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February 17, 2021

Charter School Board
Rock Creek Community Academy, Inc.
8000 Diefenbach Lane
Sellersburg IN 47172

We have reviewed the audit report of Rock Creek Community 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 Rock Creek Community 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 Emphasis-of-Matter Regarding a Correction of an Error paragraph included in the Independent Auditors' Report and further detailed in Note 12.

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 Rock Creek Community 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.

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

Paul D. Joyce, CPA
State Examiner

ROCK CREEK COMMUNITY ACADEMY, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



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**ROCK CREEK COMMUNITY ACADEMY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rock Creek Community Academy, Inc.
Anderson, Indiana

We have audited the accompanying financial statements of Rock Creek Community Academy, Inc., 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.

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. Those standards require that we plan and perform the audit 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 Rock Creek Community 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.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 12 to the financial statements, certain errors resulting in overstatement of amounts previously reported for net property and equipment as of June 30, 2018 and of depreciation expense and for the year ended June 30, 2019, were discovered by management of the entity during the current year. Accordingly, amounts reported for net property and equipment, net assets and depreciation expense have been restated in the 2019 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2018, and to depreciation expense for the year ended June 30, 2019 to correct the error. Our opinion is not modified with respect to that matter.

Adjustments to Prior Period Financial Statements

The financial statements of Rock Creek Community Academy, Inc. as of June 30, 2020, were audited by other auditors whose opinion dated November 17, 2019 expressed an unmodified opinion on those statements. As discussed in Note 12, the School has restated its 2019 financial statements during the current year to properly report net property and equipment as of June 30, 2018 and depreciation expense, student activity funds, student fees revenue, and net assets without donor restrictions and for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2019 financial statements before the restatement.

As part of our audit of the 2020 financial statements, we also audited adjustments described in Note 12 that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the School other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 5, 2021

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019 (Restated)
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,788,579	\$ 1,190,821
Cash - Restricted for Construction	106,531	4,317,491
Cash - Restricted for Debt Service	1,592,082	1,085,843
Total Cash	3,487,192	6,594,155
Grants Receivable	16,435	44,429
Prepaid Expenses	16,942	62,255
Total Current Assets	3,520,569	6,700,839
PROPERTY AND EQUIPMENT		
Land	1,196,153	1,196,153
Leasehold Improvements	13,185,802	555,013
Furniture and Equipment	745,242	690,328
Textbooks	437,573	426,133
Construction in Progress	-	9,769,996
Less: Accumulated Depreciation	(1,716,253)	(1,473,009)
Property and Equipment, Net	13,848,517	11,164,614
OTHER ASSETS		
Security Deposits	4,000	4,000
Total Assets	\$ 17,373,086	\$ 17,869,453

See accompanying Notes to Financial Statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

	2020	2019 (Restated)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 264,480	\$ 304,308
Construction Costs Payable	-	1,272,655
Current Portion of Bonds Payable	65,000	-
Current Portion of Capital Lease Payable	14,988	-
Accrued Bond Interest Payable	433,556	433,556
Deferred Revenue	159,447	135,958
Student Activity Funds	111,123	64,175
Refundable Advances	15,374	8,588
Total Current Liabilities	1,063,968	2,219,240
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion	14,585,000	14,650,000
Plus: Unamortized Premiums on Bonds Payable	119,606	123,840
Less: Unamortized Debt Insurance Costs	(432,267)	(447,569)
Capital Lease Payable, Net of Current Portion	47,518	-
Loan Payable Under Payroll Protection Program	504,600	-
Total Long-Term Liabilities	14,824,457	14,326,271
Total Liabilities	15,888,425	16,545,511
NET ASSETS		
Without Donor Restrictions	1,484,661	1,323,942
Total Liabilities and Net Assets	\$ 17,373,086	\$ 17,869,453

See accompanying Notes to Financial Statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2020

	2020	2019 (Restated)
REVENUE AND SUPPORT		
State Education Support	\$ 3,818,677	\$ 3,423,550
Grant Revenue	731,882	601,385
Student Fees	254,963	314,422
Contributions	43,379	10,425
Fundraising Income	9,605	95,599
Interest Income	34,660	119,926
Total Revenue and Support	4,893,166	4,565,307
EXPENSES		
Program Services	3,574,503	3,458,426
Management and General	1,157,944	681,556
Total Expenses	4,732,447	4,139,982
CHANGE IN NET ASSETS	160,719	425,325
Net Assets Without Donor Restrictions - Beginning of Year, As Restated	1,323,942	898,617
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 1,484,661	\$ 1,323,942

