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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

March 29, 2021

Charter School Board
The Phalen Leadership Academy - Indiana, Inc.
2323 North Illinois St.
Indianapolis, IN 46208


We have reviewed the audit report of The Phalen Leadership Academy - Indiana, 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 The Phalen Leadership Academy - Indiana, 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 finding in the report on page 37. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan immediately follows the finding on page 37.

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 The Phalen Leadership Academy - Indiana, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



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**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
OTHER REPORTS
YEAR ENDED JUNE 30, 2020**

The report presented herein was prepared in addition to another official report prepared for The Phalen Leadership Academy – Indiana, Inc. as listed below:

Supplemental Audit Report of Phalen Leadership Academy – Indiana, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Phalen Leadership Academy – Indiana, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Phalen Leadership Academy – Indiana, Inc. (PLA), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to PLA'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 PLA'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 PLA as of June 30, 2020 and 2019, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Supplementary Schedules

The supplementary information included in the schedules of financial position, functional expenses and activities by school are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. 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.

Other Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2021, on our consideration of PLA’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of PLA’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PLA’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 24, 2021

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,392,461	\$ 3,506,783
Grants and Operator Receivables	783,883	585,680
Related Party Accounts Receivable	766,092	401,448
Prepaid Assets	-	4,673
Total Current Assets	6,942,436	4,498,584
PROPERTY AND EQUIPMENT		
Land	771,200	771,200
Building and Improvements	6,004,048	6,004,048
Leasehold Improvements	2,008,977	243,722
Furniture and Equipment	887,594	751,271
Books and Educational Materials	830,556	753,424
Computer Software and Equipment	645,712	630,846
Total, at Cost	11,148,087	9,154,511
Less: Accumulated Depreciation	2,801,556	2,169,787
Total Furniture and Equipment	8,346,531	6,984,724
OTHER ASSETS		
Security Deposit	804,460	871,504
Total Assets	\$ 16,093,427	\$ 12,354,812
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 711,410	\$ 253,351
Related Party Payables	285,495	18,168
Current Portion of Notes Payable	974,651	145,770
Current Portion of Notes Payable - Affiliate	59,355	57,032
Accrued Liabilities	305,591	157,276
Total Current Liabilities	2,336,502	631,597
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	2,559,227	3,370,604
Notes Payable, Net of Current Portion - Affiliate	2,559,148	1,868,503
Loan Payable Under Paycheck Protection Program	1,987,600	-
Total Long-Term Liabilities	7,105,975	5,239,107
Total Liabilities	9,442,477	5,870,704
NET ASSETS		
Without Donor Restrictions:		
Undesignated	5,367,267	3,603,058
With Donor Restrictions:		
Purpose Restrictions	1,283,683	2,881,050
Total Net Assets	6,650,950	6,484,108
Total Liabilities and Net Assets	\$ 16,093,427	\$ 12,354,812

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT:			
REVENUE			
Contributions and Donations	\$ 439,159	\$ -	\$ 439,159
Grant Revenue	10,101,067	-	10,101,067
Operator Revenue	9,875,340	-	9,875,340
In-Kind Revenue	3,384,291	-	3,384,291
Other Revenue	124,058	-	124,058
Total Revenue	23,923,915	-	23,923,915
Net Assets Released from Restrictions	1,597,367	(1,597,367)	-
Total Revenue and Support	25,521,282	(1,597,367)	23,923,915
EXPENSES			
Program Services	17,554,018	-	17,554,018
Supporting Services:			
General and Administrative	6,203,055	-	6,203,055
Total Expenses	23,757,073	-	23,757,073
CHANGE IN NET ASSETS	1,764,209	(1,597,367)	166,842
Net Assets - Beginning of Year	3,603,058	2,881,050	6,484,108
NET ASSETS - END OF YEAR	\$ 5,367,267	\$ 1,283,683	\$ 6,650,950

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT:			
REVENUE			
Contributions and Donations	\$ 5,360	\$ -	\$ 5,360
Grant Revenue	5,963,773	2,881,050	8,844,823
Operator Revenue	9,023,926	-	9,023,926
In-Kind Revenue	4,911,091	-	4,911,091
Other Revenue	26,703	-	26,703
Total Revenue	19,930,853	2,881,050	22,811,903
Net Assets Released from Restrictions	11,878	(11,878)	-
Total Revenue and Support	19,942,731	2,869,172	22,811,903
EXPENSES			
Program Services	15,265,759	-	15,265,759
Supporting Services:			
General and Administrative	5,229,087	-	5,229,087
Total Expenses	20,494,846	-	20,494,846
CHANGE IN NET ASSETS	(552,115)	2,869,172	2,317,057
Net Assets - Beginning of Year	4,155,173	11,878	4,167,051
NET ASSETS - END OF YEAR	\$ 3,603,058	\$ 2,881,050	\$ 6,484,108

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services	Total
	Academics	Management and General	Expenses
Salaries and Benefits	\$ 9,162,947	\$ 2,584,943	\$ 11,747,890
Professional Services	614,610	265,795	880,405
Information Technology	1,120,950	2,489,216	3,610,166
Legal and Accounting	-	204,028	204,028
Professional Development	72,024	40,516	112,540
Cleaning Services	27,547	-	27,547
Security Services	153,002	-	153,002
Utilities	414,469	60,680	475,149
Materials and Supplies	598,002	76,651	674,653
Nutritional Support	1,492,518	300	1,492,818
Sales, Marketing, and Community Relations	18,263	28,491	46,754
Program Transportation Services	986,610	-	986,610
Travel and Entertainment	-	14,478	14,478
Interest Expense	-	231,484	231,484
Rent and Facilities	2,163,282	-	2,163,282
Depreciation and Amortization	698,815	-	698,815
Insurance	-	199,410	199,410
Repairs and Maintenance	30,979	-	30,979
Miscellaneous	-	7,063	7,063
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 17,554,018</u>	<u>\$ 6,203,055</u>	<u>\$ 23,757,073</u>

