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February 17, 2021

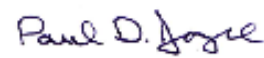
Charter School Board
Aspire Charter Academy, Inc.
4900 W. 15th Avenue
Gary, IN 46406

We have reviewed the audit report of Aspire Charter Academy, Inc., which was opined upon by CliftonLarsonAllen LLP, 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 Aspire Charter 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, CliftonLarsonAllen LLP 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 Aspire Charter 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

**ASPIRE CHARTER
ACADEMY, INC.**



Financial Statements and Supplementary
Information

Years Ended June 30, 2020 and 2019

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ASPIRE CHARTER ACADEMY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Aspire Charter Academy, Inc.
Gary, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Aspire Charter Academy, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aspire Charter Academy, Inc. as of June 30, 2020, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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 the auditing procedures applied in the audit of the financial statements and certain additional 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.

Prior Year

The 2019 financial statements of Aspire Charter Academy, Inc. were audited by other auditors whose report dated December 13, 2019, expressed an unmodified opinion on those statements.

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 Aspire Charter 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 solely 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 the effectiveness of Aspire Charter Academy, Inc.'s 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 Aspire Charter Academy, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
January 22, 2021

ASPIRE CHARTER ACADEMY, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,536,248	\$ 1,306,833
Due from governmental revenue sources	190,845	2,746,211
Less allowance for doubtful accounts	<u>-</u>	<u>(2,544,248)</u>
 Total due from governmental revenue sources, net of allowance for doubtful accounts	 <u>190,845</u>	 <u>201,963</u>
 Total current assets	 <u>1,727,093</u>	 <u>1,508,796</u>
NON-CURRENT ASSETS:		
Capital assets	191,883	191,883
Less accumulated depreciation	<u>(169,635)</u>	<u>(154,235)</u>
 Total capital assets, net of accumulated depreciation	 <u>22,248</u>	 <u>37,648</u>
 TOTAL	 <u>\$ 1,749,341</u>	 <u>\$ 1,546,444</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ -	\$ 4,686
Deferred revenue	7,902	6,316
Contracted service fee payable	<u>1,682,941</u>	<u>1,480,647</u>
 Total liabilities	 <u>1,690,843</u>	 <u>1,491,649</u>
 NET ASSETS:		
Net assets without donor restrictions	<u>58,498</u>	<u>54,795</u>
 TOTAL	 <u>\$ 1,749,341</u>	 <u>\$ 1,546,444</u>

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

ASPIRE CHARTER ACADEMY, INC.

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

	2020	2019
REVENUES AND SUPPORT:		
State aid	\$ 4,853,149	\$ 5,238,321
Other state sources	906,108	650,159
Federal sources	1,485,898	1,819,797
Private sources	49,036	52,565
In-kind contribution — NHA	<u>286,368</u>	<u>160,496</u>
Total revenues and support	<u>7,580,559</u>	<u>7,921,338</u>
EXPENSES:		
Contracted service fee	7,545,560	7,886,959
Depreciation	15,400	18,451
Board expenses	<u>15,896</u>	<u>40,404</u>
Total expenses	<u>7,576,856</u>	<u>7,945,814</u>
CHANGE IN NET ASSETS	3,703	(24,476)
NET ASSETS WITHOUT DONOR RESTRICTION:		
Beginning of year	<u>54,795</u>	<u>79,271</u>
End of year	<u>\$ 58,498</u>	<u>\$ 54,795</u>

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

ASPIRE CHARTER ACADEMY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2020, WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

