



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B56423

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February 22, 2021

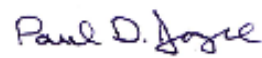
Charter School Board
Neighbors' Educational Opportunities, Inc.
5201 US Highway 6
Portage, IN 46368

We have reviewed the audit report of Neighbors' Educational Opportunities, 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 Neighbors' Educational Opportunities, 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 Neighbors' Educational Opportunities, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



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**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Neighbors' Educational Opportunities, Inc.
Portage, Indiana

We have audited the accompanying financial statements of Neighbors' Educational Opportunities, Inc. (the Corporation), 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 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 Corporation'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 Corporation'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.

Board of Directors
Neighbors' Educational Opportunities, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighbors' Educational Opportunities, 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 Matter

The 2019 financial statements of Neighbors' Educational Opportunities, Inc. were audited by other auditors whose report dated December 16, 2019 expressed an unmodified opinion on those statements.

The supplementary information is presented for the purposes of additional analysis 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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
January 8, 2021

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 257,924	\$ 63,701
Grants Receivable	115,494	67,487
Other Receivables	6,483	44,612
Total Current Assets	379,901	175,800
PROPERTY AND EQUIPMENT		
Land	835,000	835,000
Buildings and Improvements	3,995,999	3,957,399
Furniture and Equipment	457,844	442,499
Less: Accumulated Depreciation	(792,297)	(615,451)
Property and Equipment, Net	4,496,546	4,619,447
OTHER ASSETS		
Security Deposit	11,910	11,910
Total Assets	\$ 4,888,357	\$ 4,807,157
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 360,980	\$ 317,737
Accounts Payable and Accrued Expenses	140,210	157,646
Short-Term Note Payable	2,882	2,882
Total Current Liabilities	504,072	478,265
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	3,585,679	3,900,712
Loan Payable Under Paycheck Protection Program	321,700	-
Total Long-Term Liabilities	3,907,379	3,900,712
Total Liabilities	4,411,451	4,378,977
NET ASSETS		
Without Donor Restrictions	476,906	428,180
Total Liabilities and Net Assets	\$ 4,888,357	\$ 4,807,157

See accompanying Notes to Financial Statements.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
REVENUE AND SUPPORT		
State Education Support	\$ 1,691,191	\$ 1,676,161
Grant Revenue	865,021	821,684
Student Fees	33,382	41,419
Rental Income	46,710	57,451
Contributions	26,096	26,510
Fundraising and Other Income	61,855	12,502
Total Revenue and Support	2,724,255	2,635,727
EXPENSES		
Program Services	1,910,489	1,769,824
Management and General	765,040	667,511
Total Expenses	2,675,529	2,437,335
CHANGE IN NET ASSETS	48,726	198,392
Net Assets - Beginning of Year	428,180	229,788
NET ASSETS - END OF YEAR	\$ 476,906	\$ 428,180

See accompanying Notes to Financial Statements.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 1,052,216	\$ 393,707	\$ 1,445,923	\$ 952,449	\$ 318,703	\$ 1,271,152
Employee Benefits	145,537	66,589	212,126	153,967	72,808	226,775
Staff Development	31,640	-	31,640	5,546	-	5,546
Authorizer Oversight Fees	-	48,173	48,173	-	35,748	35,748
Educational Content	66,159	-	66,159	38,379	-	38,379
Food Costs	30,953	-	30,953	50,850	-	50,850
Equipment	33,910	-	33,910	31,946	-	31,946
Classroom Office Supplies	50,754	7,939	58,693	33,536	6,799	40,335
Professional Services	96,426	34,021	130,447	104,563	45,239	149,802
Occupancy	104,907	-	104,907	120,453	14,563	135,016
Contracted IT Services	76,436	-	76,436	96,768	-	96,768
Travel	6	2,306	2,312	3,072	709	3,781
Insurance	-	23,130	23,130	-	20,475	20,475
Advertising	-	9,772	9,772	-	397	397
Depreciation	176,846	-	176,846	176,846	-	176,846
Interest	-	172,307	172,307	-	146,813	146,813
Other	44,699	7,096	51,795	1,449	5,257	6,706
Total Functional Expenses	\$ 1,910,489	\$ 765,040	\$ 2,675,529	\$ 1,769,824	\$ 667,511	\$ 2,437,335