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services	Total
	Academics	Management and General	Expenses
Salaries and Benefits	\$ 7,171,729	\$ 1,945,991	\$ 9,117,720
Professional Services	1,460,390	271,454	1,731,844
Information Technology	816,140	2,228,007	3,044,147
Legal and Accounting	-	189,711	189,711
Professional Development	13,485	16,720	30,205
Cleaning Services	43,979	-	43,979
Security Services	133,292	-	133,292
Utilities	273,474	34,554	308,028
Materials and Supplies	607,459	61,027	668,486
Nutritional Support	1,214,458	2,589	1,217,047
Sales, Marketing and Community Relations	26,026	27,126	53,152
Program Transportation Services	735,356	-	735,356
Travel and Entertainment	-	41,453	41,453
Interest Expense	-	244,818	244,818
Rent and Facilities	2,067,437	-	2,067,437
Depreciation and Amortization	686,869	-	686,869
Insurance	-	164,289	164,289
Repairs and Maintenance	15,665	-	15,665
Miscellaneous	-	1,348	1,348
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 15,265,759</u>	<u>\$ 5,229,087</u>	<u>\$ 20,494,846</u>

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 166,842	\$ 2,317,057
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	631,771	619,824
Amortization of Security Deposit	67,044	67,044
Changes in Operating Assets and Liabilities:		
Grants Receivable	(198,203)	761,633
Related Party Accounts Receivable	(364,644)	(397,033)
Prepaid Assets	4,673	(4,673)
Accounts Payable - Trade	458,059	(119,351)
Accounts Payable - Related Party	267,327	18,168
Accrued Liabilities	148,315	(77,529)
Net Cash Provided by Operating Activities	1,181,184	3,185,140
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,023,399)	(409,752)
Proceeds from Disposals of Property and Equipment	29,821	-
Net Cash Used by Investing Activities	(1,993,578)	(409,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(126,496)	(107,614)
Proceeds from Long-Term Debt	144,000	-
Principal Payments on Long-Term Debt - Affiliate	(57,032)	(54,799)
Proceeds from Long-Term Debt - Affiliate	750,000	-
Proceeds from Loan Payable Under Paycheck Protection Program	1,987,600	-
Net Cash Provided (Used) by Financing Activities	2,698,072	(162,413)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,885,678	2,612,975
Cash and Cash Equivalents - Beginning of Year	3,506,783	893,808
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,392,461	\$ 3,506,783
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest Paid	\$ 237,918	\$ 249,305

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The George and Veronica Phalen Leadership Academies (PLA) is a nonprofit network of tuition-free public schools that help children excel in their academics and grow as well-rounded individuals. The PLA instructional model is evidence-based, designed by highly successful educators, and focuses on instruction that is personalized and data-driven. The model utilizes best practices including daily differentiated, data-driven instruction and intervention; frequent assessments, and regular progress feedback. This creates a uniquely rigorous and personalized learning experience for every child. At PLA, scholars have a safe and caring learning environment. Educators experience continued professional development and growth opportunities to best meet their scholars' needs. Scholars grow socially, emotionally, and physically through art, music, physical fitness, college- and career-focused visits, scholar-led community service projects, and more. Embedded throughout our program is an emphasis on helping our scholars develop a strong sense of self and character; build connections to their community and futures; and thrive as leaders at home, in their communities, and in the world.

To achieve these goals, PLA employs three distinct business models to operate its' schools:

The Direct Model

Under this model, new charter schools are opened and operated under a charter created, activated, and owned by PLA. Our approach builds on the success of Founder and CEO Earl Martin Phalen's 25-year pioneering track record in education.

PLA's first school, the George and Veronica Phalen Leadership Academy (GVPLA), opened in 2013. PLA also opened the James and Rosemary Phalen Leadership Academy (JRPLA) as a Middle School in July 2017. In July 2019, PLA converted the Phalen Leadership Academy at George Fisher (PLA93) into the direct model.

All Direct Model schools are located in Indianapolis, Indiana.

The Turnaround Model

Under this model, PLA helps to transform chronically low-performing public schools into the high quality schools children need and deserve. PLA started turnaround work when it partnered with Indianapolis Public School (IPS) to operate PLA 103, an Innovation Network School. In July 2019, PLA was selected to operate PLA 48 starting in the 2020-2021 school year.

Expenses incurred by PLA on behalf of the schools are reimbursed by IPS. All revenues received from IPS for the operation of PLA 103 are captured as Operator Revenue in the statement of activities. PLA also recognizes in-kind revenue and expense for services provided directly to the schools including transportation, building use, and other services (see Note 9).

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The CMO

PLA utilizes the Central Management Office (CMO) to expand its turnaround model to help more children attending chronically low-performing schools excel. The CMO provides crucial support to partner schools to ensure school leadership can focus fully on high-quality education. Functional areas of support include: Human resources, Financial management, Facilities, Food services, Performance management, Policy development, Legal counsel, Grants management, On-site quality assurance monitoring and support.

