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March 17, 2021

Charter School Board  
Indiana Agriculture Education, Inc.  
d/b/a Indiana Agriculture & Technology School  
650 East Carmel Drive  
Carmel, IN 46260

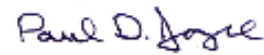
We have reviewed the audit report of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditors' Report*, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements included in the report present fairly the financial condition of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School 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 Basis for Qualified Opinion in the audit report.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School, 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

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
FINANCIAL STATEMENTS  
Together with Independent Auditors' Report  
For the Years Ended June 30, 2020 and 2019



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Indiana Agriculture Education, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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### **Basis for Qualified Opinion**

The School's financial statements do not disclose a potential liability due to the State of Indiana and issues with its charter status. On January 25, 2021, a State Board of Accounts Special Investigation Report was issued. The report found that the School owed the State of Indiana \$329,510 for reimbursement of overpayment of various forms of tuition support. The School was deemed to have been overpaid due to operating a virtual charter school rather than a brick and mortar charter school. Virtual charter schools are paid a lower rate for tuition support funding than brick and mortar charter schools. The School's sponsor, Nineveh-Hensley-Jackson United School Corporation ("NHJ"), was given authorizer registration with the Indiana State Board of Education for a brick and mortar charter school and not a virtual charter school. NHJ is subject to a Corrective Action Plan requiring it to make changes to ensure that the School no longer operates as a virtual charter school, with the actions to be taken over the course of the 2021-2022 school year. Failure to meet the requirements of the Corrective Action Plan could result in the loss of authorizer registration and, subsequently, the School's charter. The loss of the charter would raise questions about the School's ability to continue as a going concern, as would repayment of the tuition support amount. The School is in the process of appealing the findings of the State Board of Accounts Special Investigation Report. In our opinion, the recording and disclosure of this information is required by accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School as of June 30, 2020 and 2019, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana  
February 26, 2021

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 100,040	\$ 112,629
Accounts receivable	<u>11,341</u>	<u>98</u>
<i>Total current assets</i>	<u>111,381</u>	<u>112,727</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	22,625	-
Equipment	16,515	16,515
Less: accumulated depreciation	<u>(17,309)</u>	<u>(5,746)</u>
<i>Property and equipment, net</i>	<u>21,831</u>	<u>10,769</u>
<b>OTHER ASSETS</b>		
Restricted cash	20,000	-
Security deposit	<u>5,057</u>	<u>-</u>
<i>Total other assets</i>	<u>25,057</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 158,269</u></u>	<u><u>\$ 123,496</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 39,968	\$ 14,718
<b>LONG-TERM LIABILITIES</b>		
Related party notes payable	<u>-</u>	<u>94,333</u>
<i>Total liabilities</i>	39,968	109,051
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>118,301</u>	<u>14,445</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 158,269</u></u>	<u><u>\$ 123,496</u></u>

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

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 1,343,393	\$ 802,373
Grant revenue	390,190	279,609
CARES Act funding	67,900	-
Contributions:		
Forgiveness of related party notes payable	-	440,000
Other	1,197	4,250
Student fees	17,528	-
Other income	9,950	2,821
	<u>1,830,158</u>	<u>1,529,053</u>
 <i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	1,337,732	653,760
Management and general	388,570	362,560
	<u>1,726,302</u>	<u>1,016,320</u>
 <i>Total expenses</i>		
<b>CHANGE IN NET ASSETS</b>	103,856	512,733
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>14,445</u>	<u>(498,288)</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 118,301</u>	<u>\$ 14,445</u>

