUPPORT

State education support	\$ 911,859
Grant revenue	603,682
Rent income	250,000
Contributions	27,082
CARES Act funding	83,337
Other income	45,291
	1,921,251
<i>Total revenue and support</i>	1,921,251

EXPENSES

Program services	1,005,207
Management and general	534,212
	1,539,419
<i>Total expenses</i>	1,539,419

CHANGE IN NET ASSETS

381,832

NET ASSETS, BEGINNING OF YEAR

651,738

NET ASSETS, END OF YEAR

\$ 1,033,570

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

INVENT LEARNING HUB, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

OPERATING ACTIVITIES

Change in net assets	\$ 381,832
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	89,331
Amortization of debt issuance costs	3,354
Changes in certain assets and liabilities:	
Grants receivable	153,311
Accounts payable	(25,869)
Accrued expenses	(826)
Refundable advance - CARES Act funding	<u>56,410</u>
<i>Net cash provided by operating activities</i>	<u>657,543</u>

INVESTING ACTIVITIES

Purchases of property and equipment	<u>(757,107)</u>
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FINANCING ACTIVITIES

Proceeds from note payable	493,651
Principal payments on note payable	<u>(25,305)</u>
<i>Net cash provided by financing activities</i>	<u>468,346</u>

NET CHANGE IN CASH 368,782

CASH, BEGINNING OF YEAR 138,871

CASH, END OF YEAR \$ 507,653

SUPPLEMENTAL INFORMATION

Cash paid for interest	\$ 69,908
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See independent auditors' report and accompanying notes to the financial statements

INVENT LEARNING HUB, 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	\$ 508,907	\$ 257,986	\$ 766,893
Professional services	65,660	62,366	128,026
Employee benefits	37,840	73,700	111,540
Classroom and office supplies	86,645	10,187	96,832
Depreciation	89,331	-	89,331
Interest	-	73,262	73,262
Occupancy	66,224	-	66,224
Student transportation	47,304	-	47,304
Food costs	42,436	-	42,436
Insurance	-	33,631	33,631
Staff development	22,061	-	22,061
Information technology	15,991	-	15,991
Repairs and maintenance	15,087	-	15,087
Miscellaneous	2,629	10,944	13,573
Advertising	-	11,992	11,992
Equipment	4,777	-	4,777
Travel	315	144	459
	<u>315</u>	<u>144</u>	<u>459</u>
<i>Total functional expenses</i>	<u>\$ 1,005,207</u>	<u>\$ 534,212</u>	<u>\$ 1,539,419</u>

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

INVENT LEARNING HUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Invent Learning Hub, 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. The School is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2026 and is renewable thereafter by mutual consent. The School served approximately 110 students in grades kindergarten through fifth 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. There were no cash equivalents at June 30, 2020.

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.

INVENT LEARNING HUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 small equipment purchases 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 for building and improvements are 30 years and 5 years for furniture and equipment.

Debt Issuance Costs – The School incurred costs associated with securing the financing for the school facility. The costs incurred totaled \$29,438. Amortization is provided on a straight-line basis over the term of the agreement (61 months). Amortization for the year ended June 30, 2020 was \$3,354 and is included in interest expense. Accumulated amortization as of June 30, 2020 was \$3,354. 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 – Invent Learning Hub, 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 open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 10, 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.

INVENT LEARNING HUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - PRIOR PERIOD FINANCIAL ACTIVITY

Prior to the year ended June 30, 2020 (the School’s first year of operations), the School purchased the facility via a note payable and received income from several grants and contributions to fund necessary startup costs. At July 1, 2019, the School’s statement of financial position was as follows:

Cash	\$ 138,871
Grants receivable	265,479
Property and equipment, net	<u>1,305,606</u>
<i>Total assets</i>	<u><u>\$ 1,709,956</u></u>
Accounts payable and accrued expenses	\$ 81,307
Note payable	1,006,349
Unamortized debt issuance costs	(29,438)
Net assets	<u>651,738</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 1,709,956</u></u>

NOTE 3 - CARES ACT FUNDING AND REFUNDABLE ADVANCE

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 PPP notes payable can be used for costs related to payroll, employee healthcare, rent, and utilities. On April 9, 2020, the School was granted a loan from Chase in the amount of \$139,747, pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on April 9, 2022 and bears interest at a rate of .98%. Under the terms of the PPP, the loan funds will be forgiven if they are used for qualifying expenses as described in the CARES Act. The School has evaluated the expenses to which these funds were applied through June 30, 2020 and has determined the loan requirements will be met and therefore forgiven for the \$83,337 in allowable expenses incurred through June 30, 2020. The School has elected to recognize the funds as a contribution in accordance with FASB ASC 958-605 by reflecting the amount of funds expended during the year ended June 30, 2020 as revenue. The remaining unspent portion of \$56,410 is reflected as a refundable advance until such time as the funds can be spent for an allowable purpose.

NOTE 4 - NOTE PAYABLE

On March 28, 2019, the School entered into a note payable arrangement with a principal amount of \$1,500,000. The note bears interest at 6.375% per annum through September 2024, at which time the interest rate will be recalculated, not to be more than 5.0%. The note requires monthly payments of \$11,073 and is secured by a mortgage on the facility. As of June 30, 2020, the outstanding principal balance totaled \$1,474,695. Of this amount, \$40,026 is due within the 2021 fiscal year.

INVENT LEARNING HUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 - NOTE PAYABLE, Continued

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

2021	\$	40,026
2022		42,654
2023		45,454
2024		48,437
2025		1,298,124

NOTE 5 - LEASES

The School had an agreement to lease a portion of its building to Paramount School of Excellence, Inc. through June 30, 2020. Rental income for the year ended June 30, 2020 was \$250,000. The lease was not renewed.

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

2021	\$	1,907
2022		1,907

NOTE 6 - COMMITMENTS

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. This charter agreement remains in effect until June 30, 2026 and is renewable thereafter by mutual consent. Beginning on July 1 of the School's fourth school year, OEI will assess a fee equal to 1% of the basic tuition support received by the School. For the year ended June 30, 2020, no fees were paid.

In addition, the charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. The School may provide for the full amount in its first year or provide a minimum of \$10,000 per year in the first three years. As of June 30, 2020, the escrow account was not established.

NOTE 7 - RETIREMENT PLAN

The School 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. Under the plan, the School contributes 5.5% of compensation for electing teaching faculty to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School'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 90% funded.

INVENT LEARNING HUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - RETIREMENT PLAN, Continued

The School 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.

Retirement plan expense was \$6,130 for the year ended June 30, 2020.

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.

Financial instruments that potentially subject the School to concentrations of credit risk consist primarily of receivables from the State of Indiana. At June 30, 2020, substantially all of the grants receivable balance was due from the State of Indiana. Bank deposits are maintained at JP Morgan Chase Bank, N.A. and are insured up to the FDIC insurance limit. As of June 30, 2020, and throughout the year, cash balances exceeded the FDIC insured limit.

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 \$619,821 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.

INVENT LEARNING HUB, INC.
OTHER REPORT
For the Year Ended June 30, 2020

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

Supplemental Audit Report of Invent Learning Hub, Inc.

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*.