PLA enters into management agreements with these schools to leverage the Turnaround Model. Under these agreements, PLA is paid a management fee for services related to operating the school; however, the school is responsible for acceptance and payment of all expenses.

PLA maintains management agreements with the Thea Bowman Leadership Academy (TBLA) to manage two schools in Gary, Indiana; Timothy L. Johnson Academy (TLJ) in Fort Wayne, Indiana; and the Michigan Educational Choice Center (MECC) in Detroit, Michigan. In 2018, PLA entered into management agreements with Higher Institute of Arts & Tech (HIAT) in Merrillville, Indiana and three Hillsborough County Public Schools in Tampa, Florida. These include Foster, Oak Park, and Sheehy elementary schools.

Management fees received under these CMO agreements are recorded as Operator Revenue in the statement of activities.

Under these models, PLA is serving over 5,000 students across Indianapolis, Fort Wayne, Merrillville and Gary, Indiana; Detroit, Michigan; and Tampa, Florida. Our ultimate goal is that scholars gain academic mastery, and demonstrate strong character, as exhibited by: honesty, service to others, a superior work ethic, and a strong vision for and belief in their futures. We believe that with the right education, all children can fulfill their tremendous innate potential.

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 PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

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.

Use of Estimates in Preparing Financial Statements

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

Cash and Cash Equivalents

PLA considers all demand accounts to be cash. PLA had no cash equivalents at June 30, 2020 or 2019.

Grants Receivable

Grants receivable represent the uncollected portion of funds from grants awarded to PLA. Management has deemed these amounts to be fully collectible within one year.

Property and Equipment

Property and equipment are reported at cost, less accumulated depreciation. Improvements and replacements greater than \$500 of major property additions are capitalized. Repairs, maintenance, and minor replacements are expensed.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets which are as follows:

Building and Improvements	30 Years
Leasehold Improvements	30 Years
Furniture and Equipment	7 to 15 Years
Books and Educational Materials	5 Years
Computer Software and Equipment	3 Years

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-lived Assets

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

Security Deposit

Upon closing of the lease of the building for JRPLA, PLA was obligated to make a one-time cash deposit that would be applied to the PLA's future purchase of the property. This deposit is not refundable and is being amortized over the life of the lease.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Support and Revenue

Revenues generally 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.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (Continued)

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. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2020, the School 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.

Contributions and Donations – PLA reports gifts of cash and other assets from various organizations and private donors as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as Net Assets Released from Restrictions.

Volunteers provide program services through the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria. Such services include volunteering at events, in classrooms and clerical assistance.

Grant Revenue – PLA receives monies from federal and state organizations, primarily under the Direct Model in which PLA is the direct recipient of the related grant.

Operator Revenue – Operator revenue is reported at the amount that reflects the consideration to which PLA expects to be entitled in exchange for providing services under the terms of the agreements with the Turnaround and CMO Model schools. Operator revenue consists of the monies received under the agreements under Turnaround and CMO Model schools. This represents fees related to those management services, as well as any reimbursement for expenses incurred by PLA on the individual school's behalf. Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by PLA included in the agreements. Revenue for performance obligations satisfied over time is recognized based on actual services provided. PLA believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Contract assets included in operator receivables and related party receivables was \$447,849 and \$651,925 as of June 30, 2020 and 2019, respectively.

In-Kind Support – Contributions of services received are recognized if the services (a) create or enhance nonfinancial assets of (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

PLA expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2020 and 2019 totaled \$28,491 and \$27,126, respectively.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited using a direct expense allocation method.

Income Taxes

The Phalen Leadership Academy – Indiana, 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 ending after 2016 are open to audit for both federal and state purposes.

Subsequent Events

Management evaluated subsequent events through February 24, 2021, the date the financial statements were available to be issued. Management has determined that no subsequent events exist.

New Accounting Standards

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's financial statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 LIQUIDITY AND AVAILABILITY

PLA has \$6,942,436 and \$4,498,584 of financial assets available within one year of the statement of financial position date consisting of cash, grants receivable, and related party accounts receivable at June 30, 2020 and 2019, respectively. This includes \$1,283,683 and \$2,881,050 which is subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial statement date at June 30, 2020 and 2019, respectively. PLA does not currently have any liquidity management policies in place.

NOTE 3 NOTES PAYABLE

PLA notes payable consists of the following at June 30, 2020 and 2019:

<u>Description</u>	<u>2020</u>	<u>2019</u>
6.375% note payable, principal and unpaid accrued interest due at April 1, 2021, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	\$ 724,973	\$ 770,508
3.27% note payable at the federal tax exempt rate set to re-price every 5 years (next re-price in March 2021), principal and unpaid accrued interest due at March 1, 2041, secured by the property located at 2323 North Illinois Street, Indianapolis, IN 46208.	2,664,905	2,745,866
Pre-Operational loan bearing no interest from Indianapolis Public Schools with payments of \$12,000 due monthly through the 2020-2021 school year.	<u>144,000</u>	<u>-</u>
Total	3,533,878	3,516,374
Less: Current Portion	<u>974,651</u>	<u>145,770</u>
Notes Payable Less Current Portion	<u>\$ 2,559,227</u>	<u>\$ 3,370,604</u>

PLA is subject to financial reporting loan covenants associated with the above notes payable. As of June 30, 2020 and 2019, management is not in compliance with these covenants. PLA has received waivers regarding these covenants from the lenders.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 NOTES PAYABLE (CONTINUED)

Future maturities of all notes payable, including related party notes payable (see Note 9), are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,034,006
2022	155,142
2023	160,802
2024	166,460
2025	922,747
Thereafter	3,713,224
Total	<u>\$ 6,152,381</u>

NOTE 4 PAYROLL PROTECTION PROGRAM LOAN

On May 6, 2020, PLA received a loan from Immito, LLC in the amount of \$1,987,600 to fund payroll, rent, utilities, and interest on 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 PLA 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, PLA will be required to pay interest on the PPP loan at a rate of 1.0% per annum, and commencing in December 2020, principal and interest payments will be required through the maturity date in May 2022.

