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February 8, 2021

Charter School Board  
Global Preparatory Academy, Inc.  
2033 Sugar Grove Ave  
Indianapolis, IN 46202

We have reviewed the audit report of Global Preparatory 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 Global Preparatory 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.


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 findings. Management's Corrective Action Plan appears on page 23.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 2.

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 Global Preparatory Academy, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner

**GLOBAL PREPARATORY 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  
Global Preparatory Academy, Inc.

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

We have audited the accompanying financial statements of Global Preparatory Academy, 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 Accounting 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.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Preparatory 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.

## **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. 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 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 January 22, 2021 on our consideration of Global Preparatory Academy, 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 Global Preparatory Academy, Inc.’s internal control over financial reporting and compliance.

## **Emphasis of Matter**

As discussed in Note 2 to the financial statements, Global Preparatory Academy, Inc. recorded in-kind contributions and offsetting expenses from Commissioners of the City Indianapolis, also known as Indianapolis Public Schools (“IPS”), a related party, totaling \$1,921,435 and \$2,449,784 during the years ended June 30, 2020 and 2019, respectively. These in-kind transactions represent approximately 21% of total revenue and support and 24% of total expenses for the year ended June 30, 2020 (29% and 32%, respectively, in 2019). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of Global Preparatory Academy, Inc. as presented.

DONOVAN



Indianapolis, Indiana  
January 22, 2021

**GLOBAL PREPARATORY 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	\$ 3,215,777	\$ 2,038,203
Grants receivable	53,211	152,202
Prepaid expenses	<u>-</u>	<u>7,846</u>
<i>Total current assets</i>	<u>3,268,988</u>	<u>2,198,251</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	70,861	-
Less: accumulated depreciation	<u>(14,172)</u>	<u>-</u>
<i>Property and equipment, net</i>	<u>56,689</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,325,677</u></u>	<u><u>\$ 2,198,251</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of note payable	\$ 50,000	\$ 50,000
Accounts payable and accrued expenses	141,434	104,410
Refundable advances	<u>55,947</u>	<u>26,390</u>
<i>Total current liabilities</i>	247,381	180,800
<b>LONG-TERM LIABILITIES</b>		
Note payable, net of current portion	<u>325,000</u>	<u>375,000</u>
<i>Total liabilities</i>	572,381	555,800
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>2,753,296</u>	<u>1,642,451</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,325,677</u></u>	<u><u>\$ 2,198,251</u></u>

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

**GLOBAL PREPARATORY 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	\$ 4,589,327	\$ 3,533,169
Management fee from Indianapolis Public Schools	71,239	960,016
Grants and contributions	1,718,312	1,455,491
In-kind contributions from Indianapolis Public Schools	1,921,435	2,449,784
CARES Act funding	795,730	-
Interest	13,636	16,160
Other	34,178	87,060
	<u>9,143,857</u>	<u>8,501,680</u>
 <i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	6,398,949	6,280,883
Management and general	1,634,063	1,465,282
	<u>8,033,012</u>	<u>7,746,165</u>
 <i>Total expenses</i>		
<b>CHANGE IN NET ASSETS</b>	1,110,845	755,515
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,642,451</u>	<u>886,936</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,753,296</u>	<u>\$ 1,642,451</u>

