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February 12, 2021

Charter School Board
Allegiant Preparatory, Inc.
3125 Concord Ct., Suite B
Indianapolis, IN 46222

We have reviewed the audit report of Allegiant Preparatory, 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 Allegiant Preparatory, 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 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 Allegiant Preparatory, 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.

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

Paul D. Joyce, CPA
State Examiner

ALLEGIANT PREPARATORY, 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
Allegiant Preparatory, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Allegiant Preparatory, 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 Allegiant Preparatory, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, net assets as of June 30, 2019 have been adjusted to correct an error pertaining to deferred rent payable and expenses that should have been recognized during the year ended June 30, 2019 in the amount of \$27,191. This correction is reflected in the accompanying financial statements as an increase in deferred rent payable as of June 30, 2019, a corresponding increase in occupancy expense for the year ended June 30, 2019, and a decrease in net assets as of June 30, 2019. Our opinion is not modified with respect to this matter.

DONOVAN

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

Indianapolis, Indiana
February 9, 2021

ALLEGIANT PREPARATORY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 153,302	\$ 55,869
Grants receivable	118,764	63,557
Prepaid expenses	<u>-</u>	<u>5,179</u>
<i>Total current assets</i>	<u>272,066</u>	<u>124,605</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	116,990	56,014
Leasehold improvements	94,454	94,454
Less: accumulated depreciation	<u>(76,738)</u>	<u>(36,611)</u>
<i>Property and equipment, net</i>	<u>134,706</u>	<u>113,857</u>
OTHER ASSETS		
Security deposit	<u>7,769</u>	<u>7,769</u>
TOTAL ASSETS	<u>\$ 414,541</u>	<u>\$ 246,231</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 18,478	\$ 17,426
Due to landlord	3,683	16,598
Accounts payable and accrued expenses	82,012	29,236
Refundable advance - CARES Act funding	<u>2,176</u>	<u>-</u>
<i>Total current liabilities</i>	<u>106,349</u>	<u>63,260</u>
LONG-TERM LIABILITIES		
Note payable, net of current portion	47,893	67,871
Deferred rent payable	21,365	27,191
Due to landlord	<u>-</u>	<u>5,418</u>
<i>Total long-term liabilities</i>	<u>69,258</u>	<u>100,480</u>
<i>Total liabilities</i>	175,607	163,740
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>238,934</u>	<u>82,491</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 414,541</u>	<u>\$ 246,231</u>

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

ALLEGIANT PREPARATORY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
State education support	\$ 503,046	\$ 315,634
Grant revenue	637,014	262,599
CARES Act funding	59,620	-
Contributions	16,161	810
Interest income	84	390
Other income	2,010	19,665
<i>Total revenue and support</i>	<u>1,217,935</u>	<u>599,098</u>
 EXPENSES		
Program services	640,419	392,171
Management and general	421,073	361,436
<i>Total expenses</i>	<u>1,061,492</u>	<u>753,607</u>
 CHANGE IN NET ASSETS	 156,443	 (154,509)
 NET ASSETS, BEGINNING OF YEAR	 <u>82,491</u>	 <u>237,000</u>
 NET ASSETS, END OF YEAR	 <u>\$ 238,934</u>	 <u>\$ 82,491</u>

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

ALLEGIANT PREPARATORY, 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	\$ 229,137	\$ 277,091	\$ 506,228	\$ 134,547	\$ 204,301	\$ 338,848
Classroom and office supplies	157,175	2,261	159,436	41,296	4,119	45,415
Professional services	13,129	79,134	92,263	12,916	88,625	101,541
Occupancy	64,035	-	64,035	57,312	-	57,312
Food costs	53,656	-	53,656	38,363	-	38,363
Employee benefits	17,950	27,167	45,117	9,310	22,755	32,065
Depreciation	40,127	-	40,127	36,611	-	36,611
Information technology	27,566	-	27,566	17,988	-	17,988
Travel and meetings	17,448	1,624	19,072	1,674	2,074	3,748
Insurance	-	16,058	16,058	-	15,739	15,739
Staff development	15,848	-	15,848	26,742	-	26,742
Advertising	-	12,052	12,052	-	13,507	13,507
Equipment	1,258	3,697	4,955	6,340	9,724	16,064
Interest	3,090	-	3,090	4,691	-	4,691
Authorizer fees	-	1,643	1,643	-	261	261
Other	-	346	346	700	331	1,031
Repairs and maintenance	-	-	-	3,681	-	3,681
<i>Total functional expenses</i>	<u>\$ 640,419</u>	<u>\$ 421,073</u>	<u>\$ 1,061,492</u>	<u>\$ 392,171</u>	<u>\$ 361,436</u>	<u>\$ 753,607</u>