NOTE 5 CONCENTRATION OF CREDIT RISK

PLA maintains its cash in bank accounts at a single financial institution. At June 30, 2020, balances in PLA's deposit accounts were insured by the FDIC up to \$250,000 per depositor bank. As of June 30, 2020 and 2019 and from time-to-time throughout the year, PLA has cash balances on deposit in excess of insured limits.

Credit risk related to grants receivable is limited due to PLA's ability to accomplish the terms of the grants. No credit losses related to grants receivable were incurred during the years ended June 30, 2020 and 2019.

PLA receives operating funds from the Indiana Department of Education which amounted to 33% and 19% of the total revenue and contributed support for the years ended June 30, 2020 and 2019, respectively. Operating revenues are determined under a state funding formula based on the number of students enrolled during the school year.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 CONCENTRATION OF CREDIT RISK (CONTINUED)

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 6 LEASES

PLA is a party to a 15-year lease agreement for its JRPLA facility expires June 2032. The base monthly rent for the space under the agreement is 122% of the Landlord's Debt Service Coverage Payments (variable) for the first two lease years with an annual increase of 1% thereafter. Amount of actual payments is based on the "Total Project Cost for the Project." Additionally, there is a provision in the lease that grants PLA the option to renew the lease for two additional five-year periods beyond the original lease term. Rent expense for the years ended June 30, 2020 and 2019 was \$402,083 and \$365,190, respectively.

As part of the lease, PLA has an option to purchase the building. PLA can exercise this right at any time during the lease term. Closing of the purchase option must take place within 120 days of notice and prior to the end of the lease term. PLA was required to make a one-time cash deposit of \$1,000,000 toward its future purchase of the property. This deposit shall be applied to the future purchase price of the property and is nonrefundable. Amortization of the deposit for the both years ended June 30, 2020 and 2019 was \$67,044.

Future minimum lease payments remaining under this operating lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 313,464
2022	316,599
2023	319,765
2024	322,963
2025	326,192
Thereafter	<u>2,376,530</u>
Total	<u><u>\$ 3,975,513</u></u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 RETIREMENT PLANS

PLA has a 403(b) retirement plan. The plan is contributory only and requires no contribution by PLA. PLA does contribute 7.5% of the salary for all teaching staff. The plan is qualified under Section 403(b)(9) of the Internal Revenue Code. Total contributions to the plan for the years ended June 30, 2020 and 2019 were \$234,072 and \$324,288, respectively.

NOTE 8 PENSION PLANS

PLA elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. PLA contributed 5.5% and 7.5%, respectively, of the annual covered salary of employees. PLA is required to contribute an actuarially determined rate determined annually for PERF and TRF. Retirement plan expense for PERF and TRF was \$128,010 and \$126,352 for the years ended June 30, 2020 and 2019, respectively.

NOTE 9 RELATED PARTY TRANSACTIONS

PLA paid Summer Advantage approximately \$2,384,000 and \$2,074,000 in the years ended June 30, 2020 and 2019, respectively, for reimbursement of management related functions. Amounts due from Summer Advantage at June 30, 2020 and 2019 were \$766,092 and \$197,194, respectively. Amounts due to Summer Advantage at June 30, 2020 was \$285,495. No such liabilities as of June 30, 2019.

PLA and TLJ, MECC, TBLA, and HIAT are considered to be entities under common control by virtue of common board members. As of June 30, 2020, PLA had receivables from TLJ and MECC of \$97,193 and \$151,902, respectively. There were no receivables for TBLA and HIAT at June 30, 2020. As of June 30, 2019, PLA had receivables from TLJ, MECC, TBLA, and HIAT of \$22,805, \$833, \$179,196, and \$1,420, respectively. For the years ended June 30, 2020 and 2019, PLA had revenues from TLJ and TBLA of \$387,329 and \$1,129,999 and \$330,405 and \$1,083,942, respectively.

In February 2016, the GVPLA entered into a 25-year operating lease for \$2,100,000 for its school facility with a member of the Board. That organization is controlled by a separate and independent board of directors. PLA is required to make monthly rental payments in the amount of \$11,085 and an interest rate of 4%. For the year ended June 30, 2020 and 2019, principal payments of \$57,032 and \$54,799, respectively, were made.

In December 2019, JRPLA entered into a loan with James Phalen for \$750,000. The loan requires monthly interest only payments at an interest rate of 3%. The principal balance of the loan is due on January 1, 2025.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)

Related party notes payable consist of the following at June 31, 2020 and 2019:

<u>Description</u>	<u>2020</u>	<u>2019</u>
4% note payable, principal and unpaid accrued interest due at April 1, 2041, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	\$ 1,868,503	\$ 1,925,535
3% Jim Phalen loan, principal and unpaid accrued interest due at January 1, 2025, unsecured	750,000	-
Total	<u>2,618,503</u>	<u>1,925,535</u>
Less: Current Portion	<u>59,355</u>	<u>57,032</u>
Related Party Notes Payable Less Current Portion	<u><u>\$ 2,559,148</u></u>	<u><u>\$ 1,868,503</u></u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction of \$1,283,683 and \$2,881,050 at June 30, 2020 and 2019, respectively, are restricted for specific purpose restrictions, as defined by the grantors. While restrictions are based on specific purpose, PLA expects to fulfill those restrictions within the next year.

