



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B56307

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

January 15, 2021

Charter School Board
Andrew J. Brown Charter School, Inc.
3600 N German Church Rd
Indianapolis, IN 46235

We have reviewed the audit report of Andrew J. Brown Charter School, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Andrew J. Brown Charter School, 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.

We call your attention to the findings in the report on pages 20 through 22. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 23.

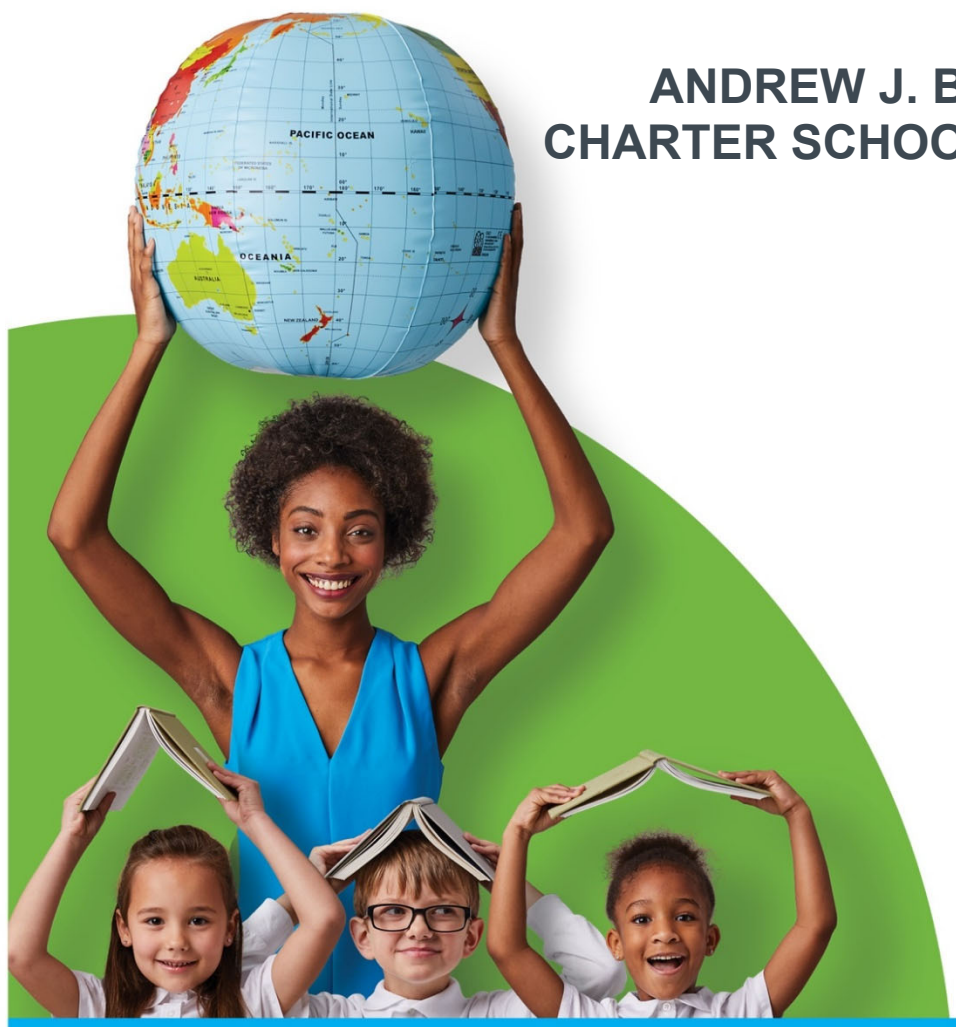
In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Andrew J. Brown Charter School, 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
Paul D. Joyce, CPA
State Examiner

**ANDREW J. BROWN
CHARTER SCHOOL, INC.**



Financial Statements, Additional
Information, and Federal Awards
Supplemental Information as of and for
the Years Ended June 30, 2020 and 2019,
and Independent Auditors' Reports

**NATIONAL
HERITAGE
ACADEMIES®**

The logo for National Heritage Academies, featuring a stylized white outline of an open book to the right of the text.