See accompanying Notes to Financial Statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 1,766,273	\$ 330,650	\$ 2,096,923
Employee Benefits	470,104	61,799	531,903
Professional Services	342,643	132,430	475,073
Occupancy	265,578	-	265,578
Classroom, Kitchen, and Office Supplies	223,666	18,910	242,576
Depreciation	243,244	-	243,244
Equipment	65,553	-	65,553
Authorizer Oversight Fees	-	99,675	99,675
Food Costs	71,499	-	71,499
Field Trips	560	-	560
Insurance	-	37,046	37,046
Repairs and Maintenance	46,175	158	46,333
Advertising	-	7,904	7,904
Staff Development	17,711	-	17,711
Interest	-	442,294	442,294
Other	61,497	27,078	88,575
	<u>\$ 3,574,503</u>	<u>\$ 1,157,944</u>	<u>\$ 4,732,447</u>
Total Functional Expenses	<u>\$ 3,574,503</u>	<u>\$ 1,157,944</u>	<u>\$ 4,732,447</u>

See accompanying Notes to Financial Statements.

**ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019 (RESTATED)**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 1,682,229	\$ 329,264	\$ 2,011,493
Employee Benefits	411,227	61,270	472,497
Professional Services	403,631	100,921	504,552
Occupancy	347,897	-	347,897
Classroom, Kitchen, and Office Supplies	224,214	18,017	242,231
Depreciation	58,709	-	58,709
Equipment	83,172	-	83,172
Authorizer Oversight Fees	-	83,652	83,652
Food Costs	63,035	-	63,035
Field Trips	55,115	-	55,115
Insurance	-	38,373	38,373
Repairs and Maintenance	32,916	4,228	37,144
Advertising	-	26,699	26,699
Staff Development	22,933	-	22,933
Interest	11,476	168	11,644
Other	61,872	18,964	80,836
	<u>\$ 3,458,426</u>	<u>\$ 681,556</u>	<u>\$ 4,139,982</u>
Total Functional Expenses	<u>\$ 3,458,426</u>	<u>\$ 681,556</u>	<u>\$ 4,139,982</u>

See accompanying Notes to Financial Statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 160,719	\$ 425,325
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	243,244	58,709
Amortization of Debt Issuance Costs	15,302	11,476
Amortization of Bond Premium	(4,234)	-
Changes in Operating Assets and Liabilities:		
Grants Receivable	27,994	(40,867)
Prepaid Expenses	45,313	(11,225)
Accounts Payable and Accrued Expenses	(39,828)	(47,925)
Student Activity Funds	46,948	1,636
Construction Costs Payable	(1,272,655)	-
Deferred Revenue	23,489	9,597
Refundable Advances	6,786	8,588
Net Cash Provided (Used) by Operating Activities	(746,922)	415,314
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,857,147)	(121,926)
Payments for Construction in Progress	-	(7,591,284)
Net Cash Used by Investing Activities	(2,857,147)	(7,713,210)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Bonds Payable	-	14,777,015
Proceeds from Loan Payable Under Payroll Protection Program	504,600	-
Debt Issuance Costs	-	(459,045)
Payments on Capital Leases	(7,494)	-
Net Proceeds from (Repayments of) Line of Credit	-	(1,456,441)
Net Cash Provided by Financing Activities	497,106	12,861,529
NET CHANGE IN CASH AND RESTRICTED CASH	(3,106,963)	5,563,633
Cash And Restricted Cash - Beginning of Year	6,594,155	1,030,522
CASH AND RESTRICTED CASH - END OF YEAR	\$ 3,487,192	\$ 6,594,155
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest, Including Capitalized Interest	\$ 433,556	\$ 280,211
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Construction Costs Payable	\$ -	\$ 1,272,655
Capitalized Interest Included in Construction in Progress	\$ 433,556	\$ 433,556
Assets Acquired Under Capital Lease	\$ 70,000	\$ -
Amortization of Premiums on Bonds Payable Included in Construction in Progress	\$ 4,234	\$ 3,175

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Rock Creek Community Academy, Inc. (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School, located in Sellersburg, Indiana, provided educational instruction to students in grades kindergarten to twelve, serving approximately 554 students during the 2019 – 2020 school year and approximately 510 students during the 2018 – 2019 school year.

During the year ended June 30, 2018, the School purchased land and began the construction of a new school facility. On September 1, 2018, the School entered into bond agreements with the Indiana Finance Authority to issue bonds totaling \$14,650,000 for the payoff of the existing line of credit and construction of a new school facility. As of June 30, 2019, construction in progress totaled \$9,769,996. Total project cost, including land and capitalized interest, was approximately \$13,500,000. The School moved into the new facility during November 2019.