During the year ended June 30, 2020 and 2019, \$1,597,367 and \$11,878, respectively, of net assets with donor restriction were released from donor restrictions by incurring expenses satisfying the purpose of the agreement.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 DONATED PROFESSIONAL SERVICES AND MATERIALS

IPS contributes significant amounts of resources to the School's program services at PLA 103 and PLA 93. In-kind contributions for the year ended June 30, 2020 and 2019 were as follows: building and facilities usage, utilities and building maintenance, security, SPED personnel, other personnel, transportation, and food service were recognized in the amount of \$3,384,291 and \$4,911,091, respectively, for the period. The expenses are included in their natural classification on the statement of functional expenses.

PLA 103 and 93 received donated professional services and materials as follows for the year ended June 30, 2020 and 2019:

	<u>PLA 103</u>	<u>PLA 93</u>	<u>Total</u>
Building and Facilities Usage	\$ 882,238	\$ 821,885	\$ 1,704,123
Utilities and Building Maintenance	131,715	65,099	196,814
Security	60,555	57,814	118,369
SPED Personnel	226,007	-	226,007
Other Personnel	358,012	65,898	423,910
Transportation	105,352	215,346	320,698
Food Service	394,370	-	394,370
Total	<u>\$ 2,158,249</u>	<u>\$ 1,226,042</u>	<u>\$ 3,384,291</u>

	<u>PLA 103</u>	<u>PLA 93</u>	<u>Total</u>
Building and Facilities Usage	\$ 862,870	\$ 808,820	\$ 1,671,690
Utilities and Building Maintenance	140,509	257,681	398,190
Security	51,366	48,148	99,514
SPED Personnel	207,303	142,549	349,852
Other Personnel	664,180	550,285	1,214,465
Transportation	130,080	212,252	342,332
Food Service	422,160	412,888	835,048
Total	<u>\$ 2,478,468</u>	<u>\$ 2,432,623</u>	<u>\$ 4,911,091</u>

