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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

December 21, 2020

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

We have reviewed the audit report of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. as of June 30, 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 findings in the report on pages 24 through 27. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 28.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 3.

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

In addition to the report presented herein, a Supplemental Audit Report for Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep., was prepared in accordance with the guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

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

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2020 and 2019



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Change in Net Assets (Deficiency).....	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 14
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards.....	15
Notes to the Schedule of Expenditures of Federal Awards	16
Schedule of Financial Position by School	17
Schedules of Activities and Change in Net Assets (Deficiency) by School.....	18
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	
	19 - 20
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE <i>UNIFORM GUIDANCE</i>.....	
	21 - 23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	24 - 27
CORRECTIVE ACTION PLAN.....	28
OTHER REPORT	29



Donovan CPAs

Independent Auditors' Report

The Board of Directors
Lighthouse Academies of Indiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("VCP"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and change in net assets (deficiency), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. as of June 30, 2020 and 2019, and the changes in its net assets (deficiency), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, net assets as of June 30, 2019 have been adjusted to correct an error pertaining to grant revenues that should have been recognized during the year ended June 30, 2019 in the amount of \$207,988. This correction is reflected in the accompanying financial statements as an increase in grant revenue during the year ended June 30, 2019, a corresponding increase in grants receivable as of June 30, 2019, and an increase in net assets as of June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Likewise, the schedule of financial position by school and schedule of activities and change in net assets (deficiency) by school on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020 on our consideration of VCP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VCP's internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
December 14, 2020