Change in Accounting Principle

In May 2014, the 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 School's reported historical revenue. The early implementation of the standard did not significantly impact the School'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 School's financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

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 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.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2020 and 2019, the School had conditional grants it had received advances in excess of expenditures of \$15,374 and \$8,588, respectively. Accordingly, these amounts have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Grants Receivable and Revenue

Grants receivable and revenue 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.

Contributions, Grants, and Fees

The School receives income from contributions, student fees, and fundraising events 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.

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.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 equipment purchases with a unit cost of less than \$5,000 are charged to expense as incurred.

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

Building and Improvements	40 Years
Leasehold Improvements	5 to 8 Years
Furniture and Equipment	3 to 5 Years
Textbooks	5 Years

Construction in Progress

Construction in progress represents expenditures incurred for construction and development of the new school facility and are carried at cost. Cost includes related acquisition expenses, development/construction costs, and capitalized interest during the construction phase of the project, and other direct expenditures.

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School 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.

Deferred Revenue

Deferred revenue consists of student fees and textbook rentals received as part of the enrollment process for the subsequent academic school year.

Debt Issuance Costs

During the year ended June 30, 2019, the School incurred costs totaling \$459,045 associated with securing financing under the Indiana Finance Authority Education Facilities Revenue Bonds. Amortization is provided on a straight-line basis over the 30-year term of the bond. Accumulated amortization and amortization expense were \$26,778 and \$15,302 for the year ended June 30, 2020 and \$11,476 for the year ended June 30, 2019. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

Rock Creek Community Academy, Inc. has received a determination from the United States Department of Treasury 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. Tax years ending after 2016 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through February 5, 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.

Subsequent to year end and during the 2020-2021 school year, the School received roughly \$33,000 in CARES Act Funding.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation.

NOTE 2 RESTRICTED CASH

Cash – Restricted for debt service is reserved solely for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements.

Cash – Restricted for construction represents resources available for the building project and are drawn down as construction is completed.

NOTE 3 LINE OF CREDIT

During June 2018, the School entered into a line of credit arrangement with PNC Bank. The line of credit was secured by substantially all assets of the School. Interest on the line of credit was charged at LIBOR plus 2.50%. The line of credit was paid off and cancelled in 2019 with proceeds from the bond offering (see Note 5).

**ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 4 BONDS PAYABLE

Bonds payable consisted of the following as of June 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Indiana Finance Authority Education Facilities Revenue Bonds, Series 2018A with a face amount of \$14,450,000, plus premium of \$127,015. The principal is payable in annual installments that increase from \$140,000 to \$905,000 from July 2021 to July 2048, with a lump sum payment of \$2,060,000 due in July 2048. Interest payments are made semi-annually on January 1 and July 1 at rates ranging from 5.25% to 6.125% from July 2021 to July 2039 in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements.	\$ 14,450,000	\$ 14,450,000
Indiana Finance Authority Taxable Education Facilities Revenue Bonds, Series 2018B with a face amount of \$200,000. The principal is payable in annual installments of \$65,000, \$65,000, and \$70,000 in July 2020, 2021, and 2022, respectively. Interest payments are made semi-annually on January 1 and July 1 at a rate of 6.375% in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements.	<u>200,000</u>	<u>200,000</u>
Total	<u>14,650,000</u>	<u>14,650,000</u>
Less: Current Portion	<u>(65,000)</u>	<u>-</u>
Long-Term Portion	<u>\$ 14,585,000</u>	<u>\$ 14,650,000</u>

The premium on the Series A bonds above totaled \$127,015 and is being amortized over the 30-year life of the bonds. Amortization of the premium for the year ended June 30, 2020 and 2019 was \$4,234 and \$3,175, respectively and is netted against capitalized interest expense (i.e., a reduction of construction in progress).

The Indiana Finance Authority Educational Facilities Revenue Bond agreement contains certain covenants requiring minimum unrestricted cash reserves sufficient to meet 45 days of operating expenses and establishes a minimum debt service coverage ratio of 1.10 to 1. The School believes it was in compliance with covenants for 2020.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 BONDS PAYABLE (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 65,000
2022	205,000
2023	215,000
2024	225,000
2025	240,000
Thereafter	13,700,000
Total	<u>\$ 14,650,000</u>

NOTE 5 PAYROLL PROTECTION PROGRAM LOAN

In April 2020, the School received a loan from First Financial Bank in the amount of \$504,600 to fund payroll, rent utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

NOTE 6 LEASES

The School leased its school facility, modular classrooms, and items of equipment under operating leases until the new building was completed and the School took ownership of the new building in December 2019. Under the facility lease, the School was also responsible for repairs, maintenance, and utilities. Total expense under these operating leases was \$188,418 and \$306,645 for the years ended June 30, 2020 and 2019, respectively.

