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January 19, 2021

Charter School Board  
Otwell Miller Academy, Inc.  
9558 E County Rd 150 N.  
Otwell, IN 47564

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

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

In addition to the report presented herein, a Supplemental Audit Report for Otwell Miller Academy, Inc., 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**OTWELL MILLER ACADEMY, INC.**

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2020 and 2019



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Otwell Miller Academy, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Otwell Miller Academy, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, 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. 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.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Otwell Miller Academy, 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.

DONOVAN

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

Indianapolis, Indiana

December 18, 2020

**OTWELL MILLER ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 136,353	\$ 27,158
Grants receivable	17,010	-
	<hr/>	<hr/>
<i>Total current assets</i>	153,363	27,158
	<hr/>	<hr/>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	10,015	10,015
Textbooks	48,501	48,501
Vehicles	70,000	70,000
Less: accumulated depreciation	(64,029)	(42,326)
	<hr/>	<hr/>
<i>Property and equipment, net</i>	64,487	86,190
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 217,850</u>	<u>\$ 113,348</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of capital lease obligation	\$ 15,600	\$ 23,400
Accounts payable and accrued expenses	70,009	61,080
Refundable advance - CARES Act funding	20,052	-
	<hr/>	<hr/>
<i>Total current liabilities</i>	105,661	84,480
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligation, net of current portion	16,700	25,800
	<hr/>	<hr/>
<i>Total liabilities</i>	122,361	110,280
	<hr/>	<hr/>
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	95,489	3,068
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 217,850</u>	<u>\$ 113,348</u>

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

**OTWELL MILLER ACADEMY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 671,513	\$ 604,462
Grant revenue	175,398	82,273
CARES Act funding	87,148	-
Student fees	22,533	12,073
Contributions:		
Related party contributions	4,266	18,266
In-kind contributions	-	8,000
Other contributions	4,413	15,852
Other income	870	2,330
	<u>966,141</u>	<u>743,256</u>
<i>Total revenue and support</i>		
	<u>966,141</u>	<u>743,256</u>
<b>EXPENSES</b>		
Program services	695,799	534,377
Management and general	177,921	167,636
	<u>873,720</u>	<u>702,013</u>
<i>Total expenses</i>		
	<u>873,720</u>	<u>702,013</u>
<b>CHANGE IN NET ASSETS</b>	92,421	41,243
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>3,068</u>	<u>(38,175)</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 95,489</u>	<u>\$ 3,068</u>

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

**OTWELL MILLER ACADEMY, INC.**  
**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>Total</u>
Salaries and wages	\$ 449,221	\$ 62,489	\$ 511,710	\$ 369,938	\$ 87,084	\$ 457,022
Professional services	18,339	85,731	104,070	11,469	52,346	63,815
Employee benefits	52,087	5,697	57,784	49,377	10,576	59,953
Occupancy	56,662	-	56,662	35,543	-	35,543
Food costs	49,424	-	49,424	5,719	-	5,719
Depreciation	21,703	-	21,703	22,405	-	22,405
Classroom, kitchen, and office supplies	14,749	2,278	17,027	7,286	141	7,427
Repairs and maintenance	14,495	-	14,495	14,800	-	14,800
Authorizer oversight fees	-	17,051	17,051	-	12,139	12,139
Equipment	9,563	-	9,563	7,700	-	7,700
Information technology	5,474	-	5,474	4,720	-	4,720
Telephone	-	4,565	4,565	-	103	103
Insurance	3,867	-	3,867	4,698	-	4,698
Interest	-	-	-	-	810	810
Advertising	-	-	-	-	224	224
Other	215	110	325	722	4,213	4,935
<i>Total functional expenses</i>	<u>\$ 695,799</u>	<u>\$ 177,921</u>	<u>\$ 873,720</u>	<u>\$ 534,377</u>	<u>\$ 167,636</u>	<u>\$ 702,013</u>

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

**OTWELL MILLER ACADEMY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 92,421	\$ 41,243
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,703	22,405
Change in certain assets and liabilities:		
Grants receivable	(17,010)	-
Accounts payable and accrued expenses	8,929	(25,794)
Refundable advance - CARES Act funding	20,052	-
	126,095	37,854
<i>Net cash provided by operating activities</i>	126,095	37,854
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(3,188)
<b>FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligation	(16,900)	(12,660)
<b>NET CHANGE IN CASH</b>	109,195	22,006
<b>CASH, BEGINNING OF YEAR</b>	27,158	5,152
<b>CASH, END OF YEAR</b>	\$ 136,353	\$ 27,158
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ -	\$ 810

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

**OTWELL MILLER ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2020 and 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Effective March 2017, the not-for-profit entity, Friends of Otwell Elementary, Ltd. (“Friends”), formed and incorporated a subsidiary, Otwell Miller Academy, Inc. (the “School”). The School is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School, sponsored by Grace College, commenced operations with the 2017-2018 academic year and serves students in kindergarten through fifth grade. The School served approximately 95 students during the 2019-2020 school year (90 in 2018-2019). The accompanying financial statements include only the activity of the subsidiary, Otwell Miller Academy, Inc.

