



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B57140

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

August 17, 2021

Charter School Board
Vanguard Collegiate of Indianapolis
2447 W 14th St.
Indianapolis, IN 46222

We have reviewed the audit report of Vanguard Collegiate of Indianapolis which was opined upon by Greenwalt CPAs, Inc., 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 Vanguard Collegiate of Indianapolis 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 Substantial Doubt about the Organization's Ability to Continue as a Going Concern paragraph included in the Independent Auditors' Report and further detailed in Note 10.

In our opinion, Greenwalt CPAs, Inc. 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 Vanguard Collegiate of Indianapolis, was prepared in accordance with the guidelines established by the State Board of Accounts.

This Financial Audit Report and the associated Supplemental Report are filed in our office as a matter of public record.

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

Paul D. Joyce, CPA
State Examiner

VANGUARD COLLEGIATE OF INDIANAPOLIS

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020 AND 2019

GREENWALT^{CPAs}

We Deliver Peace of Mind

VANGUARD COLLEGIATE OF INDIANAPOLIS

TABLE OF CONTENTS

JUNE 30, 2020 AND 2019

Independent Auditors' Report 2

Statements of Financial Position 4

Statements of Activities 5

Statements of Functional Expenses 6

Statements of Cash Flows 7

Notes to Financial Statements 9

Other Report 16



Greenwalt CPAs, Inc.
5342 W. Vermont Street
Indianapolis, IN 46224
www.greenwaltcpas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vanguard Collegiate of Indianapolis:

We have audited the accompanying financial statements of Vanguard Collegiate of Indianapolis (an Indiana public charter school, "the School"), 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 *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, and *Guidelines for Audits of Charter Schools Performed by Private Examiners* established by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School'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 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 the School as of June 30, 2020 and 2019, and the changes 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.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 10 to the financial statements, the School incurred significant losses during its first two years of operations and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Greenwald CPAs, Inc.

June 21, 2021

VANGUARD COLLEGIATE OF INDIANAPOLIS
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 35,062	\$ 22,400
Grants receivable	31,446	-
Prepaid expenses	5,099	-
Deferred lease incentive, current	5,300	57,539
	<u>76,907</u>	<u>79,939</u>
<i>Total current assets</i>		
DEFERRED LEASE INCENTIVE, LONG-TERM	<u>-</u>	<u>5,300</u>
PROPERTY AND EQUIPMENT		
Furniture	32,775	32,775
Equipment	35,772	29,640
Vehicles	32,000	-
Computer equipment	12,884	12,884
Textbooks	6,000	6,000
Leasehold improvements	53,335	53,335
Accumulated depreciation	(87,117)	(37,471)
	<u>85,649</u>	<u>97,163</u>
<i>Total property and equipment, net</i>		
<i>Total assets</i>	<u>\$ 162,556</u>	<u>\$ 182,402</u>
<u>LIABILITIES AND ACCUMULATED DEFICIT</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 89,321	\$ 56,961
Accrued expenses	18,744	105,329
Charter School Capital payable	131,700	-
Current portion of notes payable	50,743	-
Line of credit	-	117,248
Refundable advance of PPP funds	122,500	-
	<u>413,008</u>	<u>279,538</u>
<i>Total current liabilities</i>		
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>36,936</u>	<u>-</u>
<i>Total liabilities</i>	<u>449,944</u>	<u>279,538</u>
COMMITMENTS AND CONTINGENCY (NOTES 6 AND 10)		
ACCUMULATED DEFICIT WITHOUT DONOR RESTRICTIONS	<u>(287,388)</u>	<u>(97,136)</u>
<i>Total liabilities and accumulated deficit</i>	<u>\$ 162,556</u>	<u>\$ 182,402</u>

VANGUARD COLLEGIATE OF INDIANAPOLIS
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	
	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
State funding	\$ 704,079	\$ 487,490
Federal funding	345,554	534,597
Contributions	25,852	5,089
Other income	19,482	7,029
Interest	31	161
	<u>1,094,998</u>	<u>1,034,366</u>
<i>Total revenue and support</i>		
EXPENSES		
Program	803,038	967,906
Management and general	482,212	271,130
	<u>1,285,250</u>	<u>1,239,036</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	(190,252)	(204,670)
NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF YEAR	<u>(97,136)</u>	<u>107,534</u>
ACCUMULATED DEFICIT, END OF YEAR	<u>\$ (287,388)</u>	<u>\$ (97,136)</u>