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

ALLEGIANT PREPARATORY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 156,443	\$ (154,509)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	40,127	36,611
Change in certain assets and liabilities:		
Grants receivable	(55,207)	(63,557)
Prepaid expenses	5,179	(5,179)
Accounts payable and accrued expenses	52,776	9,459
Refundable advance - CARES Act funding	2,176	-
Deferred rent payable	(5,826)	27,191
<i>Net cash provided by (used in) operating activities</i>	<u>195,668</u>	<u>(149,984)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(60,976)</u>	<u>(56,330)</u>
FINANCING ACTIVITIES		
Proceeds from note payable	-	95,000
Principal payments on note payable	(18,926)	(9,703)
Repayment of amount due to landlord	<u>(18,333)</u>	<u>(11,667)</u>
<i>Net cash provided by (used in) financing activities</i>	<u>(37,259)</u>	<u>73,630</u>
NET CHANGE IN CASH	97,433	(132,684)
CASH, BEGINNING OF YEAR	<u>55,869</u>	<u>188,553</u>
CASH, END OF YEAR	<u>\$ 153,302</u>	<u>\$ 55,869</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 3,090	\$ 4,691

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Allegiant Preparatory, Inc. (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a public charter school on July 1, 2018 under Indiana Code 20-24. The School served approximately 70 students in kindergarten through second grade during the 2019-2020 school year (40 students in kindergarten and first grade during the 2018-2019 school year). The School has approximately 110 students enrolled in kindergarten through third grade during the 2020-2021 school year.

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 only had 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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes that 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, minor replacement costs, and equipment purchases of less than \$5,000 individually, or as a group of assets, are charged to expense as incurred.

Furniture and equipment are depreciated using the straight-line method over the respective asset's estimated useful life (ranging from 3-5 years). Leasehold improvements are depreciated using the straight-line method over the life of the lease.

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. Years ending after 2016 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 9, 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 - PRIOR PERIOD ADJUSTMENT

Net assets as of June 30, 2019 have been adjusted to correct deferred rent payable and expenses that should have been recognized during the year ended June 30, 2019. The amount of the adjustment is \$27,191 which is reflected in the accompanying financial statements as an increase in deferred rent payable as of June 30, 2019, a corresponding increase in occupancy expense for the year ended June 30, 2019, and a decrease in net assets as of June 30, 2019.

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

NOTE 3 - NOTE PAYABLE

The note payable was comprised of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Note payable to IFF, payable in monthly installments of \$1,831 including interest at 5.875% per annum until November 2023	\$ 66,371	\$ 85,297
Less: current portion	<u>(18,478)</u>	<u>(17,426)</u>
Long-term portion	<u>\$ 47,893</u>	<u>\$ 67,871</u>

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

2021	\$ 18,478
2022	19,593
2023	20,776
2024	<u>7,524</u>
	<u>\$ 66,371</u>

NOTE 4 - 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 May 15, 2020, the School was granted a loan from CRF Small Business Loan Company, LLC in the amount of \$50,000, pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on May 15, 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 \$47,824 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 \$2,176 is reflected as a refundable advance until such time as funds can be spent for an allowable purpose.

The School also received additional CARES Act grants totaling \$11,796 during the year ended June 30, 2020.

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

NOTE 5 - DUE TO LANDLORD

During May 2018, the School received an advance from the landlord to pay for tenant leasehold improvements. The advance is non-interest bearing and calls for 24 monthly payments, beginning January 2019. Total repayments were \$18,333 and \$11,667 during the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, \$3,683 and \$22,016, respectively, was due to the landlord.

NOTE 6 - RETIREMENT PLAN

The School offers a 403(b) defined contribution retirement plan. All employees are eligible for benefits under the 403(b) plan. To receive matching contributions, employees must be at least 21 years old, have a minimum of 1,000 hours of service, and be employed on the last day of the plan year. The School may make discretionary contributions.

Total contributions by the School to the 403(b) plan were \$7,065 and \$8,164 during the years ended June 30, 2020 and 2019, respectively.

NOTE 7 - COMMITMENTS

The School operates under a charter granted by the Indiana Charter School Board (“ICSB”). As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to ICSB an administrative fee equal to 0.5% of revenues received after six months of operation. Payments under this charter agreement were \$1,643 and \$261 for the years ended June 30, 2020 and 2019, respectively. The charter remains in effect until June 2023 and is renewable thereafter by mutual consent.

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

NOTE 8 - LEASES

The School leases office equipment and the building under operating leases that expire in fiscal year 2022. The building lease included a free rent period, along with an escalation over the term of the lease. In accordance with U.S. GAAP, the School is required to record rent expense using the straight-line method over the term of the lease. The difference between recorded rent expense and the actual cash outflow is presented on the statements of financial position as deferred rent payable.

Total lease expense was \$64,035 and \$57,312 for the years ended June 30, 2020 and 2019, respectively.

A schedule of minimum lease obligations are as follows for the years ending June 30:

2021	\$	65,931
2022		60,822

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

NOTE 9 - RISKS AND UNCERTAINTIES

The School provides education instruction services to families primarily residing in Marion County, Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect 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 National Bank of Indianapolis are insured up to the FDIC insurance limit.

NOTE 10 - 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 \$272,066 and \$119,426 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 11 - 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.

ALLEGIANT PREPARATORY, 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 Allegiant Preparatory, 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*.