	2020		2019	
	Program Services	Management and General	Total	Total
Contracted service fee:				
Salaries and wages	\$ 2,953,204	\$ -	\$ 2,953,204	\$ 3,150,811
Retirement contributions	42,041	-	42,041	46,166
Other employee benefits	582,480	-	582,480	598,400
Payroll taxes	228,721	-	228,721	247,959
Accounting fees	4,248	65,502	69,750	68,309
Curriculum, textbooks, and supplies	158,668	-	158,668	269,936
Postage and shipping	5,780	-	5,780	4,889
Occupancy	1,535,007	12,074	1,547,081	1,575,348
Food service	420,126	-	420,126	410,247
Equipment rental and maintenance	20,836	-	20,836	15,658
Printing and publications	18,693	-	18,693	19,784
Travel	5,456	-	5,456	15,037
Conferences and meetings	71,302	-	71,302	100,765
Professional fees	505,591	-	505,591	557,388
Instructional support	-	134,053	134,053	127,548
Academic and general support	-	239,810	239,810	203,433
Enrollment and parent relations	-	45,791	45,791	32,964
Board support	-	61,784	61,784	62,594
Human resources	-	117,689	117,689	115,842
Support services	-	28,591	28,591	25,310
Technology	13,012	85,399	98,411	100,347
Marketing and business development	105,283	36,904	142,187	78,377
Insurance	24,606	-	24,606	23,754
Miscellaneous	22,909	-	22,909	36,093
Total contracted service fee	6,717,963	827,597	7,545,560	7,886,959
Depreciation	15,400	-	15,400	18,451
Expenses of Board of Directors	15,896	-	15,896	40,404
Total expenses	<u>\$ 6,749,259</u>	<u>\$ 827,597</u>	<u>\$ 7,576,856</u>	<u>\$ 7,945,814</u>

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

ASPIRE CHARTER ACADEMY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	2019		
	Program Services	Management and General	Total
Contracted service fee:			
Salaries and wages	\$ 3,150,811	\$ -	\$ 3,150,811
Retirement contributions	46,166	-	46,166
Other employee benefits	598,400	-	598,400
Payroll taxes	247,959	-	247,959
Accounting fees	4,152	64,157	68,309
Curriculum, textbooks, and supplies	269,936	-	269,936
Postage and shipping	4,889	-	4,889
Occupancy	1,563,928	11,420	1,575,348
Food service	410,247	-	410,247
Equipment rental and maintenance	15,658	-	15,658
Printing and publications	19,784	-	19,784
Travel	15,037	-	15,037
Conferences and meetings	100,765	-	100,765
Professional fees	557,388	-	557,388
Instructional support	-	127,548	127,548
Academic and general support	-	203,433	203,433
Enrollment and parent relations	-	32,964	32,964
Board support	-	62,594	62,594
Human resources	-	115,842	115,842
Support services	-	25,310	25,310
Technology	12,440	87,907	100,347
Marketing and business development	50,799	27,578	78,377
Insurance	23,754	-	23,754
Miscellaneous	36,093	-	36,093
Total contracted service fee	7,128,206	758,753	7,886,959
Depreciation	18,451	-	18,451
Expenses of Board of Directors	40,404	-	40,404
Total expenses	<u>\$ 7,187,061</u>	<u>\$ 758,753</u>	<u>\$ 7,945,814</u>

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

ASPIRE CHARTER ACADEMY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
State aid	\$ 4,860,876	\$ 5,199,392
Other state sources	906,108	650,159
Federal sources	1,489,289	1,895,704
Private sources	50,622	56,009
Payments for services rendered	<u>(7,077,480)</u>	<u>(7,277,583)</u>
NET INCREASE IN CASH	229,415	523,681
CASH — Beginning of year	<u>1,306,833</u>	<u>783,152</u>
CASH — End of year	<u>\$ 1,536,248</u>	<u>\$ 1,306,833</u>
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 3,703	\$ (24,476)
Depreciation	15,400	18,451
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in due from governmental revenue sources	11,118	36,978
Change in accounts payable	(4,686)	4,686
Change in contracted service fee payable	202,294	484,599
Change in deferred revenue	<u>1,586</u>	<u>3,443</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 229,415</u>	<u>\$ 523,681</u>
NON CASH ACTIVITY:		
In-kind contribution from NHA	<u>\$ 286,368</u>	<u>\$ 160,496</u>

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

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

1. NATURE OF OPERATIONS AND REPORTING ENTITY

Aspire Charter Academy, Inc. (the “Academy”) is a public benefit not-for-profit organization established under the laws of the State of Indiana that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy served approximately 624 students during the 2019-2020 school year.