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

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

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

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

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and 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 significant portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

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

**OTWELL MILLER ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2020 and 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

In-kind Contribution Revenue – The School leases its building from Friends (see Note 3). Rent expense under the lease was \$40,500 and \$22,000 for the years ended June 30, 2020 and 2019. Included in rent expense for the year ended June 30, 2019 were \$8,000 of in-kind contributions from Friends. There were no such in-kind contributions during the year ended June 30, 2020.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2020 and 2019.

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

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and included in the accounts at cost. Routine maintenance and repairs and minor replacement costs and equipment purchases are charged to expense as incurred.

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

Furniture and equipment	3 to 5 years
Textbooks	10 years
Vehicles	5 years

Taxes on Income – For tax filing purposes, the School’s activity is reported on the tax returns of Friends of Otwell Elementary, Ltd. Friends 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, it would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2020 and 2019, the School had no unrelated business income and thus no accounting for federal and state income taxes was required to be included in the accompanying financial statements of the School.

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

Subsequent Events – The School evaluated subsequent events through December 18, 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.

**OTWELL MILLER ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2020 and 2019**

**NOTE 2 - 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 28, 2020, the School was granted a loan from Old National Bank in the amount of \$107,200, pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on April 28, 2022 and bears interest at a rate of 1.00%. Under the terms of the PPP, the loan funds will be forgiven if they are used for qualifying expenses as described in the CARES Act. The School has evaluated the expenses to which these funds were applied through June 30, 2020, and has determined the loan requirements will be met and therefore forgiven for the \$87,148 in allowable expenses incurred through June 30, 2020. The School has elected to recognize the funds as a contribution in accordance with FASB ASC 958-605 by reflecting the amount of funds expended during the year ended June 30, 2020 as revenue. The remaining unspent portion of \$20,052 is reflected as a refundable advance until such time as the funds can be spent for allowable purposes.

**NOTE 3 - LEASES**

The School entered into a lease to own agreement for two school buses. Total payments are \$70,000 over a period of 54 months. The lease does not explicitly state an interest rate. Management has determined that the imputed interest on this agreement is insignificant and therefore has recorded the asset and related initial liability at \$70,000. The lease is accounted for as a capital lease obligation with a cost of \$70,000. As of June 30, 2020 and 2019, accumulated depreciation relating to these assets was \$30,000 and \$20,000, respectively.

Minimum future lease payments under the capital lease are as follows for the years ending June 30:

2021	\$	15,600
2022		<u>16,700</u>
	\$	<u><u>32,300</u></u>

The School leases a building under an operating lease with Friends, a related party. The lease is renewed annually in August. Base rent expense was \$2,000 per month until August 2019 when it increased to \$3,500 per month. In addition, the School pays a share of the monthly expenses incurred by Friends.

**OTWELL MILLER ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2020 and 2019**

**NOTE 4 - RETIREMENT PLAN**

The School provides retirement benefits covering teaching faculty. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plan, the School contributes 7.5% of compensation for electing teaching faculty to TRF. Should the School elect to withdraw from TRF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2019 (the latest year reported), TRF was approximately 80% funded. Retirement plan expense was \$15,241 and \$15,876 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 5 - COMMITMENTS**

The School operates under a charter granted by Grace College. As the sponsoring organization, Grace College exercises certain oversight responsibilities. Under this charter, the School has agreed to pay Grace College an annual administrative fee not to exceed 3% of state tuition support received. Expense under this charter agreement was \$17,051 and \$12,139 for the years ended June 30, 2020 and 2019, respectively. The charter remains in effect until June 30, 2024 and is renewable thereafter by mutual consent.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2020, this account has not been established.

**NOTE 6 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to persons primarily residing in Otwell, Indiana and greater Pike County, and is subject to the risks of economic and competitive forces at work within this geographic area.

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at Old National Bank are insured up to the FDIC insurance limit.

**OTWELL MILLER ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2020 and 2019**

**NOTE 7 - LIQUIDITY**

Financial assets held by the School include cash and grants receivable. Financial assets available to meet cash needs for general expenditures within one year totaled \$153,363 and \$27,158 as of June 30, 2020 and 2019, respectively.

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

**NOTE 8 - 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. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**OTWELL MILLER ACADEMY, INC.**  
**OTHER REPORT**  
**For the Year Ended June 30, 2020**

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

Supplemental Audit Report of Otwell Miller Academy, 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*.