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November 23, 2021

Charter School Board
Indiana Agriculture Education, Inc.
d/b/a Indiana Agriculture & Technology School
650 East Carmel Drive
Carmel, IN 46032

We have reviewed the audit report of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditors' Report*, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School as of June 30, 2021, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We call your attention to the Basis for Qualified Opinion in the audit report.

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

In addition to the report presented herein, a Supplemental Audit Report for Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School, was prepared in accordance with the guidelines established by the State Board of Accounts.

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

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

Paul D. Joyce, CPA
State Examiner

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
FINANCIAL STATEMENTS
Together with Independent Auditors' Report
For the Years Ended June 30, 2021 and 2020



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Indiana Agriculture Education, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Basis for Qualified Opinion

The School's financial statements do not disclose a potential liability owed to the State of Indiana pertaining to issues with its charter status. On January 25, 2021, a State Board of Accounts Special Investigation Report was issued. The report found that the School owed the State of Indiana \$329,510 for reimbursement of overpayment of various forms of tuition support. The School was deemed to have been overpaid due to operating a virtual charter school rather than a brick and mortar charter school. Virtual charter schools are paid a lower rate for tuition support funding than brick and mortar charter schools. The School is in the process of appealing the findings of the State Board of Accounts Special Investigation Report. In our opinion, the recording and disclosure of this information is required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School as of June 30, 2021 and 2020, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

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

Indianapolis, Indiana
October 11, 2021

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 164,663	\$ 120,040
Grants receivable	14,869	11,341
Prepaid expenses	<u>38,996</u>	<u>-</u>
<i>Total current assets</i>	<u>218,528</u>	<u>131,381</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	22,625	22,625
Equipment	16,515	16,515
Less: accumulated depreciation	<u>(27,974)</u>	<u>(17,309)</u>
<i>Property and equipment, net</i>	<u>11,166</u>	<u>21,831</u>
OTHER ASSETS		
Security deposit	<u>5,057</u>	<u>5,057</u>
TOTAL ASSETS	<u>\$ 234,751</u>	<u>\$ 158,269</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 71,940	\$ 39,968
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>162,811</u>	<u>118,301</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 234,751</u>	<u>\$ 158,269</u>

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

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT		
State education support	\$ 1,674,977	\$ 1,343,393
Grant revenue	273,851	390,190
CARES Act funding	-	67,900
Contributions	833	1,197
Student fees	26,783	17,528
Other income	8,297	9,950
	<u>1,984,741</u>	<u>1,830,158</u>
 <i>Total revenue and support</i>		
EXPENSES		
Program services	1,515,667	1,337,732
Management and general	424,564	388,570
	<u>1,940,231</u>	<u>1,726,302</u>
 <i>Total expenses</i>		
CHANGE IN NET ASSETS	44,510	103,856
NET ASSETS, BEGINNING OF YEAR	<u>118,301</u>	<u>14,445</u>
NET ASSETS, END OF YEAR	<u>\$ 162,811</u>	<u>\$ 118,301</u>

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

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Online curriculum services	\$ 499,301	\$ -	\$ 499,301	\$ 404,901	\$ -	\$ 404,901
Salaries and wages	269,438	155,138	424,576	198,508	150,998	349,506
Occupancy	332,048	-	332,048	269,555	-	269,555
Professional services	189,466	87,971	277,437	213,709	48,858	262,567
Supplies	117,960	17,268	135,228	194,693	25,546	220,239
Advertising	-	63,104	63,104	-	53,888	53,888
Employee benefits	29,736	19,757	49,493	22,683	19,387	42,070
Repairs and maintenance	43,650	-	43,650	6,834	-	6,834
Authorizer oversight fee	-	42,065	42,065	-	34,688	34,688
Travel	579	21,306	21,885	-	20,695	20,695
Information technology services	12,990	-	12,990	10,836	-	10,836
Depreciation	10,665	-	10,665	11,563	-	11,563
Insurance	-	7,740	7,740	-	8,984	8,984
Interest	-	198	198	-	13,202	13,202
Other	9,834	10,017	19,851	4,450	12,324	16,774
<i>Total functional expenses</i>	<u>\$ 1,515,667</u>	<u>\$ 424,564</u>	<u>\$ 1,940,231</u>	<u>\$ 1,337,732</u>	<u>\$ 388,570</u>	<u>\$ 1,726,302</u>

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

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 44,510	\$ 103,856
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,665	11,563
Changes in certain assets and liabilities:		
Grants receivable	(3,528)	(11,243)
Prepaid expenses	(38,996)	-
Security deposit	-	(5,057)
Accounts payable and accrued expenses	<u>31,972</u>	<u>25,250</u>
<i>Net cash provided by operating activities</i>	44,623	124,369
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(22,625)
FINANCING ACTIVITIES		
Proceeds from related party note payable	<u>-</u>	<u>(94,333)</u>
NET CHANGE IN CASH	44,623	7,411
CASH, BEGINNING OF YEAR	<u>120,040</u>	<u>112,629</u>
CASH, END OF YEAR	<u>\$ 164,663</u>	<u>\$ 120,040</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 198	\$ 13,202

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

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Indiana Agriculture Education, Inc. d/b/a Indiana Agriculture & Technology School (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School instructs students using a combination of virtual learning technologies and live hands-on experiences in agriculture, conservation, and environmental sciences. The School served approximately 250 and 210 students during the 2020-2021 and 2019-2020 school years, respectively, in seventh through twelfth grade. The School was sponsored by Nineveh-Hensley-Jackson United School Corporation through the year ended June 30, 2021. The School signed a sponsor agreement with University of Southern Indiana that took effect August 31, 2021. The charter remains in effect until June 30, 2025, and is renewable thereafter by mutual consent.