ANDREW J. BROWN CHARTER SCHOOL, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 12
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	13
Notes to the Schedule of Expenditures of Federal Awards	14
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 <i>GOVERNMENT AUDITING STANDARDS</i>	15 - 16
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>THE UNIFORM GUIDANCE</i>	17 - 19
Schedule of Findings and Questioned Costs	20 - 22
Corrective Action Plan	23
Other Report	24



Donovan CPAs

Independent Auditors' Report

The Board of Directors
Andrew J. Brown Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Andrew J. Brown Charter School, Inc., 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, 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 Andrew J. Brown Charter School, Inc. as of June 30, 2020 and 2019 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 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 21, 2020 on our consideration of Andrew J. Brown Charter School, Inc.’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 Andrew J. Brown Charter School, Inc.’s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted.

Indianapolis, Indiana
December 21, 2020

ANDREW J. BROWN CHARTER SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,148,319	\$ 1,063,248
Grants receivable	<u>93,306</u>	<u>216,625</u>
Total current assets	<u>1,241,625</u>	<u>1,279,873</u>
CAPITAL ASSETS:		
Leasehold improvements	26,674	26,674
Other equipment	264,498	264,498
Less: accumulated depreciation	<u>(76,134)</u>	<u>(64,650)</u>
Total capital assets, net of accumulated depreciation	<u>215,038</u>	<u>226,522</u>
TOTAL	<u>\$ 1,456,663</u>	<u>\$ 1,506,395</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Deferred revenue	\$ 25,244	\$ 23,651
Contracted service fee payable	<u>1,170,266</u>	<u>1,192,971</u>
Total liabilities	1,195,510	1,216,622
NET ASSETS:		
Net assets without donor restrictions	<u>261,153</u>	<u>289,773</u>
TOTAL	<u>\$ 1,456,663</u>	<u>\$ 1,506,395</u>

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
REVENUES AND SUPPORT		
State aid	\$ 4,945,936	\$ 4,705,286
Other state sources	933,055	701,985
Federal sources	1,066,838	1,220,128
Private sources	58,920	38,034
In-kind contribution from NHA	246,389	563,563
	<u>7,251,138</u>	<u>7,228,996</u>
Total revenues and support		
	<u>7,251,138</u>	<u>7,228,996</u>
EXPENSES		
Contracted service fee	7,216,138	7,193,995
Depreciation	11,484	11,483
Expenses of Board of Directors	52,136	47,107
	<u>7,279,758</u>	<u>7,252,585</u>
Total expenses		
	<u>7,279,758</u>	<u>7,252,585</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(28,620)	(23,589)
NET ASSETS:		
Beginning of year	<u>289,773</u>	<u>313,362</u>
End of year	<u>\$ 261,153</u>	<u>\$ 289,773</u>

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Total
Contracted service fee:			
Salaries and wages	\$ 2,915,442	\$ -	\$ 2,915,442
Retirement contributions	52,968	-	52,968
Other employee benefits	605,263	-	605,263
Payroll taxes	224,014	-	224,014
Accounting fees	23,064	65,502	88,566
Curriculum, textbooks, and supplies	176,683	-	176,683
Postage and shipping	2,860	-	2,860
Occupancy	1,317,427	12,074	1,329,501
Food service	377,906	-	377,906
Equipment rental and maintenance	31,133	-	31,133
Printing and publications	28,234	-	28,234
Travel	9,204	-	9,204
Conferences and meetings	91,217	-	91,217
Professional fees	457,380	-	457,380
Instructional support	-	130,616	130,616
Academic and general support	-	132,552	132,552
Enrollment and parent relations	-	37,814	37,814
Board support	-	61,784	61,784
Human resources	-	113,491	113,491
Support services	-	28,591	28,591
Technology	9,784	82,349	92,133
Marketing and business development	37,924	24,368	62,292
Insurance	25,433	-	25,433
Miscellaneous	141,061	-	141,061
Total contracted service fee	6,526,997	689,141	7,216,138
Depreciation	11,484	-	11,484
Expenses of Board of Directors	52,136	-	52,136
Total expenses	<u>\$ 6,590,617</u>	<u>\$ 689,141</u>	<u>\$ 7,279,758</u>