VANGUARD COLLEGIATE OF INDIANAPOLIS
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	PROGRAM	MANAGEMENT AND GENERAL	TOTAL	PROGRAM	MANAGEMENT AND GENERAL	TOTAL
Salaries and wages	\$ 316,014	\$ 286,907	\$ 602,921	\$ 447,743	\$ 142,858	\$ 590,601
Employee benefits	20,743	15,461	36,204	20,743	15,460	36,203
Staff development	3,052	-	3,052	6,202	-	6,202
Student lunch	35,290	-	35,290	56,678	-	56,678
Purchased and contracted services	75,650	55,698	131,348	11,314	16,412	27,726
Advertising	-	-	-	-	7,114	7,114
Travel	25,595	6,280	31,875	1,133	14,983	16,116
Classroom, kitchen, and office supplies	40,134	22,295	62,429	132,647	22,327	154,974
Occupancy	241,879	26,876	268,755	256,351	28,483	284,834
Depreciation	44,681	4,965	49,646	34,174	3,797	37,971
Extracurricular	-	-	-	921	-	921
Interest	-	36,674	36,674	-	5,638	5,638
Insurance	-	19,583	19,583	-	8,104	8,104
Printing	-	439	439	-	5,032	5,032
Community relations	-	1,572	1,572	-	-	-
Bank and authorizer fees	-	5,462	5,462	-	922	922
<i>Total functional expenses</i>	<u>\$ 803,038</u>	<u>\$ 482,212</u>	<u>\$ 1,285,250</u>	<u>\$ 967,906</u>	<u>\$ 271,130</u>	<u>\$ 1,239,036</u>

VANGUARD COLLEGIATE OF INDIANAPOLIS
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Page 1 of 2

NET CHANGE IN CASH

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from state and federal funding	\$ 1,186,021	\$ 1,034,205
Cash paid to suppliers and employees	(1,056,540)	(1,100,377)
Interest received	31	161
Interest paid	(36,674)	(5,638)
	<u>92,838</u>	<u>(71,649)</u>
<i>Net cash provided by (used in) operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(38,132)	(127,656)
	<u>(38,132)</u>	<u>(127,656)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on notes payable	82,731	-
Payments on notes payable	(7,527)	-
Net proceeds from (payments on) line of credit	(117,248)	117,248
	<u>(42,044)</u>	<u>117,248</u>
<i>Net cash provided by (used in) financing activities</i>		
NET CHANGE IN CASH	12,662	(82,057)
CASH, BEGINNING OF YEAR	<u>22,400</u>	<u>104,457</u>
CASH, END OF YEAR	<u>\$ 35,062</u>	<u>\$ 22,400</u>
NON-CASH OPERATING AND FINANCING ACTIVITIES		
Accounts payable converted to notes payable	<u>\$ 12,475</u>	<u>\$ -</u>

VANGUARD COLLEGIATE OF INDIANAPOLIS

STATEMENTS OF CASH FLOWS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Page 2 of 2

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	<u>2020</u>	<u>2019</u>
CHANGE IN NET ASSETS	\$ (190,252)	\$ (204,670)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation	49,646	37,971
<i>(Increase) decrease in operating assets</i>		
Grants receivable	(31,446)	-
Prepaid expenses	(5,099)	-
Deferred lease incentive	57,539	(62,839)
<i>Increase (decrease) in operating liabilities</i>		
Accounts payable	44,835	56,961
Accrued expenses	(86,585)	100,928
Charter School Capital payable	131,700	-
Refundable advance of PPP funds	122,500	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 92,838</u>	<u>\$ (71,649)</u>

VANGUARD COLLEGIATE OF INDIANAPOLIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

Vanguard Collegiate of Indianapolis ("the School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24. Through meaningful and quality instruction of rigorous curriculum and character development, Vanguard Collegiate of Indianapolis provides an academically challenging, data-driven curriculum and a structured, goal-oriented school community for 5th through 8th grade students. Vanguard Collegiate equips scholars with critical thinking skills, integrity, and sense of social and personal responsibility, seizing the educational opportunities afforded to them, thus, bringing their dreams and those of their families, to fruition.

The School receives the majority of its funding from the Indiana Department of Education. That funding is supplemented with funds from contributions and other revenue.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2020 and 2019.

GRANTS RECEIVABLE

Grants receivable represent the uncollected portion of funds from grants awarded to the School. Grants receivable are unsecured and are due from Indiana governmental entities and private funders over periods of time up to thirty days from the statement of financial position date. Grants receivable are stated at the amount determined by public statute or by the underlying private funding agreements. Generally, there is not significant risk of loss of these amounts due since they are statutorily determined and obligated. However, there is some risk that public funding from the State of Indiana could be reduced from amounts previously determined during periods of prolonged economic downturn.

The School reviews grants receivable and writes off any amount to be deemed uncollectible. There were no allowances as of June 30, 2020 and 2019. All grants receivable are collectible within one year.