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,713,216	\$ 513,943
Cash - temporarily held in clearing account	-	381,243
Cash - restricted for bond interest	250,696	281,488
Accounts receivable:		
Grants	605,795	423,832
Other	91,022	22,214
Prepaid expenses	<u>268</u>	<u>268</u>
<i>Total current assets</i>	<u>2,660,997</u>	<u>1,622,988</u>
PROPERTY AND EQUIPMENT, NET	<u>13,486,507</u>	<u>13,793,116</u>
OTHER ASSETS		
Cash - restricted for debt service	1,451,296	1,434,094
Cash - restricted for property repairs and replacement	<u>207,875</u>	<u>205,412</u>
<i>Total other assets</i>	<u>1,659,171</u>	<u>1,639,506</u>
TOTAL ASSETS	<u>\$ 17,806,675</u>	<u>\$ 17,055,610</u>
LIABILITIES AND NET ASSETS (DEFICIENCY)		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 265,000	\$ 250,000
Current portion of note payable	7,300	6,822
Accounts payable and accrued expenses	683,802	858,747
Refundable advance - CARES Act funding	90,200	-
Security deposit	<u>10,000</u>	<u>10,000</u>
<i>Total current liabilities</i>	<u>1,056,302</u>	<u>1,125,569</u>
LONG-TERM LIABILITIES		
Bonds payable, net of current portion	16,020,000	16,285,000
Note payable, net of current portion	5,826	13,126
Less: unamortized debt issuance costs	<u>(219,270)</u>	<u>(228,220)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>15,806,556</u>	<u>16,069,906</u>
<i>Total liabilities</i>	16,862,858	17,195,475
NET ASSETS (DEFICIENCY), WITHOUT DONOR RESTRICTIONS	<u>943,817</u>	<u>(139,865)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>\$ 17,806,675</u>	<u>\$ 17,055,610</u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
State education support	\$ 7,230,045	\$ 9,693,505
Grant revenue	3,169,815	4,067,216
CARES Act funding:		
PPP forgivable loan	335,635	-
Grant	380,840	-
Contributions	-	1,667
Rent	275,433	211,861
Student fees	72,151	99,465
Fundraising	-	27,265
Interest	4,190	39,352
Forgiveness of amounts owed to related parties	-	325,918
Other	198,960	35,383
	<u>11,667,069</u>	<u>14,501,632</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	9,468,790	13,113,481
Management and general	1,114,597	1,965,179
Fundraising	-	11,167
	<u>10,583,387</u>	<u>15,089,827</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS (DEFICIENCY)	1,083,682	(588,195)
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	<u>(139,865)</u>	<u>448,330</u>
NET ASSETS (DEFICIENCY), END OF YEAR	<u>\$ 943,817</u>	<u>\$ (139,865)</u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>			<u>2019</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 4,250,417	\$ 515,057	\$ 4,765,474	\$ 5,768,155	\$ 659,303	\$ -	\$ 6,427,458
Employee benefits	880,721	176,789	1,057,510	1,323,236	116,064	-	1,439,300
Staff development and recruitment	49,985	47,925	97,910	40,636	53,751	-	94,387
Academic services - Lighthouse Academies	-	-	-	-	863,687	-	863,687
Authorizer fees	-	51,125	51,125	-	65,776	-	65,776
Food service	429,985	-	429,985	631,126	-	-	631,126
Transportation service	773,597	-	773,597	1,484,310	-	-	1,484,310
Other professional services	183,117	174,219	357,336	563,639	125,937	-	689,576
Property and textbook rental	4,900	-	4,900	131,665	-	-	131,665
Classroom, kitchen, and office supplies	236,218	53,356	289,574	314,053	39,318	-	353,371
Occupancy	786,612	-	786,612	890,802	-	-	890,802
Depreciation	633,388	-	633,388	707,675	-	-	707,675
Amortization	8,950	-	8,950	8,950	-	-	8,950
Interest	1,140,267	-	1,140,267	1,175,082	-	-	1,175,082
Other	90,633	96,126	186,759	74,152	41,343	11,167	126,662
<i>Total functional expenses</i>	<u>\$ 9,468,790</u>	<u>\$ 1,114,597</u>	<u>\$ 10,583,387</u>	<u>\$ 13,113,481</u>	<u>\$ 1,965,179</u>	<u>\$ 11,167</u>	<u>\$ 15,089,827</u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets (deficiency)	\$ 1,083,682	\$ (588,195)
Adjustments to reconcile change in net assets (deficiency) to net cash provided by (used in) operating activities:		
Depreciation	633,388	707,675
Amortization	8,950	8,950
Changes in certain assets and liabilities:		
Grants receivable	(181,963)	(207,647)
Other receivables	(68,808)	47,590
Accounts payable and accrued expenses	(174,945)	(632,187)
Refundable advance - CARES Act funding	90,200	-
<i>Net cash provided by (used in) operating activities</i>	<u>1,390,504</u>	<u>(663,814)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(326,779)</u>	<u>(83,623)</u>
FINANCING ACTIVITIES		
Principal repayment of bonds payable	(250,000)	(235,000)
Principal repayment of note payable	<u>(6,822)</u>	<u>(8,360)</u>
<i>Net cash used in financing activities</i>	<u>(256,822)</u>	<u>(243,360)</u>
NET CHANGE IN CASH	806,903	(990,797)
CASH, BEGINNING OF YEAR	<u>2,816,180</u>	<u>3,806,977</u>
CASH, END OF YEAR	<u>\$ 3,623,083</u>	<u>\$ 2,816,180</u>
CASH, END OF YEAR		
Cash - unrestricted	\$ 1,713,216	\$ 513,943
Cash - temporarily held in clearing account	-	381,243
Cash - restricted for bond interest	250,696	281,488
Cash - restricted for debt service	1,451,296	1,434,094
Cash - restricted for property repairs and replacement	<u>207,875</u>	<u>205,412</u>
<i>Total cash, end of year</i>	<u>\$ 3,623,083</u>	<u>\$ 2,816,180</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 1,133,047	\$ 1,176,307

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

VCP is a public charter school established under Indiana Code 20-24 and is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. VCP served approximately 940 students during the 2019-2020 school year in grades kindergarten through twelve. VCP (operating as Indianapolis Lighthouse South) served approximately 890 students during the 2018-2019 school year. Indianapolis Lighthouse East served approximately 360 students in grades seven through twelve during the 2018-2019 school year.

Financial Statement Presentation – VCP 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 VCP; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2020 and 2019, VCP had only net assets without donor restrictions.

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.

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the schools receive an amount per student in relation to the funding received by other public schools in the same geographic areas. Funding from the State of Indiana is based on enrollment and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.

d/b/a VICTORY COLLEGE PREP.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued – VCP 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 revenues 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 VCP reports revenue.