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

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

The Academy operates a public charter school established under Indiana Code 20-24-3-1 and is sponsored by Ball State University, which is responsible for oversight of the Academy’s operations. Under this Charter, the Academy has agreed to pay to Ball State University an annual fee equal to 3% of the state tuition support, which is included in the expenses assumed by NHA as described. This amounted to \$145,594 and \$113,516 for the fiscal year 2020 and 2019, respectively. The charter expires on June 30, 2021 and is subject to renewal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle – In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable the financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. No cumulative-effect adjustments in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Academy's reported historical revenue. The implementation of the standard did not significantly impact the Academy's financial statements.

In June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard did not significantly impact the Academy's financial statements.

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

Revenue Recognition — Revenues primarily come from conditional resources provided under the Indiana Charter Schools Act. Under the Act, the Academy 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 paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued) — A portion of the Academy's revenue is the product of cost reimbursement grants. Therefore, the Academy recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2020 and 2019, the Academy deferred \$7,902 and \$6,316, respectively, of such conditional funding.

Grant Revenue — The Academy receives income from grants and contributions that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions. There were no such restricted revenues during the years ended June 30, 2020 and 2019.

Cash — Cash as of June 30, 2020 represents bank deposits with a carrying amount of \$1,536,248 and a bank balance of \$1,536,365 of which \$1,286,365 was uninsured and uncollateralized by federal depository insurance. The Academy does not have a deposit policy for custodial credit risk, as it typically does not anticipate holding uninsured deposits based on the nature of its management agreement with NHA. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Contracted Service Fee Payable — Contracted service fee payable as of June 30, 2020 and 2019 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

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

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

Impairment of Long-Lived Assets — On an ongoing basis, the Academy reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The Academy recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Net Assets without Donor Restriction — Net assets which are not subject to donor imposed or governmental stipulations.

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

Professional accounting standards require the Academy to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2017 are open to audit for both federal and state purposes.

Recently Issued Accounting Pronouncements — In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the Statements of Activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the Statements of Financial Position. The reporting of lease-related expenses in the Statements of Activities and Cash Flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Academy's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined but is expected to have minimal impact when adopted.

Subsequent Events – The Academy 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.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

3. DUE FROM GOVERNMENTAL REVENUE SOURCES

The Academy's accounts receivable balance consists of amounts due from the State of Indiana for tuition support relating to a) the first six months of the Academy's initial school year and b) enrollment growth occurring in subsequent school years.

Pursuant to IC § 20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that are defined in the statute.

In April 2013, the Indiana General Assembly repealed IC § 20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. The amounts forgiven under House Bill 1001 were to be applied against the related accounts receivable balance previously recorded by the Academy. The Academy did not receive funds from the Common School Fund and as such, no amount was forgiven by the State.

Members of the Indiana General Assembly have been informed that several charter schools remain with an accounts receivable balance and those charter schools believe that the State remains obligated for amounts not reimbursed through the provisions of House Bill 1001. Legal efforts are being made to resolve any outstanding obligations of the State. As a result, the Academy continues to carry a receivable balance of \$2,544,248 that was not reimbursed through the provisions of House Bill 1001, however the Academy has reserved for its potential uncollectibility. The Indiana Supreme Court denied the request during the year ended June 30, 2020 thus the Court of Appeals' decision was upheld. As such, the receivable and associated allowance was removed from the financial statements.

The balances of \$190,845 and \$201,963 as of June 30, 2020 and 2019, respectively, relates to routine amounts due from other state programs and federal programs.

4. LIQUIDITY

The Academy has \$1,727,093 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$1,536,248 and amounts due from governmental revenue sources of \$190,845 at June 30, 2020. The Academy had \$1,508,796 of financial assets available within one year of the date of the statement of financial position to meet cash needs for general expenditures consisting of cash of \$1,306,833 and amounts due from governmental revenue sources of \$201,963 at June 30, 2019. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

4. LIQUIDITY (CONTINUED)

The Academy has a goal to maintain financial assets, which consist of cash and short-term receivables on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,324,302 and \$1,271,060 at June 30, 2020 and 2019, respectively.