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

**GLOBAL PREPARATORY ACADEMY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2020 and 2019**

	2020			2019		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
In-kind expenses:						
Salaries and wages	\$ 60,792	\$ -	\$ 60,792	\$ 138,898	\$ -	\$ 138,898
Student transportation	450,767	-	450,767	510,250	-	510,250
Occupancy	1,138,196	-	1,138,196	1,187,170	-	1,187,170
Food services	-	-	-	124,028	-	124,028
Repairs, maintenance, and utilities	193,556	-	193,556	418,767	-	418,767
Security services	-	78,124	78,124	-	70,671	70,671
<i>In-kind expenses, total</i>	<u>1,843,311</u>	<u>78,124</u>	<u>1,921,435</u>	<u>2,379,113</u>	<u>70,671</u>	<u>2,449,784</u>
Direct expenses:						
Salaries and wages	2,440,196	975,860	3,416,056	2,155,722	899,227	3,054,949
Employee benefits	596,895	219,124	816,019	529,870	217,913	747,783
Professional services	510,936	253,377	764,313	375,608	220,160	595,768
Food costs	374,768	-	374,768	347,919	-	347,919
Classroom and office supplies	216,801	62,008	278,809	273,918	53,441	327,359
Small equipment purchases	152,488	-	152,488	38,103	-	38,103
Staff development	120,839	-	120,839	28,647	-	28,647
Insurance	42,905	-	42,905	48,327	-	48,327
Student transportation	37,260	-	37,260	47,689	-	47,689
Authorizer fees	-	33,871	33,871	-	-	-
Travel and meetings	31,989	-	31,989	17,656	-	17,656
Depreciation	14,172	-	14,172	17,865	-	17,865
Information technology	6,820	1,203	8,023	9,148	1,129	10,277
Interest	4,125	-	4,125	3,384	-	3,384
Advertising	-	4,645	4,645	-	-	-
Other	5,444	5,851	11,295	7,914	2,741	10,655
<i>Direct expenses, total</i>	<u>4,555,638</u>	<u>1,555,939</u>	<u>6,111,577</u>	<u>3,901,770</u>	<u>1,394,611</u>	<u>5,296,381</u>
<i>Total functional expenses</i>	<u>\$ 6,398,949</u>	<u>\$ 1,634,063</u>	<u>\$ 8,033,012</u>	<u>\$ 6,280,883</u>	<u>\$ 1,465,282</u>	<u>\$ 7,746,165</u>

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

**GLOBAL PREPARATORY 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	\$ 1,110,845	\$ 755,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,172	17,865
Changes in certain assets and liabilities:		
Grants receivable	98,991	356,149
Prepaid expenses	7,846	(7,846)
Accounts payable and accrued expenses	37,024	(246,941)
Refundable advances	<u>29,557</u>	<u>(5,668)</u>
 <i>Net cash provided by operating activities</i>	 1,298,435	 869,074
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(70,861)	-
<b>FINANCING ACTIVITIES</b>		
Repayments on note payable	<u>(50,000)</u>	<u>(50,000)</u>
<b>NET CHANGE IN CASH</b>	1,177,574	819,074
<b>CASH, BEGINNING OF YEAR</b>	<u>2,038,203</u>	<u>1,219,129</u>
<b>CASH, END OF YEAR</b>	<u>\$ 3,215,777</u>	<u>\$ 2,038,203</u>
 <b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 4,125	\$ 4,626

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

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

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

General – Global Preparatory Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates as a public charter school under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2023 and is renewable thereafter by mutual consent. The School served approximately 610 students in kindergarten through sixth grade during the 2019-2020 school year. During the 2018-2019 school year, the School served approximately 475 students in kindergarten through fourth grade.

The School operates under an Innovation Network School Management Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools ("IPS"). Prior to 2020, the School operated two schools in a single IPS-owned building. During the 2018-2019 school year, kindergarten through fourth grade operated as Global Preparatory Academy, Inc. and fifth and sixth grade operated as Riverside School #44. During the 2019-2020 school year, kindergarten through sixth grade operated solely as Global Preparatory Academy, Inc. The agreement extends through June 30, 2021. Under the agreement, IPS will pay to the School the amount it would receive from the State of Indiana for state basic tuition support and complexity grant funding as if both schools were a traditional charter school. The agreement can be terminated by either party with 30 days written notice for material breach of the agreement, by IPS at the end of the school year for poor academic performance given written notice to the school 180 days prior, or by both parties by mutual consent effective as of a mutually agreeable date.

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 – As discussed earlier, the majority of revenue comes from IPS as part of the Innovation Network School Management Agreement. Under the agreement with IPS, the School receives an amount per student in equal portion as if the School acted as a traditional charter school. Funding from IPS is received monthly. The School also received a management fee from IPS equal to the funding due to Riverside School #44. This management fee was used to cover the costs of serving Riverside School #44's students since the two schools shared a building and resources prior to the 2019-2020 school year. Revenue is recognized in the year in which the educational services are rendered.

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

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

A significant portion of the School's revenue is the product of cost reimbursement grants. The School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

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

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2020 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 are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

Taxes on Income – The School has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the 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.