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

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

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

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

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

Debt Issuance Costs – VCP incurred costs associated with securing financing under Indiana Finance Authority Education Facilities Revenue Bonds. Total costs incurred were \$250,595. Amortization is provided on a straight-line basis over the term of the bonds (28 years). Accumulated amortization was \$31,325 and \$22,375 as of June 30, 2020 and 2019, respectively. Amortization expense was \$8,950 for both years ended June 30, 2020 and 2019. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income – VCP has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, VCP would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2020 and 2019, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income, Continued – Professional accounting standards require VCP to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. VCP has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2016 are open to audit for both federal and state purposes.

Subsequent Events – VCP evaluated subsequent events through December 14, 2020, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 - SCHOOL CLOSURE

In the winter of 2018, Indianapolis Lighthouse East was placed on probation by OEI for a variety of reasons including operational deficiencies, teacher accreditation shortfalls, and delays in required reporting. On March 21, 2019, VCP's Board of Directors voted to close the Indianapolis Lighthouse East location effective June 30, 2019. The assets of Indianapolis Lighthouse East have been sold, disposed, or transferred and the liabilities have been settled or assumed by VCP.

NOTE 3 - PRIOR PERIOD ADJUSTMENT

Net assets as of June 30, 2019 have been adjusted to correct an error pertaining to grant revenues that should have been recognized during the year ended June 30, 2019. The prior period adjustment of \$207,988 is reflected in the accompanying financial statements as an increase in grant revenue during the year ended June 30, 2019, a corresponding increase in grants receivable as of June 30, 2019, and an increase in net assets as of June 30, 2019.

NOTE 4 - RESTRICTED AND TEMPORARILY HELD CASH

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

Cash - restricted for bond interest is reserved for the payment of interest on the bond semi-annually. Funds are placed in the account monthly to cover one-sixth of the semi-annual interest payment.

Cash - restricted for debt service is reserved for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 4 - RESTRICTED AND TEMPORARILY HELD CASH, Continued

Cash - restricted for property repairs and replacement was established with the bond proceeds and represents resources available for repairing and replacing facilities.

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 367,700	\$ 367,700
Buildings and improvements	14,217,181	14,375,411
Furniture and equipment	1,903,801	1,416,712
Vehicle	36,668	36,668
	16,525,350	16,196,491
Less: accumulated depreciation	(3,038,843)	(2,403,375)
	\$ 13,486,507	\$ 13,793,116

NOTE 6 - BONDS PAYABLE

VCP purchased its facilities with Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2016 with original amounts totaling \$16,770,000. Principal is payable in annual installments that increase from \$235,000 to \$1,320,000, beginning in December 2018 and maturing in December 2044. Interest payments are made semi-annually at rates ranging from 6.25% to 7.25% in accordance with the bond agreements. The bonds are secured by land, buildings, and improvements.

The bond agreement contains certain covenants requiring:

- submission of audited financial statements within 150 days after the end of the fiscal year or, if audited financial statements are not available at that time, unaudited financial statements, and audited financial statements within ten business days after availability;
- a minimum 45 days' cash on hand as of each June 30; and
- a minimum debt service coverage ratio of 1.15 to 1.00, measured annually.

VCP met all the covenants as of June 30, 2020.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 6 - BONDS PAYABLE, Continued

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

2021	\$	265,000
2022		280,000
2023		300,000
2024		315,000
2025		335,000
Thereafter		<u>14,790,000</u>
	\$	<u><u>16,285,000</u></u>

NOTE 7 - NOTE PAYABLE

VCP has a note payable due to TCF Equipment Finance. The note is payable in equal installments of \$8,360 on December 1 annually through 2021 and bears interest at a rate of 7.01%. The note is secured by a bus. Principal maturities of the note payable are as follows for the years ending June 30:

2021	\$	7,300
2022		<u>5,826</u>
	\$	<u><u>13,126</u></u>

NOTE 8 - CARES ACT FUNDING

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 10, 2020, VCP was granted a loan from JPMorgan Chase Bank, N.A. in the amount of \$425,835, pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on April 10, 2022 and bears interest at a rate of 1.00%. Under the terms of the PPP, the loan proceeds will be forgiven if they are used for qualifying expenses as described in the CARES Act. VCP has evaluated the expenses to which these funds were applied through June 30, 2020 and has determined the loan requirements will be met and the loan will be forgiven for at least the value of funds expended through June 30, 2020. VCP 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 and the amount remaining to be spent (\$90,200 as of June 30, 2020) as a refundable advance.