SUPPLEMENTARY INFORMATION

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>GVPLA</u>	<u>PLA 103</u>	<u>PLA 93</u>	<u>CMO</u>	<u>JRPLA</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 546,569	\$ 1,821,920	\$ 1,306,722	\$ 30,332	\$ 1,542,618
Grants and Operator Receivables	33,407	193,017	61,999	249,095	246,365
Related Party Accounts Receivable	296,306	2,280,118	1,533,505	46,579	710,334
Prepaid Assets	-	-	-	-	-
Total Current Assets	<u>876,282</u>	<u>4,295,055</u>	<u>2,902,226</u>	<u>326,006</u>	<u>2,499,317</u>
PROPERTY AND EQUIPMENT					
Land	771,200	-	-	-	-
Building and Improvements	6,004,048	-	-	-	-
Leasehold Improvements	10,657	-	108,213	-	1,890,107
Furniture and Equipment	508,832	206,824	-	-	171,938
Books and Educational Materials	164,966	383,435	201,804	-	80,351
Computer Software	49,977	-	58,825	-	64,600
Computer Equipment	155,188	87,684	22,450	-	206,988
Total, at Cost	<u>7,664,868</u>	<u>677,943</u>	<u>391,292</u>	<u>-</u>	<u>2,413,984</u>
Less: Accumulated Depreciation	1,735,749	550,634	238,085	-	277,088
Total Furniture and Equipment	<u>5,929,119</u>	<u>127,309</u>	<u>153,207</u>	<u>-</u>	<u>2,136,896</u>
OTHER ASSETS					
Security Deposit	-	-	-	-	804,460
Total Assets	<u>\$ 6,805,401</u>	<u>\$ 4,422,364</u>	<u>\$ 3,055,433</u>	<u>\$ 326,006</u>	<u>\$ 5,440,673</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 105,520	\$ 15,843	\$ 168,481	\$ -	\$ 421,566
Related Party Payables	819,460	42,874	21,545	-	3,485,684
Current Portion of Notes Payable	830,651	-	-	-	-
Current Portion of Notes Payable - Affiliate	59,355	-	-	-	-
Accrued Liabilities	59,693	73,226	87,663	-	85,009
Total Current Liabilities	<u>1,874,679</u>	<u>131,943</u>	<u>277,689</u>	<u>-</u>	<u>3,992,259</u>
LONG-TERM LIABILITIES					
Notes Payable, Net of Current Portion	2,559,227	-	-	-	-
Notes Payable, Net of Current Portion - Affiliate	1,809,148	-	-	-	750,000
Payroll Protection Program Loan	354,193	545,307	555,356	-	532,744
Total Long-Term Liabilities	<u>4,722,568</u>	<u>545,307</u>	<u>555,356</u>	<u>-</u>	<u>1,282,744</u>
Total Liabilities	6,597,247	677,250	833,045	-	5,275,003
NET ASSETS					
Without Donor Restrictions	208,154	3,745,114	2,222,388	326,006	(1,118,013)
With Donor Restrictions	-	-	-	-	1,283,683
Total Net Assets	<u>208,154</u>	<u>3,745,114</u>	<u>2,222,388</u>	<u>326,006</u>	<u>165,670</u>
Total Liabilities and Net Assets	<u>\$ 6,805,401</u>	<u>\$ 4,422,364</u>	<u>\$ 3,055,433</u>	<u>\$ 326,006</u>	<u>\$ 5,440,673</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL (CONTINUED)
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>JRPHS</u>	<u>PLAVS</u>	<u>PLA48</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 100	\$ 100	\$ 144,100	\$ -	\$ 5,392,461
Grants Receivable	-	-	-	-	783,883
Related Party Accounts Receivable	-	-	-	(4,100,750)	766,092
Prepaid Assets	-	-	-	-	-
Total Current Assets	<u>100</u>	<u>100</u>	<u>144,100</u>	<u>(4,100,750)</u>	<u>6,942,436</u>
PROPERTY AND EQUIPMENT					
Land	-	-	-	-	771,200
Building and Improvements	-	-	-	-	6,004,048
Leasehold Improvements	-	-	-	-	2,008,977
Furniture and Equipment	-	-	-	-	887,594
Books and Educational Materials	-	-	-	-	830,556
Computer Software	-	-	-	-	173,402
Computer Equipment	-	-	-	-	472,310
Total, at Cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,148,087</u>
Less: Accumulated Depreciation	-	-	-	-	2,801,556
Total Furniture and Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,346,531</u>
OTHER ASSETS					
Security Deposit	-	-	-	-	804,460
Total Assets	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 144,100</u>	<u>\$ (4,100,750)</u>	<u>\$ 16,093,427</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 711,410
Related Party Payables	100	100	16,482	(4,100,750)	285,495
Current Portion of Notes Payable	-	-	144,000	-	974,651
Current Portion of Notes Payable - Affiliate	-	-	-	-	59,355
Accrued Liabilities	-	-	-	-	305,591
Total Current Liabilities	<u>100</u>	<u>100</u>	<u>160,482</u>	<u>(4,100,750)</u>	<u>2,336,502</u>
LONG-TERM LIABILITIES					
Notes Payable, Net of Current Portion	-	-	-	-	2,559,227
Notes Payable, Net of Current Portion - Affiliate	-	-	-	-	2,559,148
Payroll Protection Program Loan	-	-	-	-	1,987,600
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,105,975</u>
Total Liabilities	<u>100</u>	<u>100</u>	<u>160,482</u>	<u>(4,100,750)</u>	<u>9,442,477</u>
NET ASSETS					
Without Donor Restrictions	-	-	(16,382)	-	5,367,267
With Donor Restrictions	-	-	-	-	1,283,683
Total Net Assets	<u>-</u>	<u>-</u>	<u>(16,382)</u>	<u>-</u>	<u>6,650,950</u>
Total Liabilities and Net Assets	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 144,100</u>	<u>\$ (4,100,750)</u>	<u>\$ 16,093,427</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	GVPLA			PLA 103			PLA93		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT									
REVENUE									
Contributions and Donations	\$ 154,149	\$ -	\$ 154,149	\$ 10,010	\$ -	\$ 10,010	\$ -	\$ -	\$ -
Grant Revenue	3,980,676	-	3,980,676	-	-	-	965,328	-	965,328
Operator Revenue	-	-	-	4,436,122	-	4,436,122	3,921,889	-	3,921,889
In-Kind Contributions	-	-	-	2,158,249	-	2,158,249	1,226,042	-	1,226,042
Other Revenue	79,131	-	79,131	-	-	-	-	-	-
Total Revenue	4,213,956	-	4,213,956	6,604,381	-	6,604,381	6,113,259	-	6,113,259
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-	-
Total Revenue and Support	4,213,956	-	4,213,956	6,604,381	-	6,604,381	6,113,259	-	6,113,259
EXPENSES									
Program Services	3,286,394	-	3,286,394	5,041,670	-	5,041,670	4,254,700	-	4,254,700
Supporting Services:									
General and Administrative	1,147,360	-	1,147,360	951,754	-	951,754	1,378,123	-	1,378,123
Total Expenses	4,433,754	-	4,433,754	5,993,424	-	5,993,424	5,632,823	-	5,632,823
CHANGE IN NET ASSETS	(219,798)	-	(219,798)	610,957	-	610,957	480,436	-	480,436
Net Assets - Beginning of Year	427,952	-	427,952	3,134,157	-	3,134,157	1,741,952	-	1,741,952
NET ASSETS - END OF YEAR	<u>\$ 208,154</u>	<u>\$ -</u>	<u>\$ 208,154</u>	<u>\$ 3,745,114</u>	<u>\$ -</u>	<u>\$ 3,745,114</u>	<u>\$ 2,222,388</u>	<u>\$ -</u>	<u>\$ 2,222,388</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	CMO			JRPLA			PLA48		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND CONTRIBUTED SUPPORT									
REVENUE									
Contributions and Donations	\$ -	\$ -	\$ -	\$ 275,000	\$ -	\$ 275,000	\$ -	\$ -	\$ -
Grant Revenue	-	-	-	5,155,063	-	5,155,063	-	-	-
Operator Revenue	1,517,329	-	1,517,329	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	44,927	-	44,927	-	-	-
Total Revenue	1,517,329	-	1,517,329	5,474,990	-	5,474,990	-	-	-
Net Assets Released from Restrictions	-	-	-	1,597,367	(1,597,367)	-	-	-	-
Total Revenue and Support	1,517,329	-	1,517,329	7,072,357	(1,597,367)	5,474,990	-	-	-
EXPENSES									
Program Services	-	-	-	4,954,872	-	4,954,872	16,382	-	16,382
Supporting Services:									
General and Administrative	1,448,068	-	1,448,068	1,277,750	-	1,277,750	-	-	-
Total Expenses	1,448,068	-	1,448,068	6,232,622	-	6,232,622	16,382	-	16,382
CHANGE IN NET ASSETS	69,261	-	69,261	839,735	(1,597,367)	(757,632)	(16,382)	-	(16,382)
Net Assets - Beginning of Year	256,745	-	256,745	(1,957,748)	2,881,050	923,302	-	-	-
NET ASSETS - END OF YEAR	<u>\$ 326,006</u>	<u>\$ -</u>	<u>\$ 326,006</u>	<u>\$ (1,118,013)</u>	<u>\$ 1,283,683</u>	<u>\$ 165,670</u>	<u>\$ (16,382)</u>	<u>\$ -</u>	<u>\$ (16,382)</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Total		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT			
REVENUE			
Contributions and Donations	\$ 439,159	\$ -	\$ 439,159
Grant Revenue	10,101,067	-	10,101,067
Operator Revenue	9,875,340	-	9,875,340
In-Kind Contributions	3,384,291	-	3,384,291
Other Revenue	124,058	-	124,058
Total Revenue	<u>23,923,915</u>	-	<u>23,923,915</u>
Net Assets Released from Restrictions	<u>1,597,367</u>	<u>(1,597,367)</u>	<u>-</u>
Total Revenue and Support	<u>25,521,282</u>	<u>(1,597,367)</u>	<u>23,923,915</u>
EXPENSES			
Program Services	17,554,018	-	17,554,018
Supporting Services:			
General and Administrative	<u>6,203,055</u>	-	<u>6,203,055</u>
Total Expenses	<u>23,757,073</u>	<u>-</u>	<u>23,757,073</u>
CHANGE IN NET ASSETS	1,764,209	(1,597,367)	166,842
Net Assets - Beginning of Year	<u>3,603,058</u>	<u>2,881,050</u>	<u>6,484,108</u>
NET ASSETS - END OF YEAR	<u>\$ 5,367,267</u>	<u>\$ 1,283,683</u>	<u>\$ 6,650,950</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	GVPLA			PLA 103			PLA93		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Academics	Management and General		Academics	Management and General		Academics	Management and General	
Salaries and Benefits	\$ 1,780,332	\$ 442,934	\$ 2,223,266	\$ 2,495,505	\$ 604,911	\$ 3,100,416	\$ 2,328,011	\$ 673,694	\$ 3,001,705
Professional Services	33,648	2,365	36,013	365,532	3,589	369,121	71,648	130,115	201,763
Information Technology	254,070	253,893	507,963	221,663	271,684	493,347	235,219	473,699	708,918
Legal and Accounting	-	36,311	36,311	-	21,359	21,359	-	23,093	23,093
Professional Development	14,876	17,420	32,296	30,300	241	30,541	2,820	8,599	11,419
Cleaning Services	2,070	-	2,070	-	-	-	24,869	-	24,869
Security Services	2,252	-	2,252	60,555	-	60,555	57,814	-	57,814
Utilities	134,771	29,364	164,135	63,300	-	63,300	36,486	-	36,486
Materials and Supplies	104,181	34,516	138,697	316,436	10,098	326,534	73,150	14,155	87,305
Nutritional Support	273,441	-	273,441	410,326	-	410,326	278,076	300	278,376
Sales, Marketing, and Community Relations	11,626	28,491	40,117	406	-	406	-	-	-
Program Transportation Services	338,128	-	338,128	106,816	-	106,816	215,346	-	215,346
Travel and Entertainment	-	13,622	13,622	-	(84)	(84)	-	-	-
Interest Expense	-	231,484	231,484	-	-	-	-	-	-
Rent and Facilities	23,675	-	23,675	882,240	-	882,240	842,301	-	842,301
Depreciation and Amortization	313,324	-	313,324	88,591	-	88,591	88,960	-	88,960
Insurance	-	54,038	54,038	-	38,663	38,663	-	53,228	53,228
Repairs and Maintenance	-	-	-	-	-	-	-	-	-
Miscellaneous	-	2,922	2,922	-	1,293	1,293	-	1,240	1,240
Total	\$ 3,286,394	\$ 1,147,360	\$ 4,433,754	\$ 5,041,670	\$ 951,754	\$ 5,993,424	\$ 4,254,700	\$ 1,378,123	\$ 5,632,823