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Total
Contracted service fee:			
Salaries and wages	\$ 2,835,572	\$ -	\$ 2,835,572
Retirement contributions	47,254	-	47,254
Other employee benefits	598,724	-	598,724
Payroll taxes	218,346	-	218,346
Accounting fees	20,676	64,157	84,833
Curriculum, textbooks, and supplies	186,350	-	186,350
Postage and shipping	2,336	-	2,336
Occupancy	1,246,163	11,420	1,257,583
Food service	455,208	-	455,208
Equipment rental and maintenance	42,460	-	42,460
Printing and publications	46,170	-	46,170
Travel	21,472	-	21,472
Conferences and meetings	82,168	-	82,168
Professional fees	494,428	-	494,428
Instructional support	-	121,104	121,104
Academic and general support	-	126,116	126,116
Enrollment and parent relations	-	32,131	32,131
Board support	-	62,594	62,594
Human resources	-	107,596	107,596
Support services	-	25,310	25,310
Technology	9,121	81,628	90,749
Marketing and business development	20,224	27,318	47,542
Insurance	24,556	-	24,556
Miscellaneous	183,393	-	183,393
Total contracted service fee	6,534,621	659,374	7,193,995
Depreciation	11,483	-	11,483
Expenses of Board of Directors	47,107	-	47,107
Total expenses	<u>\$ 6,593,211</u>	<u>\$ 659,374</u>	<u>\$ 7,252,585</u>

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
State aid	\$ 4,969,507	\$ 4,881,256
Other state sources	933,055	701,985
Federal sources	1,166,587	1,053,809
Private sources	60,513	36,039
Payments for services rendered	<u>(7,044,591)</u>	<u>(6,799,003)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	85,071	(125,914)
CASH - Beginning of year	<u>1,063,248</u>	<u>1,189,162</u>
CASH - End of year	<u><u>\$ 1,148,319</u></u>	<u><u>\$ 1,063,248</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets without donor restrictions	\$ (28,620)	\$ (23,589)
Depreciation	11,484	11,483
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:		
Change in grants receivable	123,319	9,650
Change in deferred revenue	1,593	(121,463)
Change in contracted service fee payable	<u>(22,705)</u>	<u>(1,995)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 85,071</u></u>	<u><u>\$ (125,914)</u></u>
NON CASH ACTIVITY:		
In-kind contribution from NHA	<u><u>\$ 246,389</u></u>	<u><u>\$ 563,563</u></u>

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. NATURE OF OPERATIONS AND REPORTING ENTITY

Andrew J. Brown Charter School, Inc. (the “Academy”) is a public benefit not-for-profit organization established under the laws of the State of Indiana that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy served approximately 705 students during the 2019-2020 school year (665 students during the 2018-2019 school year).

The Academy operates a public charter school established under Indiana Code 20-24-3-1 and is sponsored by the Office of Education Innovation (“OEI”) of the Mayor of the Consolidated City of Indianapolis, which is responsible for oversight of the Academy’s operations. Under this Charter, the Academy has agreed to pay to OEI an annual fee equal to 1% of the state tuition support, which is included in the expenses assumed by National Heritage Association (“NHA”) as described below. This amounted to \$38,337 and \$36,198 during the years ended June 30, 2020 and 2019, respectively. The charter expires on June 30, 2024 and is subject to renewal.

The Board of Directors of the Academy entered into a management agreement (the “agreement”) with NHA, which requires NHA to provide administration, strategic planning, and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until the termination or expiration of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives all Academy revenue from all sources as their contracted service fee. NHA is entitled to any difference between the gross management fee and the operating costs of the Academy as compensation for management services rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, and expenditures during the reporting period. Actual results could differ from those estimates.

Cash — Cash represents bank deposits with a carrying amount and bank balance of \$1,148,319 and \$1,063,248 as of June 30, 2020 and 2019, respectively, of which \$898,319 and \$813,248 was uninsured and uncollateralized by federal depository insurance as of June 30, 2020 and 2019, respectively. The Academy does not have a deposit policy for custodial credit risk, as it typically does not anticipate holding uninsured deposits based on the nature of its management agreement with NHA. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Contracted Service Fee Payable — Contracted service fee payable represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

Capital Assets — Capital assets, which includes leasehold improvements and other equipment, are reported in the financial statements at historical cost. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Leasehold improvements are depreciated using the straight-line method over useful lives of 30 years. Other equipment is depreciated using the straight-line method over useful lives of 3 – 10 years.

The Financial Statements — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* — Net assets which are not subject to donor imposed or governmental stipulations.

Revenues and contributions are reported as follows:

- Revenues and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in net assets without donor restrictions. Other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Income Taxes — The Academy operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy has received notification from the Internal Revenue Service (IRS) that they are considered exempt from federal income tax under Section 501(c)(3) of the internal revenue code. Accordingly, no provision for federal income taxes has been made.

Professional accounting standards require the Academy 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 Academy 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.