VCP also received \$380,840 in CARES Act funding in the form of a grant under the Elementary and Secondary School Emergency Relief Fund.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 9 - RENT INCOME

VCP has an agreement to sublease a portion of the building previously occupied by Indianapolis Lighthouse East to Circle City Preparatory, Inc through June 30, 2021. During the year ended June 30, 2020, VCP charged \$275,433 to Circle City Preparatory, Inc. in accordance with the terms of the sublease agreement. Base rent under the agreement is \$297,250 for the year ending June 30, 2021, with a one-year renewal option charging base rent of \$320,00 for the year ending June 30, 2022.

VCP has a separate agreement to sublease another portion of the building previously occupied by Indianapolis Lighthouse East to Geo Academies, Inc. The sublease commences July 1, 2020 and extends through June 30, 2021. Base rent under the agreement is \$120,000 for year ending June 30, 2021, with a one-year renewal option charging base rent of \$222,000 for the year ending June 30, 2022.

NOTE 10 - LEASE OBLIGATION

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

2021	\$	10,127
2022		5,063

NOTE 11 - COMMITMENTS

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

VCP operates under a charter granted by OEI, which remains in effect until June 30, 2026, and is renewable thereafter by mutual consent. During the year ended June 30, 2019, Indianapolis Lighthouse South and Indianapolis Lighthouse East both operated under charters granted by OEI. On March 21, 2019, VCP's Board of Directors voted to close Indianapolis Lighthouse East, thereby forfeiting the charter effective the date of the school's closing, June 30, 2019.

As the sponsoring organization, OEI exercises certain oversight responsibilities. OEI assesses a fee equal to 1% of the basic tuition support received by VCP. The fee was \$51,125, and \$65,776 for the years ended June 30, 2020 and 2019, respectively.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 12 - RETIREMENT PLAN

During the year ended June 30, 2019, all VCP personnel were employees of Lighthouse Academies, Inc., which provided management services to VCP. VCP personnel were eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. For the year ended June 30, 2020, VCP opened a new plan that mirrored the Lighthouse Academies, Inc. plan. Under both plans, VCP matched 100% of employee contributions up to 4% of compensation for the plan year. Additional contributions could have been made to the plan at the discretion of the VCP Board of Directors. No discretionary contributions were made during the years ended June 30, 2020 or 2019. Retirement plan expense was \$131,141 and \$100,548 for the years ended June 30, 2020 and 2019, respectively.

NOTE 13 - RISKS AND UNCERTAINTIES

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

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

Financial instruments that potentially subject VCP to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2020 and 2019, substantially all receivable balances were due from the State of Indiana. Cash deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and are insured up to the FDIC insurance limit of \$250,000. Funds held at these financial institutions exceeded the FDIC insurance limit as of and during the years ended June 30, 2020 and 2019.

NOTE 14 - LIQUIDITY

Financial assets for VCP include cash and grants receivable. Financial assets at June 30, 2020 total \$4,319,900, of which \$2,410,033 (excludes restricted cash) is available to meet cash needs for general expenditures within a year. Financial assets at June 30, 2019 total \$3,262,226, of which \$1,341,232 (excludes restricted cash) was available to meet cash needs for general expenditures within a year.