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

5. CAPITAL ASSETS

Capital asset activity of the Academy for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Other equipment	<u>\$ 191,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,883</u>
Total capital assets at historical cost	<u>191,883</u>	<u>-</u>	<u>-</u>	<u>191,883</u>
Less accumulated depreciation — equipment	<u>(154,235)</u>	<u>(15,400)</u>	<u>-</u>	<u>(169,635)</u>
Total accumulated depreciation	<u>(154,235)</u>	<u>(15,400)</u>	<u>-</u>	<u>(169,635)</u>
Total capital asset activity, net	<u>\$ 37,648</u>	<u>\$ (15,400)</u>	<u>\$ -</u>	<u>\$ 22,248</u>

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Academy for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Other equipment	<u>\$ 191,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,883</u>
Total capital assets at historical cost	<u>191,883</u>	<u>-</u>	<u>-</u>	<u>191,883</u>
Less accumulated depreciation — equipment	<u>(135,784)</u>	<u>(18,451)</u>	<u>-</u>	<u>(154,235)</u>
Total accumulated depreciation	<u>(135,784)</u>	<u>(18,451)</u>	<u>-</u>	<u>(154,235)</u>
Total capital asset activity, net	<u>\$ 56,099</u>	<u>\$ (18,451)</u>	<u>\$ -</u>	<u>\$ 37,648</u>

6. OPERATING LEASE

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2019 through June 30, 2020. Annual rental payments required by the lease are \$912,800 payable in twelve monthly payments of \$76,067.

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

7. RISKS AND UNCERTAINTIES

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

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

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

7. RISKS AND UNCERTAINTIES (CONTINUED)

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

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of receivables due from the State of Indiana. At June 30, 2020 and 2019, all of the receivable balance was due from the State of Indiana.

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the Academy, COVID-19 has impacted various parts of its 2020 and 2021 operations and financial results, including increased nutrition funding. Management believes the Academy is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

8. FUNCTIONAL EXPENSES

The Academy provides educational services to its students. The costs of providing the program and support services are allocated on an actual basis, when possible. Certain expenses attributable to more than one function require an allocation on a reasonable basis that is consistently applied.

ASPIRE CHARTER 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 Academy as listed below:

Supplemental Audit Report of Aspire Charter 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*.



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

Board of Directors
Aspire Charter Academy, Inc.
Gary, Indiana

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 Aspire Charter Academy, Inc. (the Academy), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy'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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Indianapolis, Indiana
January 22, 2021



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

Board of Directors
Aspire Charter Academy, Inc.
Gary, Indiana

Report on Compliance for Each Major Federal Program

We have audited Aspire Charter Academy, Inc.'s (the Academy) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2020. The Academy'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 Academy'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 the 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 Academy'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 Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy 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.

Report on Internal Control over Compliance

Management of the Academy 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 Academy'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 Academy'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



CliftonLarsonAllen LLP

Indianapolis, Indiana
January 22, 2021

ASPIRE CHARTER ACADEMY, INC.

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

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Pass-Through Indiana Department of Education</i>				
Child Nutrition Cluster				
School Breakfast Program	10.553	N/A	\$ -	\$ 106,722
National School Lunch Program	10.555	N/A	-	301,475
Total U.S. Department of Agriculture			-	408,197
U.S. DEPARTMENT OF EDUCATION				
<i>Pass-Through Indiana Department of Education</i>				
Title I Grants to Local Educational Agencies	*	84.010	S010A180014	-
	*	84.010	S010A190014	-
Total			-	1,000,284
Supporting Effective Instruction State Grants	84.367	S367A180013	-	25,600
	84.367	S367A190013	-	19,418
Total			-	45,018
Student Support and Academic Enrichment Program	84.424	2018-424-332	-	32,399
Total U.S. Department of Education			-	1,077,701
Total Federal Awards Expended			\$ -	\$ 1,485,898

* Denotes Major Program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

ASPIRE CHARTER ACADEMY, INC.

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Aspire Charter Academy, Inc. (the Academy) under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of the Academy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

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

ASPIRE CHARTER ACADEMY, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

- 1. Type of auditors’ report issued: Unmodified
- 2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
- 3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

- 1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
- 2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
- 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	<u> x </u> yes _____ no

ASPIRE CHARTER ACADEMY, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statements Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).

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