Recent Accounting Pronouncements — In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and changes in judgements and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance was to be effective for the Academy's year ending June 30, 2020, but in May 2020, the Financial Accounting Standards Board allowed for a one-year deferral, which the Academy elected. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Academy has not yet determined which application method it will use. The Academy is in the process of evaluating potential effects of the new standard on the financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statements of activities and change in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statements of financial position. The reporting of lease-related expenses in the statements of activities and change in net assets and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Academy's year ending June 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined, but is expected to have minimal impact when adopted.

Subsequent Events — The Academy has evaluated subsequent events through December 21, 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.

3. GRANTS RECEIVABLE

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

4. LIQUIDITY

The Academy's financial assets include cash and grants receivable, which totaled \$1,241,625 and \$1,279,873 as of June 30, 2020 and 2019, respectively, all of which were available to meet cash needs for general expenditures within one year.

From time to time, the Academy receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Academy 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 Academy'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.

The Academy has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are on average approximately \$1,200,000 as of both June 30, 2020 and 2019.

While the Academy will not always carry financial assets in excess of 60 days of normal operating expenses, due to their management agreement with NHA, NHA is required to make contributions to the Academy if the Academy's expenditures exceed the school's revenue during the year.

5. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2020, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

6. CONTINGENCIES

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

7. OPERATING LEASE

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term was from July 1, 2019 through June 30, 2020. Annual rental payments required by the lease were \$817,120 payable in twelve monthly payments of \$68,093.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2020 through June 30, 2021 at the same rental rate.

8. RETIREMENT PLAN

The Academy maintains a 401(k) retirement savings plan. Employees are eligible to participate in the 401(k) plan immediately upon date of hire or transition into an eligible position, subject to the terms and conditions of the plan. Under the plan, the Academy has elected to match a portion of an employee's contributions, up to 3% of pay. Retirement plan expense was \$52,968 and \$47,254 for the years ended June 30, 2020 and 2019, respectively.

9. FUNCTIONAL EXPENSES

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the Academy 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.

SUPPLEMENTAL INFORMATION

ANDREW J. BROWN CHARTER SCHOOL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor Agency/Pass-Through Entity/Cluster Title/ Program Title/ Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 73,510
COVID-19 School Breakfast Program	10.553	N/A	16,777
National School Lunch Program	10.555	N/A	246,158
COVID -19 National School Lunch Program	10.555	N/A	<u>35,935</u>
<i>Total U.S. Department of Agriculture</i>			<u>372,380</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Grants to Local Educational Agencies			
	84.010	S010A180014	12,499
	84.010	S010A190014	574,917
Supporting Effective Instruction			
State Grants	84.367	S367A170013	12,305
	84.367	S367A190013	36,665
English Language Acquisition			
State Grants	84.365	01118-101-PN01	3,275
	84.365	01119-100-PN01	5,167
	84.365	01120-095	20,438
Student Support and Academic Enrichment Program			
	84.424	2018-424-326	<u>29,192</u>
<i>Total U.S. Department of Education</i>			<u>694,458</u>
<i>Total federal awards expended</i>			<u>\$ 1,066,838</u>

See independent auditors' report and accompanying notes to this schedule.

ANDREW J. BROWN CHARTER SCHOOL, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Andrew J. Brown Charter School, Inc. (the "Academy") 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 the Academy, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of the Academy.

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.

3. INDIRECT COST RATE

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



Donovan CPAs

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

The Board of Directors
Andrew J. Brown Charter School, 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 Andrew J. Brown Charter School, 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, and have issued our report thereon dated December 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Andrew J. Brown Charter School, Inc.'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 Andrew J. Brown Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Andrew J. Brown Charter School, Inc.'s internal control.

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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Andrew J. Brown Charter School, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Andrew J. Brown Charter School, Inc.'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, looped initial "D".

Indianapolis, Indiana
December 21, 2020



Donovan CPAs

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

The Board of Directors
Andrew J. Brown Charter School, Inc.

Report on Compliance for Each Major Federal Program

We have audited Andrew J. Brown Charter School, Inc.'s 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 each of the Academy's major federal programs for the year ended June 30, 2020. Andrew J. Brown Charter School, Inc.'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 Andrew J. Brown Charter School, Inc.'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 Andrew J. Brown Charter School, Inc.'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 Andrew J. Brown Charter School, Inc.'s compliance.

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 on Each Major Federal Program

In our opinion, Andrew J. Brown Charter School, Inc. 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 an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to this matter.

Report on Internal Control over Compliance

Management of Andrew J. Brown Charter School, Inc. 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 Andrew J. Brown Charter School, Inc.'s 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 Andrew J. Brown Charter School, Inc.'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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 to be significant deficiencies.