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

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2020 and 2019**

	2020			2019		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Online curriculum services	\$ 404,901	\$ -	\$ 404,901	\$ 245,491	\$ -	\$ 245,491
Salaries and wages	198,508	150,998	349,506	143,923	109,608	253,531
Occupancy	269,555	-	269,555	125,866	-	125,866
Professional services	213,709	48,858	262,567	59,387	56,439	115,826
Supplies	194,693	25,546	220,239	26,425	9,833	36,258
Advertising	-	53,888	53,888	-	79,517	79,517
Employee benefits	22,683	19,387	42,070	16,608	11,421	28,029
Authorizer oversight fee	-	34,688	34,688	-	20,511	20,511
Travel	-	20,695	20,695	-	15,003	15,003
Interest	-	13,202	13,202	-	47,227	47,227
Depreciation	11,563	-	11,563	4,021	-	4,021
Information technology services	10,836	-	10,836	8,665	-	8,665
Insurance	-	8,984	8,984	-	6,434	6,434
Repairs and maintenance	6,834	-	6,834	7,446	-	7,446
Student transportation	-	-	-	10,232	-	10,232
Staff development	-	-	-	2,850	-	2,850
Other	4,450	12,324	16,774	2,846	6,567	9,413
<i>Total functional expenses</i>	<u>\$ 1,337,732</u>	<u>\$ 388,570</u>	<u>\$ 1,726,302</u>	<u>\$ 653,760</u>	<u>\$ 362,560</u>	<u>\$ 1,016,320</u>

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

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 103,856	\$ 512,733
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,563	4,021
Forgiveness of related party notes payable	-	(440,000)
Changes in certain assets and liabilities:		
Accounts receivable	(11,243)	(98)
Prepaid expenses	-	9,766
Security deposit	(5,057)	-
Accounts payable and accrued expenses	<u>25,250</u>	<u>7,121</u>
<i>Net cash provided by operating activities</i>	124,369	93,543
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(22,625)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from related party note payable	-	10,500
Principal payments on related party notes payable	<u>(94,333)</u>	<u>-</u>
<i>Net cash provided by (used in) financing activities</i>	(94,333)	10,500
<b>NET CHANGE IN CASH</b>	7,411	104,043
<b>CASH (UNRESTRICTED AND RESTRICTED), BEGINNING OF YEAR</b>	<u>112,629</u>	<u>8,586</u>
<b>CASH (UNRESTRICTED AND RESTRICTED), END OF YEAR</b>	<u><u>\$ 120,040</u></u>	<u><u>\$ 112,629</u></u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 13,202	\$ 47,227

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

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2020 and 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School instructs students using a combination of virtual learning technologies and live hands-on experiences in agriculture, conservation, and environmental sciences. The School served approximately 210 and 120 students in 2020 and 2019, respectively, in seventh through twelfth grade. The School is sponsored by Nineveh-Hensley-Jackson United School Corporation. The charter remains in effect until June 30, 2025, and is renewable thereafter by mutual consent.

Financial Statement Presentation - The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which include unrestricted resources that are available for the operating objectives of the School; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2020 and 2019, the School had only net assets without donor restrictions.

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. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

The School has elected to defer implementation of Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaces most existing revenue recognition guidance under accounting principles generally accepted in the United States of America and requires disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 was to take effect for fiscal years beginning after December 15, 2018, but in May 2020, the Financial Accounting Standards Board allowed for a one-year deferral.

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 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 and minor replacement costs and equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets (3 to 5 years) using the straight-line method.

Restricted Cash – As part of its charter agreement with Nineveh-Hensley-Jackson United School Corporation (Note 8), the School is required to hold in an escrow account funds to pay for legal, wind down of operations, and audit expenses that would be associated with dissolution should it occur. Per the agreement, the School is required to place a minimum of \$30,000 into the account by December 31, 2020. As of June 30, 2020, the restricted fund totaled \$20,000.

Taxes on Income – Indiana Agriculture Education, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2020 and 2019, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years after 2016 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 26, 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 - RELATED PARTY TRANSACTIONS**

The School received loans from, and executed lease agreements with, companies owned by related parties.

The School received loans from Integrated Investments of Indiana, Inc. and Stakeholder International, LLC (see Note 3), which are owned by John Curtis and Allan Sutherlin, respectively. John Curtis is the former School Board Treasurer, current School Ad Hoc Board Member, and is the current School Treasurer (see Note 5). Allan Sutherlin is the current School Board President. John Curtis and Allan Sutherlin are co-founders of the School.

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2020 and 2019**

**NOTE 2 - RELATED PARTY TRANSACTIONS, Continued**

The School leases a farm property and office space from entities owned by John Curtis. The farm is owned by Network Venture Funding, which is partly owned by Integrated Investments of Indiana, Inc. Additionally, the School's office space is owned by Network Capital, LLC, which is owned by John Curtis (see Note 6).