VANGUARD COLLEGIATE OF INDIANAPOLIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased, or, if contributed, at the estimated fair value at the date of the gift. The School capitalizes additions of property and equipment in excess of \$1,000 that have a useful life or extend the useful life greater than one year. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets as follows:

Furniture, equipment, and vehicles	5 years
Computers equipment	3 years
Textbooks	4 years
Leasehold improvements	Lease term

NET ASSETS

The School maintains the following classifications of net assets:

Without Donor Restrictions

These include revenue and expenses from the regular operations of the School, which are at the discretion of management and the Board of Directors.

With Donor Restrictions

These include contributions and grants with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. There were no net assets with donor restrictions at June 30, 2020 and 2019.

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 is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which 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 as costs are incurred.

VANGUARD COLLEGIATE OF INDIANAPOLIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTIONS AND GRANTS

Contributions and grants are recognized when the donor makes an unconditional promise to give to the School and are recorded at their fair values as revenues and assets in the period the promise was received. Contributions with donor restrictions are reported as increases in net assets with donor restrictions.

ADVERTISING

Advertising expenses totaled \$7,114 for fiscal year 2019. There was no advertising expense for fiscal year 2020. The School's policy is to recognize advertising expenditures in the period in which they are incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

In the accompanying statements of functional expense, all expenses are allocated to program and management and general expenses. Expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived.

TAX STATUS

The School is an Indiana not-for-profit corporation, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through June 21, 2021 which is the date these financial statements were available to be issued.

2. AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating and other commitments. The School has various sources of liquid assets at its disposal, including cash.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to ongoing activities of the school as well as the supporting operations to be general expenditures.

Financial assets available for general expenditure, within one year, consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash	\$ 35,062	\$ 22,400
Grants receivable	<u>31,446</u>	<u>-</u>
Financial assets available to meet expenditures within one year	<u>\$ 65,508</u>	<u>\$ 22,400</u>

VANGUARD COLLEGIATE OF INDIANAPOLIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. LINE OF CREDIT

The School had a \$150,000 line of credit with a financial institution, which expired in March 2020. Interest is payable at the prime rate plus 2.75% (6.00% at June 30, 2020). At June 30, 2020 and 2019, the balance outstanding was \$0 and \$117,248, respectively. This loan was secured by substantially all assets of the School.

4. CHARTER SCHOOL CAPITAL PAYABLE

The School has entered into an agreement with Charter School Capital (CSC), to receive advances at a discount to face value on its Basic Tuition Support payments and other grant payments from the Indiana Department of Education (IDOE) up to \$325,000. In exchange for the advances, IDOE payments are made to CSC, who then remits the residual to the School.

5. REFUNDABLE ADVANCE OF PPP FUNDS

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which includes a Small Business Paycheck Protection Program ("PPP") under the auspices of the federal Small Business Administration ("SBA"). These funds can be used for costs related to payroll, employee health care, rent, and utilities. In April 2020, the School obtained \$122,500 from a financial institution under the PPP. The interest rate is 1%, the loan term is two years which begins after the lender makes a determination on forgiveness or 10 months after the 24-week expenditure period and will be paid at the end of the two-year term; however, to the extent the funds are used for qualifying expenses under the program, the School applied for loan forgiveness. Subsequent to year end, the PPP loan was forgiven in full. Since the loan was forgiven after year end, the School has elected to account for the loan as a conditional grant in accordance with FASB ASC 958-605. As such the loan is presented as a refundable advance in the statements of financial position. When the School met the conditions of forgiveness, the loan was recognized as grant income. See Note 9.

6. OPERATING LEASES

The School leased copier equipment under an operating lease that expired June 2020. Total expense for the copier lease, including overage charges, for fiscal years 2020 and 2019 was \$10,362 and \$13,084, respectively.

In July 2018, the School began to lease property through August 2020. The lease includes de-escalating monthly rent payments varying from \$28,315 to \$14,583. Total rent expense during fiscal years 2020 and 2019 was \$228,789 and \$238,059, respectively.

During September 2020, the School entered into a property rental lease through June 2021. The lease includes monthly payments of \$8,066. The School subsequently extended the lease through May 2022 in the amount of \$8,100 per month.

Future minimum rental payments required under operating leases for the years ending June 30 are as follows:

2021	\$ 101,767
2022	<u>81,000</u>
	<u>\$ 182,767</u>

VANGUARD COLLEGIATE OF INDIANAPOLIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

7. FEDERAL, STATE, AND LOCAL GRANT AWARDS

In accordance with guidelines established by the Indiana State Board of Accounts, this federal, state, and local grant information was included to aid in the verification of Indiana financial assistance on the Annual Financial Report (AFR).