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	CMO			JRPLA			PLA48		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Academics	Management and General		Academics	Management and General		Academics	Management and General	
Salaries and Benefits	\$ -	\$ -	\$ -	\$ 2,559,099	\$ 863,404	\$ 3,422,503	\$ -	\$ -	\$ -
Professional Services	-	126,331	126,331	143,782	3,395	147,177	-	-	-
Information Technology	-	1,230,000	1,356,331	393,616	259,940	653,556	16,382	-	16,382
Legal and Accounting	-	91,430	1,321,430	-	31,835	31,835	-	-	-
Professional Development	-	-	91,430	24,028	14,256	38,284	-	-	-
Cleaning Services	-	-	-	608	-	608	-	-	-
Security Services	-	-	-	32,381	-	32,381	-	-	-
Utilities	-	-	-	179,912	31,316	211,228	-	-	-
Materials and Supplies	-	307	307	104,235	17,575	121,810	-	-	-
Nutritional Support	-	-	307	530,675	-	530,675	-	-	-
Sales, Marketing, and Community Relations	-	-	-	6,231	-	6,231	-	-	-
Program Transportation Services	-	-	-	326,320	-	326,320	-	-	-
Travel and Entertainment	-	-	-	-	940	940	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-
Rent and Facilities	-	-	-	415,066	-	415,066	-	-	-
Depreciation and Amortization	-	-	-	207,940	-	207,940	-	-	-
Insurance	-	-	-	-	53,481	53,481	-	-	-
Repairs and Maintenance	-	-	-	30,979	-	30,979	-	-	-
Miscellaneous	-	-	-	-	1,608	1,608	-	-	-
Total	\$ -	\$ 1,448,068	\$ 2,896,136	\$ 4,954,872	\$ 1,277,750	\$ 6,232,622	\$ 16,382	\$ -	\$ 16,382