Andrew J. Brown Charter School, Inc.'s response to the noncompliance finding identified in our audit is included on page 23. Andrew J. Brown Charter School, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

DONOVAN

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

Indianapolis, Indiana
December 21, 2020

ANDREW J. BROWN CHARTER SCHOOL, INC.

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?	No
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	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)?	Yes
Identification of major programs:	

CFDA Number

84.010

Name of Federal Program or Cluster

Title I, Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

FINDING 2020-001 RECORDS RETENTION SIGNIFICANT DEFICIENCY

Federal Program: Title I

CFDA Number: 84.010

Condition

Andrew J. Brown Charter School, Inc. (the "Academy") was unable to provide documentation to support student transfers for students selected for testing from the October 1, 2018 Real Time Data report submitted to the State of Indiana. This report is used as part of the application for Title I funds. Data on transfers provides information on students removed from the regularly adjusted cohort.

Criteria

2 CFR part 200.334 requires that "Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient."

Cause

The Academy did not properly maintain documentation.

Effect

Compliance with Special Tests and Provisions requirements from the Compliance Supplement could not be verified.

Recommendation

We recommend the Academy develop internal controls requiring the maintenance of documentation used in preparation of the Real Time Data reports.

Views of Responsible Officials

The Academy's Corrective Action Plan is included on page 23.

III. Federal Award Findings and Questioned Costs, Continued

FINDING 2020-002 MAINTENANCE OF EFFORT SIGNIFICANT DEFICIENCY

Federal Program: Title I

CFDA Number: 84.010

Condition

The Indiana Department of Education completes the maintenance of effort calculation using the Form 9 report issued by the School, which is a cash-basis report. The following issues were identified with the reporting of expenses on these reports:

1. The School believed that it was not allowed to show any negative ending balances on funds reported on the Form 9. Schools can show a negative balance if the balances are the result of awaiting reimbursements. To not show negative balances, the School adjusted the balance of expenses to be in line with receipts on all funds but fund 300.
2. It was identified that \$5,736 of retirement expenses and \$67,300 of utilities were coded to the wrong object code on the Form 9.

Criteria

2 CFR part 200, Appendix XI, Compliance Supplement 2020, Section 4-84.000-13, states “An LEA may receive funds under an applicable program only if the SEA finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from state and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waved”.

Cause

The School was not reporting expenses in line with guidelines set by the Indiana Department of Education.

Effect

Maintenance of effort calculations prepared by the Indiana Department of Education could be impacted by incorrect reporting of expense transactions.

Recommendation

We recommend the School develop internal controls to ensure expenses are properly reported on the Form 9 report in line with guidelines.

Views of Responsible Officials

The School’s Corrective Action Plan is included on page 23.



CORRECTIVE ACTION PLAN – Federal Award Findings and Questioned Costs

Finding 2020-001: *The Academy was unable to provide documentation to support student transfers for students selected from the October 1, 2018 Real Time Data report.*

2 CFR part 200.334 requires that “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.

Response: Although the Academy did provide all withdrawal forms for students that had moved to another district, they did not keep the request for record transfers on file. The Academy will now ensure they maintain the request for record transfers for the recommended three year period of time.

Responsible Person: The Academy’s Office Personnel along with Management Company Enrollment Team

Date of Completion: December 21, 2020

Finding 2020-002: *The Academy believed they were not allowed to show negative balances in any funds reported on Form 9. In addition, it was identified that \$5,736 of retirement expenses and \$67,300 of utilities were coded to the wrong object code on Form 9.*

2 CFR part 200, Appendix XI, Compliance Supplement 2020, Section 4-84.000-13, state “An LEA may receive funds under an applicable program only if the LEA finds that the combined fiscal effort per student or the aggregate expenditures for the LEA from state and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waved.”

Response: The Academy’s accrual basis accounting needs to be converted to cash basis for the required Form 9. The Academy will ensure that balances in the Form 9 will accurately reflect ending balances in funds and that accounts will be coded to the correct object codes in future filings.

Responsible Person: The Academy’s Business Analyst

Date of Completion: December 21, 2020

ANDREW J. BROWN CHARTER SCHOOL, INC.

OTHER REPORT

FOR THE YEAR ENDED JUNE 30, 2020

The reports presented herein were prepared in addition to another official report prepared for Andrew J. Brown Charter School, Inc. as listed below:

Supplemental Audit Report of Andrew J. Brown Charter School, 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*.