Program Name	Grantor Name	CFDA	Revenue	Expense	Funding Type
CSP Innovation Grant	Indiana Department of Education	84.282A	\$ 213,502	\$ 213,502	Federal grant passed through state or local government
Title I	Indiana Department of Education	84.010	117,499	117,499	Federal grant passed through state or local government
Title II	Indiana Department of Education	84.367	4,553	4,553	Federal grant passed through state or local government
Title IV	Indiana Department of Education	84.424	10,000	10,000	Federal grant passed through state or local government
Basic Tuition Support	Indiana Department of Education	N/A	563,968	563,968	State or Local Government
Charter Facility Grant	Indiana Department of Education	N/A	57,000	57,000	State or Local Government
State Special Education	Indiana Department of Education	N/A	53,968	53,968	State or Local Government
Javits Gifted & Talented Students Education	Indiana Department of Education	N/A	12,385	12,385	State or Local Government
Summer School Reimbursement	Indiana Department of Education	N/A	9,775	9,775	State or Local Government
State Curriculum Materials	Indiana Department of Education	N/A	5,835	5,835	State or Local Government
State Connectivity	Indiana Department of Education	N/A	1,148	1,148	State or Local Government
			\$ 1,049,633	\$ 1,049,633	

8. RISKS AND UNCERTAINTIES

The School provides educational instruction services to persons primarily residing in Indianapolis, Indiana and greater Marion County, 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.

VANGUARD COLLEGIATE OF INDIANAPOLIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

8. RISKS AND UNCERTAINTIES, CONTINUED

In March 2020, the World Health Organization declared a worldwide pandemic due to the outbreak of a novel strain of coronavirus, called COVID-19. The extent of the impact of COVID-19 on the School's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the students, teachers, faculty, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the School's financial condition or results of operations is uncertain.

9. SUBSEQUENT EVENTS

During July 2020, the School entered into a catering contract with a local vendor to assist in providing meals to students. Under the terms of this agreement, the School is to receive meals for students at a discounted rate. Additionally, during September 2020, the School was awarded a grant in the amount of \$70,000, to be paid over the course of fiscal year 2021, to assist in covering additional costs related to the catering contract.

During February 2021, the School received second round PPP funding in the amount of \$65,032 with an interest rate of 1% and a term of 2 years. To the extent the funds are used for qualifying expenses under the program, the School may apply for loan forgiveness.

10. GOING CONCERN, SIGNIFICANT LOSS IN SECOND YEAR OF OPERATIONS

Pursuant to ASC Topic 205-40, Going Concern, the School is required to evaluate whether there is substantial doubt about its ability to continue as a going concern in each reporting period. In evaluating the School's ability to continue as a going concern for this reporting period, management evaluated the conditions and events that could raise substantial doubt about the School's ability to continue as a going concern within one year of the date the financial statements were issued (June 21, 2021). Management considered its current projections of future cash flow, current financial conditions, sources of liquidity and obligations due on or before June 21, 2021.

Fiscal year 2020 was the School's second year of operations. Lower than anticipated enrollment resulted in lower funding. In addition, the School had anticipated receiving grants that were not awarded during the fiscal year. The reduction in anticipated funding coupled with unanticipated additional costs to start up resulted in a loss of \$190,252 for the year and negative working capital. Management and the Board have implemented several strategies to improve the financial condition of the School and ensure its ability to continue as a going concern. The School has taken several steps to contain costs including renegotiating its lease, reducing transportation costs, and not backfilling positions. The School has obtained a financing arrangement that allows the School to take an advance on its receivables to improve cash flow (see Note 4). In addition, the School has negotiated extended payment terms with its vendors. The School has plans to set up a satellite campus that will focus on students who wish to remain fully virtual. The School has applied for and anticipates several new sources of grant funding, including private donations. Lastly, the School has retained a consultant and developed a new marketing plan to help it improve its recruitment with a goal of achieving an enrollment of 120 students by September 2021. The School has begun to see the benefits of implementing its plan. The financial statements for the period of July 1, 2020 – March 31, 2021 reflect a net surplus of approximately \$80,000.

VANGUARD COLLEGIATE OF INDIANAPOLIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

10. GOING CONCERN, SIGNIFICANT LOSS IN SECOND YEAR OF OPERATIONS, CONTINUED

Management's intention and belief is that these strategies will be successful in improving the financial position of the School. If these strategies are not successful, it could cause the School to be unable to meet its financial obligations. As a result, substantial doubt continues to exist about the ability of the School to continue as a going concern within one year from June 21, 2021, the date these financial statements are available to be issued. The financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.

11. RECLASSIFICATIONS

Certain items in the 2019 financial statements have been retroactively reclassified to conform to the 2020 presentation. These reclassifications had no effect on the accumulated deficit at December 31, 2019.

VANGUARD COLLEGIATE OF INDIANAPOLIS

OTHER REPORT

FOR THE YEAR ENDED JUNE 30, 2020

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

Supplemental Audit Report of Vanguard Collegiate of Indianapolis