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 15 - FUNCTIONAL EXPENSE REPORTING

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

SUPPLEMENTARY INFORMATION

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/ Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 146,945
COVID-19 School Breakfast Program	10.553		18,046
National School Lunch Program	10.555		328,242
COVID-19 National School Lunch Program	10.555		<u>33,100</u>
<i>Total U.S. Department of Agriculture</i>			<u>526,333</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Education Agencies	84.010	18611-001-PN01	996,681
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A190013 S367A180013	160,140
Student Support and Academic Enrichment Program	84.424	S424A190015 S424A180015	54,598
Special Education Cluster			
Special Education Grants to States	84.027	20611-516-PN01	179,415
Special Education Preschool Grants	84.173	20619-516-PN01	3,529
Charter Schools Program	84.282	S287C180014	17,303
21 st Century Community Learning Centers	84.287	S287C180014	157,523
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	<u>380,840</u>
<i>Total U.S. Department of Education</i>			<u>1,950,029</u>
<i>Total federal awards expended</i>			<u>\$ 2,476,362</u>

See independent auditors' report and accompanying notes to this schedule

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("VCP") under programs of the federal government for the year ended June 30, 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, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of VCP, it is not intended to and does not present the financial position, change in net assets (deficiency), functional expenses, or cash flows of VCP.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

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

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

June 30, 2019

	<u>South</u>	<u>East</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 349,169	\$ 164,774	\$ -	\$ 513,943
Cash - temporarily held in clearing account	313,877	67,366	-	381,243
Cash - restricted for bond interest	168,893	112,595	-	281,488
Accounts receivable:				
Grants	407,230	16,602	-	423,832
Other	58,323	13,891	(50,000)	22,214
Prepaid expenses	268	-	-	268
	<u>1,297,760</u>	<u>375,228</u>	<u>(50,000)</u>	<u>1,622,988</u>
<i>Total current assets</i>				
	<u>1,297,760</u>	<u>375,228</u>	<u>(50,000)</u>	<u>1,622,988</u>
PROPERTY AND EQUIPMENT, NET	<u>8,180,918</u>	<u>5,612,198</u>	<u>-</u>	<u>13,793,116</u>
OTHER ASSETS				
Cash - restricted for debt service	851,803	582,291	-	1,434,094
Cash - restricted for property repairs and replacement	123,247	82,165	-	205,412
	<u>975,050</u>	<u>664,456</u>	<u>-</u>	<u>1,639,506</u>
<i>Total other assets</i>				
	<u>975,050</u>	<u>664,456</u>	<u>-</u>	<u>1,639,506</u>
TOTAL ASSETS	<u>\$ 10,453,728</u>	<u>\$ 6,651,882</u>	<u>\$ (50,000)</u>	<u>\$ 17,055,610</u>
LIABILITIES AND NET ASSETS (DEFICIENCY)				
CURRENT LIABILITIES				
Current portion of bonds payable	\$ 150,000	\$ 100,000	\$ -	\$ 250,000
Current portion of note payable	6,822	-	-	6,822
Accounts payable and accrued expenses	740,852	167,895	(50,000)	858,747
Security deposit	-	10,000	-	10,000
	<u>897,674</u>	<u>277,895</u>	<u>(50,000)</u>	<u>1,125,569</u>
<i>Total current liabilities</i>				
	<u>897,674</u>	<u>277,895</u>	<u>(50,000)</u>	<u>1,125,569</u>
LONG-TERM LIABILITIES				
Bonds payable, net of current portion	9,771,000	6,514,000	-	16,285,000
Note payable, net of current portion	13,126	-	-	13,126
Less: unamortized debt issuance costs	(138,025)	(90,195)	-	(228,220)
	<u>9,646,101</u>	<u>6,423,805</u>	<u>-</u>	<u>16,069,906</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>				
	<u>9,646,101</u>	<u>6,423,805</u>	<u>-</u>	<u>16,069,906</u>
<i>Total liabilities</i>	10,543,775	6,701,700	(50,000)	17,195,475
NET ASSETS (DEFICIENCY)	<u>(90,047)</u>	<u>(49,818)</u>	<u>-</u>	<u>(139,865)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>\$ 10,453,728</u>	<u>\$ 6,651,882</u>	<u>\$ (50,000)</u>	<u>\$ 17,055,610</u>