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. The tax years ended after 2016 are open to audit for both federal and state purposes.

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

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

Subsequent Events – The School evaluated subsequent events through January 22, 2021, 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 - VALUATION OF IN-KIND SERVICES**

The School has recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$1,921,435 and \$2,449,784 during the years ended June 30, 2020 and 2019, respectively. These in-kind transactions represent approximately 21% of total revenue and support and 24% of total expenses for the year ended June 30, 2020 (29% and 32%, respectively, in 2019). The values of these in-kind services are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented.

**NOTE 3 - 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 14, 2020, the School was granted a loan from The National Bank of Indianapolis in the amount of \$795,730, pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on April 14, 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 the loan will be forgiven in full. 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 as of the year ended June 30, 2020 as revenue.

**NOTE 4 - REFUNDABLE ADVANCES**

The School has been awarded grants to provide educational instruction that are deemed to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The School had refundable grant advances in excess of expenditures of \$55,947 and \$26,390 as of June 30, 2020 and 2019, respectively.

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

**NOTE 5 - NOTE PAYABLE**

The note payable consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Note payable to State Board of Education, payable \$25,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum	\$ 375,000	\$ 425,000
Less: current portion	<u>(50,000)</u>	<u>(50,000)</u>
Long-term portion	\$ <u>325,000</u>	\$ <u>375,000</u>

The note payable to the State Board of Education is the result of the Common School Fund Loan program. This note is secured by the School's future tuition support payments on the School's basic grant.

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

2021	\$ 50,000
2022	50,000
2023	50,000
2024	50,000
2025	50,000
Thereafter	<u>125,000</u>
	<u>\$ 375,000</u>

**NOTE 6 - RETIREMENT PLANS**

The School maintains a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make contributions at its discretion. Alternatively, an employee may participate in the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan sponsored by the State of Indiana and administered by the Indiana Public Retirement System Board. For the years ended June 30, 2020 and 2019, the School contributed 5.5% of defined compensation to each employee's account to their plan of choice. Retirement plan expense was \$126,267 and \$125,592 for the years ended June 30, 2020 and 2019, respectively.

Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2019 (the latest year reported), TRF was approximately 80% funded.

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

**NOTE 7 - COMMITMENTS**

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. This charter agreement remains in effect until June 30, 2024 and is renewable thereafter by mutual consent. OEI assesses a fee equal to 1% of the basic tuition support received by the School. The fee was \$33,871 for the year ended June 30, 2020. No fee was paid for the year ended June 30, 2019.

**NOTE 8 - RISKS AND UNCERTAINTIES**

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

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation and/or the agreement with IPS 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. At June 30, 2020 and 2019, all of the receivable balance was due from the State of Indiana. In addition, deposits are maintained at The National Bank of Indianapolis and are insured up to the FDIC insurance limit. As of June 30, 2020 and regularly throughout the year, funds held at The National Bank of Indianapolis exceeded FDIC insurance limits.

**NOTE 9 - LIQUIDITY**

The School's financial assets include cash and grants receivable totaling \$3,268,988 and \$2,190,405 as of June 30, 2020 and 2019, respectively, all of which are available to meet cash needs for general expenditures within one year.

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.

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

**NOTE 10 - 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.

SUPPLEMENTARY INFORMATION

**GLOBAL PREPARATORY ACADEMY, INC.**  
**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		\$ 112,348
COVID-19 - School Breakfast Program	10.553		7,906
National School Lunch Program	10.555		193,470
COVID-19 - National School Lunch Program	10.555		<u>13,974</u>
<i>Total U.S. Department of Agriculture</i>			<u>327,698</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I Grants to Local Educational Agencies	84.010	20-9975	339,706
Title I School Improvement Grants	84.377A	18-9975	26,425
Special Education Cluster			
Special Education - Grants to States	84.027		66,584
Charter Schools Program	84.282		185,702
Title III Strengthening Institutions Program	84.031A		6,549
Title II Supporting Effective Instruction State Grants	84.367		64,527
Title IV Student Support and Academic Enrichment Program	84.424A		30,442
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D		<u>4,089</u>
<i>Total U.S. Department of Education</i>			<u>724,024</u>
<i>Total federal awards expended</i>			<u>\$ 1,051,722</u>

