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February 8, 2021

Charter School Board
Neighborhood Charter Network, Inc.
3725 Kiel Ave.
Indianapolis, IN 46224

We have reviewed the Supplemental Audit Report for Neighborhood Charter Network, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Page 3 contains two audit results and comments. Management's response is on page 5.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**SUPPLEMENTAL AUDIT REPORT
OF
NEIGHBORHOOD CHARTER NETWORK, INC.**

MARION COUNTY, INDIANA

July 1, 2019 to June 30, 2020



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NEIGHBORHOOD CHARTER NETWORK, INC.

MARION COUNTY, INDIANA

School Officials

July 1, 2019 to June 30, 2020

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Caitlin Byczko	07/01/19 – 06/30/20
Executive Director	Kevin Kubacki	07/01/19 – 06/30/20
Director of Operations	Denise Castellanos	07/01/19 – 06/30/20



Donovan CPAs

The Board of Directors
Neighborhood Charter Network, Inc.

We have audited the financial statements of Neighborhood Charter Network, Inc., (“NCN”) as of and for the year ended June 30, 2020, and have issued our report thereon dated February 2, 2021. As part of our audit, we tested the School’s compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe NCN was not in compliance with those provisions.

DONOVAN

Indianapolis, Indiana
February 2, 2021

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NEIGHBORHOOD CHARTER NETWORK, INC.

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2019 to June 30, 2020

REQUIRED REPORTS

We examined the Form 9 reports submitted by both Neighborhood Charter Network, Inc. schools for the period July 1, 2019 to June 30, 2020. We noted that neither of the schools were in compliance as the Form 9s did not accurately reflect fund activity during the year. Funds related to federal cost-reimbursement grants (4100, 4200, 5800, and 6840) did not reflect ending balances for those grants per the financial records. Additionally, the total cash balances per the Form 9s exceeded actual cash per Enlace's and Kindezi's trial balances by \$52,237 and \$12,074, respectively.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

RECEIPTS AND DEPOSITS

We tested receipts for both Neighborhood Charter Network, Inc. schools. Kindezi Academy had a total of eighteen receipts during the 2019-2020 school year, of which nine were not deposited timely. The individual receipts deposited untimely ranged from \$5 to \$24 and were primarily included in a single deposit totaling \$115. We noted no errors in receipts and deposits for Enlace Academy.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

NEIGHBORHOOD CHARTER NETWORK, INC.

MARION COUNTY, INDIANA

Exit Conference

July 1, 2019 to June 30, 2020

The contents of this report were discussed on February 2, 2021 with Kevin Kubacki (Executive Director), Denise Castellanos (Director of Operations), Katie Dulay (Managing Director of Strategy), Terry Baker (Board Treasurer), Brian Anderson and Kim Ballin (Center for Innovative Education Solutions). The Official Response has been made a part of this report and may be found on page 5.



February 2, 2021

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

The Neighborhood Charter Network has already or will take the following actions to address the FY2020 supplemental audit report comments:

1. We will continue to manage the differences in timing and required reporting that exist for charter schools in the state of Indiana. As part of that, we will monitor our cash basis fund reporting on our Form 9 submission and adjust as necessary. Adjustments are typically required when we either make accrual-based receivable and payable adjustments or when we receive retroactive grant budget approvals after a reporting deadline has already passed. We are working on improving this reconciliation process so our individual fund Form 9 cash balances will be more accurately reflected when tied to our accrual-base fund balances.
2. We have added staff that allows us to keep up with increased transactional activity as we grow. We have addressed our deposit processes and training for those involved.

Sincerely,

A handwritten signature in black ink that reads "Denise Castellanos".

The Neighborhood Charter Network Management
Denise Castellanos, Director of Operations