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

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

As of June 30, 2021 and 2020, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

Grants Receivable – Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs and equipment purchases are charged to expense as incurred.

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

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – The School 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, 2021 and 2020, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years after 2017 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through October 11, 2021, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 - REVENUE RECOGNITION

Revenue Recognition Standard – Effective July 1, 2020, the School adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 replaced previous revenue recognition guidance under U.S. GAAP and requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The School has applied the provisions of this ASU to the June 30, 2021 and 2020 financial statements. There was no material impact on the financial statements.

Revenue Recognition Policy – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2 - REVENUE RECOGNITION, Continued

Revenue Recognition Policy, Continued – Student fees are recognized in the year in which the services are rendered.

Disaggregation of Revenue – Revenue is disaggregated on the statements of activities and changes in net assets.

NOTE 3 - RELATED PARTIES

The School executed lease agreements with companies owned by related parties. The School leases a farm property and office space from entities owned by John Curtis, the School's Treasurer.

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

NOTE 4 - CARES ACT FUNDING

On May 6, 2020, the School was granted a loan from PNC Bank, N.A. in the amount of \$67,900, pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act. Under the terms of the Paycheck Protection Program, the loan funds will be forgiven if they are used for qualifying expenses as described in the CARES Act. As of June 30, 2020, the School evaluated the expenses to which these funds were applied and determined the loan requirements had been met. The School elected to recognize the funds as a contribution during the year ended June 30, 2020. The School was notified on August 18, 2021 that the loan had been fully forgiven.

NOTE 5 - LEASES

The School executed leases with two companies owned by related parties (see Note 3) for office space and farm property.

The office space lease provides for monthly rental payments of \$4,769 through August 2020, increasing to \$4,912 through August 2021, and increasing to \$5,057 through August 2022. Total expense under this lease was \$58,823 and \$51,342 for the years ended June 30, 2021 and 2020, respectively.

The farm lease provides for monthly rental payments of \$83 per student based on the number of students reported to the State of Indiana for ADM counts in September and February. The lease is renewable annually and expires on June 30. Total expense under this lease was \$243,993 and \$175,000 for the years ended June 30, 2021 and 2020, respectively.

The School entered into a month-to-month lease for a mobile classroom. Total expense under this lease was \$19,020 and \$26,400 for the years ended June 30, 2021 and 2020, respectively.

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 5 - LEASES, Continued

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

2022	\$	80,057
2023		10,114

NOTE 6 - LINE OF CREDIT

The School has a \$100,000 revolving line of credit with a commercial bank. Drawings against the line of credit bear interest at the prime rate plus 1.84% (a total of 5.09% at June 30, 2021) and are secured by all assets of the School. There was no balance outstanding on the line of credit as of June 30, 2021 and 2020.

NOTE 7 - LIQUIDITY

The School's financial assets consisted of cash and grants receivable totaling \$179,532 and \$131,381 at June 30, 2021 and 2020, respectively, all of which are available to meet cash needs for general expenditures within one year.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The School has access to a line of credit (see Note 6), which was unused as of June 30, 2021 and 2020.

NOTE 8 - COMMITMENTS

The School operated under a charter granted by Nineveh-Hensley-Jackson United School Corporation through the year ended June 30, 2021. As the sponsoring organization, Nineveh-Hensley-Jackson United School Corporation exercised certain oversight responsibilities. Under this charter, the School agreed to pay Nineveh-Hensley-Jackson United School Corporation an annual administrative fee equal to 3% of state tuition payments received. Payments under this agreement were \$42,065 and \$34,688 for the years ended June 30, 2021 and 2020, respectively. The School signed a sponsor agreement with University of Southern Indiana that took effect August 31, 2021 with the same annual administrative fee requirements.

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 8 - COMMITMENTS, Continued

The School has contracted with Edgenuity, Inc. to provide online instructional services for its students. The contract is for a three-year term through June 30, 2021. Payments under this agreement were \$483,634 and \$343,848 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 - RISKS AND UNCERTAINTIES

The School provides educational instruction to students residing in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

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

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

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

INDIANA AGRICULTURE EDUCATION, INC.
d/b/a INDIANA AGRICULTURE & TECHNOLOGY SCHOOL
OTHER REPORT
For the Year Ended June 30, 2021

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

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

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