See independent auditors' report and accompanying notes to this schedule

**GLOBAL PREPARATORY ACADEMY, INC.**  
**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 Global Preparatory Academy, Inc. (the “School”) 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 School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

**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**

The School 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  
Global Preparatory Academy, 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 Global Preparatory Academy, Inc. (the "School"), 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 January 22, 2021.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

DONOVAN

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Indianapolis, Indiana  
January 22, 2021



# 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  
Global Preparatory Academy, Inc.

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

We have audited Global Preparatory Academy, Inc.'s (the "School") 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 the School's major federal programs for the year ended June 30, 2020. The School'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 the School'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 the School'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 the School's compliance.

## **Opinion on Each Major Federal Program**

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

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Uniform Guidance* and which are described in the accompanying schedule of findings and questioned costs as Finding No. 2020-001 and Finding No. 2020-002. Our opinion on the major federal program is not modified with respect to these matters.

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

## **Report on Internal Control over Compliance**

Management of the School 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 the School'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 the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified two deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as Finding No. 2020-001 and Finding No. 2020-002, which we consider to be significant deficiencies.

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

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

DONOVAN

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

Indianapolis, Indiana  
January 22, 2021

**GLOBAL PREPARATORY ACADEMY, 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)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Education Agencies
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
	National School Lunch Program

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

**II. Financial Statement Findings**

No matters are reportable.

**GLOBAL PREPARATORY ACADEMY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2020**

**III. Federal Award Findings and Questioned Costs**

FINDING NO. 2020-001 TIME AND EFFORT SUPPORT

Federal Agency:	U.S. Department of Education
Pass-Through Agency:	Indiana Department of Education
Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010

Condition

The School was unable to provide documentation to support the amount of time some staff spent working on Title I services.

Criteria

Per 2 CFR section 200.430(i)(1) “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.”

Cause

The School did not retain documentation of time and effort for one employee who was partially applied to Title I. Semi-annual certifications for employees applied 100% to Title I were not completed during the fiscal year.

Effect

It could not be determined if employees were working on Title I activities in line with the percentage of salaries and wages applied to the grant.

Recommendation

We recommend the School implement a process to ensure documentation is properly completed and retained to document allocation of employee salaries and wages to Title I.

Views of Responsible Officials

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

**GLOBAL PREPARATORY ACADEMY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2020**

**III. Federal Award Findings and Questioned Costs, Continued**

**FINDING NO. 2020-002 STUDENT TRANSFER SUPPORT**

Federal Agency:	U.S. Department of Education
Pass-Through Agency:	Indiana Department of Education
Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010

**Condition**

The School was unable to provide documentation to support student transfers for two of the four 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. Date 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 School did not retain documentation that supported the date on which students transferred to another school.

**Effect**

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

**Recommendation**

We recommend the School implement a process to ensure documentation is properly retained to document the exit of students from the regulatory adjusted cohort.

**Views of Responsible Officials**

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



**Global Preparatory Academy @ Riverside 44**  
*Unlocking the world through language, experiential learning and love*

January 22, 2021

To Whom It May Concern:

Please find below Global Preparatory Academy, Inc.'s response to the Audit's findings:

**FINDING NO. 2020-001 TIME AND EFFORT SUPPORT**

- Employees included on the 2020-2021 Title I grant have 100% of their time applied to the grant.
- Effective for the 2020-2021 Title I grant, Kendra Woodgett, the Finance and Grants Manager will ensure semi-annual certifications are signed no later than January 31, 2021 and June 30, 2021.
- The school will apply to transition from the current Targeted Assistance model to the Schoolwide program for the 2021-2022 Title I grant.

**FINDING NO. 2020-002 STUDENT TRANSFER SUPPORT**

- Effectively immediately, Jillian Castillo and Pilar Perez, Front Office Assistants, will ensure student withdrawals forms are thoroughly completed and filed in the student's folder.

**GLOBAL PREPARATORY ACADEMY, INC.**

**OTHER REPORT**

**For the Year Ended June 30, 2020**

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

Supplemental Audit Report of Global Preparatory 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*.