The School's Director of Enrollment/Registrar is the son of a board member.

**NOTE 3 – RELATED PARTY NOTES PAYABLE**

The related party notes payable consisted of the following as of June 30, 2019. All related party notes payable were paid in full in 2020.

Note payable to Integrated Investments of Indiana, Inc., principal due in full by August 30, 2020. Interest at 15% per annum was paid monthly.	\$ 83,833
Note payable to Stakeholder International, LLC, principal due in full by August 30, 2020. Interest at 15% per annum was paid monthly.	<u>10,500</u>
Long-term portion	\$ <u>94,333</u>

**NOTE 4 - CARES ACT FUNDING**

On May 6, 2020, the School was granted a loan from PNC Bank, N.A. in the amount of \$67,900, pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act. The note matures on May 6, 2022 and bears interest at a rate of 1.00%. Under the terms of the Paycheck Protection Program, the loan funds will be forgiven if they are used for qualifying expenses as described in the CARES Act. The School has evaluated the expenses to which these funds were applied through June 30, 2020, and has determined the loan requirements have been met and the loan will be forgiven in full. The School has elected to recognize the funds as a contribution in accordance with FASB ASC 958-605 by reflecting the full amount as revenue during the year ended June 30, 2020.

**NOTE 5 - VALUATION OF IN-KIND SERVICES**

The School received in-kind services from John Curtis, who operates as the School's Treasurer and provides accounting services (see Note 2). The School has not calculated an estimated value for these services. Accordingly, no in-kind amounts have been recorded for the years ended June 30, 2020 and 2019.

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2020 and 2019**

**NOTE 6 - LEASES**

The School executed leases with two companies owned by related parties (see Note 2) for office space and farm property.

The office space lease provides for monthly rental payments of \$4,769 through August 2020, increasing to \$4,912 through August 2021, and increasing to \$5,057 through August 2022. Total expense under this lease was \$51,342 and \$30,895 for the years ended June 30, 2020 and 2019, respectively.

The farm lease provides for monthly rental payments of \$83 per student based on the number of students reported to the State of Indiana for ADM counts in September and February. The lease is renewable annually and expires on June 30. Total expense under this lease was \$175,000 and \$93,000 for the years ended June 30, 2020 and 2019, respectively.

During the year ended June 30, 2020, the School entered into a month-to-month lease for a mobile classroom. Total expense under this lease was \$26,400 for the year ended June 30, 2020.

Following is a schedule of future minimum lease obligations for the years ending June 30:

2021	\$	76,402
2022		60,391
2023		10,114

**NOTE 7 - 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 consisted of unrestricted cash and accounts receivable totaling \$111,381 and \$112,727 at June 30, 2020 and 2019, respectively, all of which are available to meet cash needs for general expenditures within one year.

**NOTE 8 - COMMITMENTS**

The School operates under a charter granted by Nineveh-Hensley-Jackson United School Corporation. As the sponsoring organization, Nineveh-Hensley-Jackson United School Corporation exercises certain oversight responsibilities. Under this charter, the School has agreed to pay Nineveh-Hensley-Jackson United School Corporation an annual administrative fee equal to 3% of state tuition payments received. Payments under this agreement were \$34,688 and \$20,511 for the years ended June 30, 2020 and 2019, respectively.

The School has contracted with Edgenuity, Inc. to provide online instructional services for its students. The contract is for a three-year term through June 30, 2021. Payments under this agreement were \$343,848 and \$237,200 for the years ended June 30, 2020 and 2019, respectively.

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2020 and 2019**

**NOTE 9 - RISKS AND UNCERTAINTIES**

The School provides educational instruction to students residing 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.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at PNC Bank and are insured up to the FDIC insurance limit.

**NOTE 10 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain expenses have been allocated between program services and management and general expenses. Salaries and wages and employee benefits are allocated based on time estimates. All other expenses are directly applied to program services or management and general.

**INDIANA AGRICULTURE EDUCATION, INC.**  
**d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL**  
**OTHER REPORT**  
**For the Year Ended June 30, 2020**

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Indiana Agriculture Education, Inc.  
d/b/a Indiana Agriculture & Technology School

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*.