See independent auditors' report

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

	<u>South</u>	<u>East</u>	<u>Total</u>
REVENUE AND SUPPORT			
State education support	\$ 6,826,939	\$ 2,866,566	\$ 9,693,505
Grant revenue	3,134,087	933,129	4,067,216
Contributions	1,434	233	1,667
Rent	4,500	207,361	211,861
Student fees	93,124	6,341	99,465
Fundraising	25,495	1,770	27,265
Interest	23,611	15,741	39,352
Forgiveness of amounts owed to related parties	122,216	203,702	325,918
Other	18,756	16,627	35,383
<i>Total revenue and support</i>	<u>10,250,162</u>	<u>4,251,470</u>	<u>14,501,632</u>
EXPENSES			
Program services	9,535,608	3,577,873	13,113,481
Management and general	1,399,388	565,791	1,965,179
Fundraising	11,167	-	11,167
<i>Total expenses</i>	<u>10,946,163</u>	<u>4,143,664</u>	<u>15,089,827</u>
CHANGE IN NET ASSETS (DEFICIENCY)	(696,001)	107,806	(588,195)
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	<u>605,954</u>	<u>(157,624)</u>	<u>448,330</u>
NET ASSETS (DEFICIENCY), END OF YEAR	<u>\$ (90,047)</u>	<u>\$ (49,818)</u>	<u>\$ (139,865)</u>

See independent auditors' report



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Lighthouse Academies of Indiana, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("VCP"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets (deficiency), functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered VCP's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VCP's internal control. Accordingly, we do not express an opinion on the effectiveness of VCP's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. The results of our tests disclosed one instance of a material weakness in internal control that was required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2020-001. Additional material weaknesses may exist that have not been identified.

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VCP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Victory College Prep.'s Response to Findings

VCP's response to the finding in our audit is described in the accompanying views of responsible officials and planned corrective action on page 28. VCP's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VCP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VCP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent 'D'.

Indianapolis, Indiana
December 14, 2020



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors
Lighthouse Academies of Indiana, Inc.

Report on Compliance for Each Major Federal Program

We have audited Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep.'s ("VCP") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on VCP's major federal programs for the year ended June 30, 2020. VCP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of VCP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about VCP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of VCP's compliance.

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Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

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

Opinion on Each Major Federal Program

In our opinion, VCP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed other 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 items 2020-002 and 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Management of VCP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered VCP internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of VCP'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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-003 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

VCP's response to the noncompliance findings identified in our audit is included on page 28. VCP'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, Continued

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

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana
December 14, 2020

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	Yes
• Significant deficiency identified?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553 10.555	Child Nutrition Cluster: School Breakfast Program National School Lunch Program
84.425D	Elementary and Secondary School Emergency Relief Fund
84.287	21 st Century Community Learning Centers

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

II. Financial Statement Findings

FINDING 2020-001 LACK OF FINANCIAL OVERSIGHT
MATERIAL WEAKNESS

Condition

Several material adjustments were required during the audit of the June 30, 2020 fiscal year for the financial statements to be free of material misstatement. Among the proposed adjustments were corrections for unsubstantiated revenues from VCP's previous management company, corrections to grant revenues resulting in a prior period adjustment, and numerous other adjustments.

Criteria

2 CFR part 200.510(a) requires that "the auditee must prepare financial statements that reflects its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited."

2 CFR part 200.510(b) requires "the auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended."

Cause

VCP did not have sufficient financial oversight to ensure all transactions were substantiated, grant revenues were recorded in the proper period, and all accounts are reconciled timely and accurately.

Effect

Material misstatements existed in the unadjusted financial records prior to the audit, including a material misstatement in the prior period financial statements of \$207,988. The prior period adjustment also impacts Federal grant reporting.

Recommendation

We recommend VCP develop internal controls to ensure proper financial oversight is provided, especially during period-end reporting. Additionally, VCP should specifically ensure all Federal cost reimbursement grant revenues are recorded in the proper period at the time expenses occur.

Views of Responsible Officials

VCP's Corrective Action Plan is included on page 28.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

III. Federal Award Findings and Questioned Costs

FINDING 2020-002 PROCUREMENT
SIGNIFICANT DEFICIENCY

Federal Program: Child Nutrition Cluster
CFDA Number: 10.553 & 10.555

Condition

VCP was unable to provide evidence of a request for proposal for the food service contract in place, nor was VCP able to provide documentation showing vendor responses and management's analysis and conclusion on those responses received.