See accompanying Notes to Financial Statements.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 48,726	\$ 198,392
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	176,846	176,846
Changes in Operating Assets and Liabilities:		
Grants Receivable	(48,007)	(26,089)
Other Receivables	38,129	(28,708)
Prepaid Expenses	-	4,120
Accounts Payable and Accrued Expenses	(17,436)	(75,059)
Net Cash Provided by Operating Activities	198,258	249,502
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(53,945)	-
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan Payable Under Paycheck Protection Program	321,700	-
Repayments of Short-Term Notes Payable	-	(5,843)
Principal Payments of Notes Payable	(271,790)	(187,357)
Net Cash Provided (Used) by Financing Activities	49,910	(193,200)
 NET CHANGE IN CASH	194,223	56,302
Cash - Beginning of Year	63,701	7,399
 CASH - END OF YEAR	\$ 257,924	\$ 63,701
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 159,492	\$ 146,813

See accompanying Notes to Financial Statements.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Neighbors' Educational Opportunities, Inc. (the Corporation) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The Corporation operates a public alternative charter high school established under Indiana Code 20-24 that served approximately 219 students during 2019-2020. The Corporation also operates a comprehensive adult education program and an official testing site for the State of Indiana's High School Equivalency diploma.

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 Corporation reported historical revenue. The early implementation of the standard did not significantly impact the Corporation'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 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 Corporation's financial statements.

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.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenues primarily come from conditional resources provided under the Indiana Charter Schools Act. Under the Act, the Corporation 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 Corporation's revenue is the product of cost reimbursement grants. Therefore, the Corporation 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, the Corporation does not have any conditional grants that 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.

Grant, Contribution, and Fundraising Revenue

The School receives income from grants, contributions, and fundraising 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.

Rental Income

Rentals income is recognized when the rental event takes place and/or time period occurs.

Cash and Cash Equivalents

Cash equivalents include money market funds and time deposits with maturities of three months or less at the date of purchase.

Grants Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the state of Indiana. The Corporation believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. Student fees receivable relate to unpaid student fees from the 2019-2020 school year. The Corporation believes that all balances will be collected.

Security Deposits

Security deposits consist of required deposits made with the local utility companies.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
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 \$1,000 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:

Buildings and Improvements	37.5 Years
Furniture and Equipment	3 to 7 Years

Impairment of Long-Lived Assets

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

Taxes on Income

The Corporation has received a determination from the U.S. Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the Corporation 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 Corporation 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 Corporation has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the Corporation are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Corporation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Corporation evaluated subsequent events through January 8, 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 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Note payable to Indiana State Board of Education, payable \$57,633 semi-annually (January 1 and July 1) plus interest at 1.00% per annum.	\$ 982,389	\$ 1,037,389
Note payable to 1st Source Bank, payable in monthly installments \$27,789 including interest at 4.25% per annum, with a balloon payment due May 2022, secured by mortgage on Corporation facilities.	<u>2,964,270</u>	<u>3,181,060</u>
Total	3,946,659	4,218,449
Less: Current Portion	<u>(360,980)</u>	<u>(317,737)</u>
Long-Term Portion	<u>\$ 3,585,679</u>	<u>\$ 3,900,712</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 360,980
2022	2,905,564
2023	151,137
2024	151,137
2025	151,137
Thereafter	<u>226,704</u>
Total	<u>\$ 3,946,659</u>

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 LOAN PAYABLE UNDER THE PAYCHECK PROTECTION PROGRAM

In April 2020, the Corporation received a loan from 1st Source Bank in the amount of \$321,700, 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 18 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 Corporation 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. To the extent that all or part of the PPP Loan is not forgiven, the Corporation will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020, principal and interest payments will be required through the maturity date in April 2022. Subsequent to year-end, the full amount of the loan was forgiven.

NOTE 4 LEASES

The Corporation leases equipment under operating lease agreements that expire in 2023 and 2024. Expense under these operating leases was \$24,890 and \$13,345 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 27,538
2022	27,538
2023	17,824
2024	2,161
2025	-
Total	<u>\$ 75,061</u>

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 RETIREMENT PLAN

The Corporation provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are a cost-sharing multiple-employer defined benefit retirement plan governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2020 and 2019, the Corporation contributed 5.5% of compensation for eligible teaching personnel to TRF and 11.2% for other employees to PERF. Should the Corporation elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The Corporation's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2019 (the latest year reported), TRF and PERF were approximately 102% and 80% funded, respectively.