The School leases a bus under a capital lease which was acquired during 2020. At June 30, 2020, the cost and accumulated depreciation relating to this asset was \$70,000 and \$5,833.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 LEASES (CONTINUED)

Minimum future lease payments as of June 30, 2020 under capital leases and the present value of the net minimum lease payments are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 14,988
2022	14,988
2023	14,988
2024	14,988
2025	7,494
Less: Amount Representing Interest	(4,940)
Total	<u>\$ 62,506</u>

NOTE 7 RETIREMENT PLAN

The School maintains a Section 403(b) defined contribution retirement plan with Mass Mutual Financial Group for the benefit of its employees. Substantially all full-time employees are eligible to participate. Under the plan, the School contributes 7.5% of each participant's compensation for the plan year. Retirement plan expense for the years ended June 30, 2020 and 2019 was \$151,398 and \$135,584, respectively.

NOTE 8 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. The charter remains in effect until June 30, 2020, and is renewable thereafter by mutual consent. Payments under this charter agreement were \$99,675 and \$83,652 for the years ended June 30, 2020 and 2019, respectively.

NOTE 9 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Clark 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 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.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 RISKS AND UNCERTAINTIES (CONTINUED)

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2019, substantially all of the grants receivable balance was due from the state of Indiana. Cash deposits are maintained at New Washington State Bank and US Bank and normally exceed the FDIC insurance limit.

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its 2020 and 2021 operations and financial results, including an increase in nutrition funding. Management believes the School 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.

NOTE 10 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2020 and 2019 to meet its cash needs for general expenditures within one year of the date of the statements of financial position. The School's financial assets include cash and grants receivable.

	2020	2019
Financial Assets	\$ 3,503,627	\$ 6,638,584
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Restricted Cash for Use in Construction and Debt Service	(1,698,613)	(5,403,334)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 3,503,627	\$ 1,235,250

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.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 12 PRIOR PERIOD RESTATEMENT – CORRECTION OF AN ERROR

During the year ended June 30, 2020, the School discovered that it had continued depreciating assets that were related to a lease that expired at June 30, 2018. The School had not fully depreciated these assets at June 30, 2018 as they should have been resulting in a net overstatement of property and equipment of \$25,215. These assets continued to be depreciated in 2019 and the School recorded \$87,104 in depreciation expense related to these assets that should not have been recorded.

During the year ended June 30, 2020, the School determined it had been incorrectly accounting for its student activity fees. Previously, the School had recorded these fees and the activity as with donor restrictions; however, since these activities and fees do not bear any restrictions from donors, they should be recorded as a liability for student activities. The School did not include \$64,175 in liabilities for the year ended June 30, 2019. Additionally, student fees revenue was overstated by \$1,636.

The following statement of financial position line items for fiscal year 2019 were affected by the restatements:

	June 30, 2019		
	As Reported	Restatement	As Restated
Accumulated Depreciation	\$ (1,534,898)	\$ 61,889	\$ (1,473,009)
Property and Equipment, Net	11,102,725	61,889	11,164,614
Total Assets	17,807,564	61,889	17,869,453
Student Activity Funds	-	64,175	64,175
Total Liabilities	16,481,336	64,175	16,545,511
Net Assets Without Donor Restrictions	1,262,053	61,889	1,323,942
Net Assets With Donor Restrictions	64,175	(64,175)	-
Total Net Assets	1,326,228	(2,286)	1,323,942
Total Liabilities and Net Assets	17,807,564	61,889	17,869,453

The following statement of activities and change in net assets line items for fiscal year 2019 were affected by the restatements:

	June 30, 2019		
	As Reported	Restatement	As Restated
Student Fees	\$ 316,058	\$ (1,636)	\$ 314,422
Total Revenue and Support	4,566,943	(1,636)	4,565,307
Program Services	3,545,530	(87,104)	3,458,426
Total Expenses	4,227,086	(87,104)	4,139,982
Change in Net Assets	339,857	85,468	425,325

The following statement of functional expense line items for fiscal year 2019 were affected by the restatements:

	June 30, 2019		
	As Reported	Restatement	As Restated
Depreciation	\$ 145,813	\$ (87,104)	\$ 58,709
Total Program Expenses	3,545,430	(87,104)	3,458,326
Total Expenses	4,227,086	(87,104)	4,139,982

**ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 12 PRIOR PERIOD RESTATEMENT – CORRECTION OF AN ERROR (CONTINUED)

The following statement of cash flows line items for fiscal year 2019 were affected by the restatements:

	June 30, 2019		
	<u>As Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Change in Net Assets	\$ 339,857	\$ 85,468	\$ 425,325
Depreciation	145,813	(87,104)	58,709

**ROCK CREEK COMMUNITY 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
Rock Creek Community 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*.