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Total		
	Program Services	Supporting Services	Total
	Academics	Management and General	
Salaries and Benefits	\$ 9,162,947	\$ 2,584,943	\$ 11,747,890
Professional Services	614,610	265,795	880,405
Information Technology	1,120,950	2,489,216	3,610,166
Legal and Accounting	-	204,028	204,028
Professional Development	72,024	40,516	112,540
Cleaning Services	27,547	-	27,547
Security Services	153,002	-	153,002
Utilities	414,469	60,680	475,149
Materials and Supplies	598,002	76,651	674,653
Nutritional Support	1,492,518	300	1,492,818
Sales, Marketing, and Community Relations	18,263	28,491	46,754
Program Transportation Services	986,610	-	986,610
Travel and Entertainment	-	14,478	14,478
Interest Expense	-	231,484	231,484
Rent and Facilities	2,163,282	-	2,163,282
Depreciation and Amortization	698,815	-	698,815
Insurance	-	199,410	199,410
Repairs and Maintenance	30,979	-	30,979
Miscellaneous	-	7,063	7,063
Total	\$ 17,554,018	\$ 6,203,055	\$ 23,757,073



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors and Management
The Phalen Leadership Academy – Indiana, Inc.
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Phalen Leadership Academy – Indiana, Inc., which comprise the statement of financial position at June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Phalen Leadership Academy – Indiana, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Phalen Leadership Academy – Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Phalen Leadership Academy – Indiana, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs in which the findings are reported, that we consider to be material weaknesses. See finding 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Phalen Leadership Academy – Indiana, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Phalen Leadership Academy – Indiana, Inc.’s Response to Findings

The Phalen Leadership Academy – Indiana, Inc.’s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Phalen Leadership Academy – Indiana, Inc.’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the School’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 24, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
The Phalen Leadership Academy – Indiana, Inc.
Indianapolis, Indiana

We have audited The Phalen Leadership Academy – Indiana, Inc.'s (PLA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of PLA's major federal programs for the year ended June 30, 2020. PLA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the PLA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the PLA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the PLA's compliance.

Opinion on Each Major Federal Program

In our opinion, PLA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of PLA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PLA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PLA's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 24, 2021

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture				
Passed through Indiana Department of Education:				
Child Nutrition Cluster - National School Lunch Program	10.555	N/A	\$ -	\$ 1,191,732
Total Department of Agriculture			-	1,191,732
Department of Education				
Passed through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	A18-8-180T	-	777,937
Special Education Cluster - Special Education Grants to States	84.027	1861-572-PN01	-	65,432
Charter School Program	84.282	A58-8-180T-5345	-	674,333
Title II Supporting Effective Instruction State Grants	84.367	S367A180013	-	53,035
Title IV Student Support and Academic Enrichment Program	84.424	S424A170015	-	43,422
Total Department of Education			-	1,614,159
Total Expenditures of Federal Awards			\$ -	\$ 2,805,891

See accompanying Notes to Schedule of Expenditures of Federal Awards.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Phalen Leadership Academy – Indiana, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of The Phalen Leadership Academy – Indiana, Inc., it is not intended to and does not present the financial position of The Phalen Leadership Academy – Indiana, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING

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

The District has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of Major Federal Programs

CFDA Number(s)

84.010
10.555

Name of Federal Program or Cluster

Title I, Grants to Local Educational Agencies
National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes x no

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

2020-001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Material adjusting entries were identified during the conduct of the audit to properly state the following accounts in the financial statements: grant income and net assets with donor restriction.

Criteria or specific requirement: Management of the School should maintain policies, procedures, and internal controls sufficient to capture all information necessary to present its financial statements in accordance with accounting principles generally accepted in the United States.

Context: During our audit of these financial statement areas, we noted certain balances were incorrect.

Effect: Material adjustments were required to fairly state the Schools' financial statements.

Cause: Management's review of these financial statement areas did not identify the misstatements timely resulting in incorrect balances. Procedures and internal controls of the School failed to prevent or detect these errors.

Recommendation: We recommend that management review controls related to financial statement preparation review at the end of each period. Financial statement preparation should include a review of reconciliations and balances to ensure that financial statement line items are properly stated and classified. Internally prepared financial statements should also be reviewed by members of management outside the finance department on a periodic (monthly or quarterly).

Views of responsible officials and planned corrective actions: We recognize the issue which occurred due to a lack of review of the financial statements. To rectify the situation, we applied all proposed adjustments to properly state the financial statements to provide a clean slate for tracking specific restricted activity and will have additional review procedures added to the monthly close-out process. Based on this, we believe this issue will be rectified for FY2021.

Section III – Findings and Questioned Costs – Major Federal Programs

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