The Corporation maintains a Section 403(b) retirement plan. Employees may contribute up to 100% of their compensation provided they are at least 18 years of age and have at least 30 days of employment. There is no provision for an employer match.

Retirement plan expenses totaled \$37,110 and \$11,534 during the years ended June 30, 2020 and 2019, respectively.

NOTE 6 COMMITMENTS

The Corporation operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the Corporation has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$48,173 and \$35,748 for the years ended June 30, 2020 and 2019, respectively. The charter remains in effect until June 30, 2022 and is renewable thereafter by mutual consent.

NOTE 7 RISKS AND UNCERTAINTIES

The Corporation provides educational instruction services to families residing in Porter 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. Any changes in state or federal legislation could significantly impact the Corporation. Additionally, the Corporation is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the Corporation.

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2020 and 2019, 95% and 60% of the receivable balance was due from the state of Indiana, respectively.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 RISKS AND UNCERTAINTIES (CONTINUED)

The Corporation primarily maintains its cash and cash equivalents in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, the Corporation has not experienced losses in any of these accounts.

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 Corporation, COVID-19 has impacted various parts of its 2020 and 2021 operations and financial results, including an increase in nutrition funding. Management believe the Corporation 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 8 LIQUIDITY

Under ASU 2016-14, the Corporation 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 statement of financial position. Financial assets for the Corporation include cash, grants, and student fees receivable. Financial assets available at June 30, 2020 and 2019 were \$379,901 and \$175,800, respectively.

From time to time, the Corporation receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Corporation 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 Corporation'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 9 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 Corporation 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 is required.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Charter School	Adult Education Program	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 204,153	\$ 53,771	\$ 257,924
Grants Receivable	115,494	-	115,494
Other Receivables	6,221	262	6,483
Total Current Assets	325,868	54,033	379,901
PROPERTY AND EQUIPMENT			
Land	835,000	-	835,000
Buildings and Improvements	3,995,999	-	3,995,999
Furniture and Equipment	454,007	3,837	457,844
Less: Accumulated Depreciation	(792,297)	-	(792,297)
Property and Equipment, Net	4,492,709	3,837	4,496,546
OTHER ASSETS			
Security Deposit	11,910	-	11,910
Total Assets	\$ 4,830,487	\$ 57,870	\$ 4,888,357
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current Portion of Notes Payable	\$ 360,980	\$ -	\$ 360,980
Accounts Payable and Accrued Expenses	140,096	114	140,210
Short-Term Note Payable	2,882	-	2,882
Total Current Liabilities	503,958	114	504,072
LONG-TERM LIABILITIES			
Notes Payable, Net of Current Portion	3,595,394	(9,715)	3,585,679
Loan Payable Under Paycheck Protection Program	321,700	-	321,700
Total Long-Term Liabilities	3,917,094	(9,715)	3,907,379
Total Liabilities	4,421,052	(9,601)	4,411,451
NET ASSETS			
Without Donor Restrictions	409,435	67,471	476,906
Total Net Assets	409,435	67,471	476,906
Total Liabilities and Net Assets	\$ 4,830,487	\$ 57,870	\$ 4,888,357

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Charter School	Adult Education Program	Total
REVENUE AND SUPPORT			
State Education Support	\$ 1,691,191	\$ -	\$ 1,691,191
Grant Revenue	539,586	325,435	865,021
Student Fees	19,350	14,032	33,382
Rental Income	46,710	-	46,710
Contributions	26,096	-	26,096
Fundraising and Other Income	17,156	44,699	61,855
Total Revenue and Support	<u>2,340,089</u>	<u>384,166</u>	<u>2,724,255</u>
EXPENSES			
Program Services	1,644,047	266,442	1,910,489
Management and General	656,212	108,828	765,040
Total Expenses	<u>2,300,259</u>	<u>375,270</u>	<u>2,675,529</u>
CHANGES IN NET ASSETS	39,830	8,896	48,726
Net Assets - Beginning of Year	<u>369,335</u>	<u>58,845</u>	<u>428,180</u>
NET ASSETS - END OF YEAR	<u><u>\$ 409,165</u></u>	<u><u>\$ 67,741</u></u>	<u><u>\$ 476,906</u></u>

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
OTHER REPORT
YEAR ENDED JUNE 30, 2020**

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

Supplemental Audit Report of Neighbors' Educational Opportunities, 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*.