Criteria

2 CFR part 200.319(a) requires that "All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section."

Cause

VCP did not properly maintain documentation to demonstrate it received competitive bids and made a determination based on criteria as set forth in VCP's policies.

Effect

Compliance with 2 CFR part 200.319(a) could not be verified.

Recommendation

We recommend VCP develop internal controls requiring the maintenance of documentation demonstrating that it receives competitive bids and makes its determination on criteria as set forth in VCP's policies.

Views of Responsible Officials

VCP's Corrective Action Plan is included on page 28.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

III. Federal Award Findings and Questioned Costs, Continued

FINDING 2020-003 CASH MANAGEMENT
MATERIAL WEAKNESS

Federal Program: Child Nutrition Cluster
CFDA Number: 10.553 & 10.555

Condition

VCP carried a balance in its Child Nutrition Cluster cash account in excess of the three-months average of expenditures in all twelve months of the fiscal year, including a balance of approximately \$443,050 as of June 30, 2020. Based on VCP's expense reporting, a three-months average of expenditures would be approximately \$132,000.

Criteria

Per 7 CFR 210.14(b) and 7 CFR 220.7(e)(1)(iv), the "school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency".

Cause

VCP has not properly monitored the balance of this fund to ensure the balance of cash on hand did not exceed the maximum allowed for compliance with federal guidelines.

Effect

This material weakness in internal control resulted in VCP having an excessive cash balance in its meal program funds, which is not in compliance with 7 CFR 210.14(b) and 7 CFR 220.7(e)(1)(iv).

Recommendation

We recommend VCP develop internal controls to allow for closer monitoring of the balance of these funds. We also recommend VCP continue to work with the Indiana Department of Education on the remedial plan of action.

Views of Responsible Officials

VCP's Corrective Action Plan is included on page 28.



VICTORY COLLEGE PREP

1780 Sloan Avenue
Indianapolis, IN 46203
(317) 351-1534

December 14, 2020

Donovan CPAs
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

Victory College Prep has already taken or will take the following actions to address the FY2020 single audit report comments:

Section 2 Financial Statement Finding 2020-001 – Lack of Financial Oversight

VCP has implemented new processes and controls as a newly combined entity. All documentation and recordkeeping is kept on site and digitally backed-up to ensure no loss in any future transitions. The material adjustments were due to unique circumstances. On July 1, 2019, Lighthouse Academies of Indiana ceased providing management services to two Lighthouse schools, LHA East, which closed on June 30, 2019 and LHA South, which absorbed LHA East assets and liabilities while changing its name to Victory College Prep. In order to provide financial information in a timely manner while still keeping the two previous entities separate for June 30, 2019 audit purposes, VCP combined the LHA East books with LHA South as of July 1, 2019. This timing, along with audit adjustments made to LHA East and LHA South when the June 30, 2019 audit was completed in January, 2020, led to differences in June 30, 2019 balances. Also, there were multiple bank accounts held by the former management company that belonged to multiple LHA schools. While VCP operations were consolidated into one main account by August, 2020, two other checking account balances remained on the books without access to reconcile them. The FY20 audit adjustments included prior period adjustments to FY19, which we have already moved on from, and adjustments required due to transitioning of accounting records in July and August, 2020.

Section 3 Federal Award Finding 2020-002 – Child Nutrition Procurement

VCP completed an RFP this summer that was approved by the Indiana Department of Education (“IDOE”). All documentation and recordkeeping has been retained as part of the new controls cited above.

Section 3 Federal Award Finding 2020- 003 - Child Nutrition Cash Management

VCP has coordinated with the IDOE to create a two year “draw down” plan for the Nutrition Fund overage. This has been approved by VCP’s Nutrition Specialist within the IDOE and will be followed to return cash balance to the appropriate level.

Sincerely,

Victory College Prep Management

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
OTHER REPORT
For the Year Ended June 30, 2020

The reports presented herein were prepared in addition to another official report prepared for Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. as listed below:

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

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.