



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B58136

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

December 21, 2021

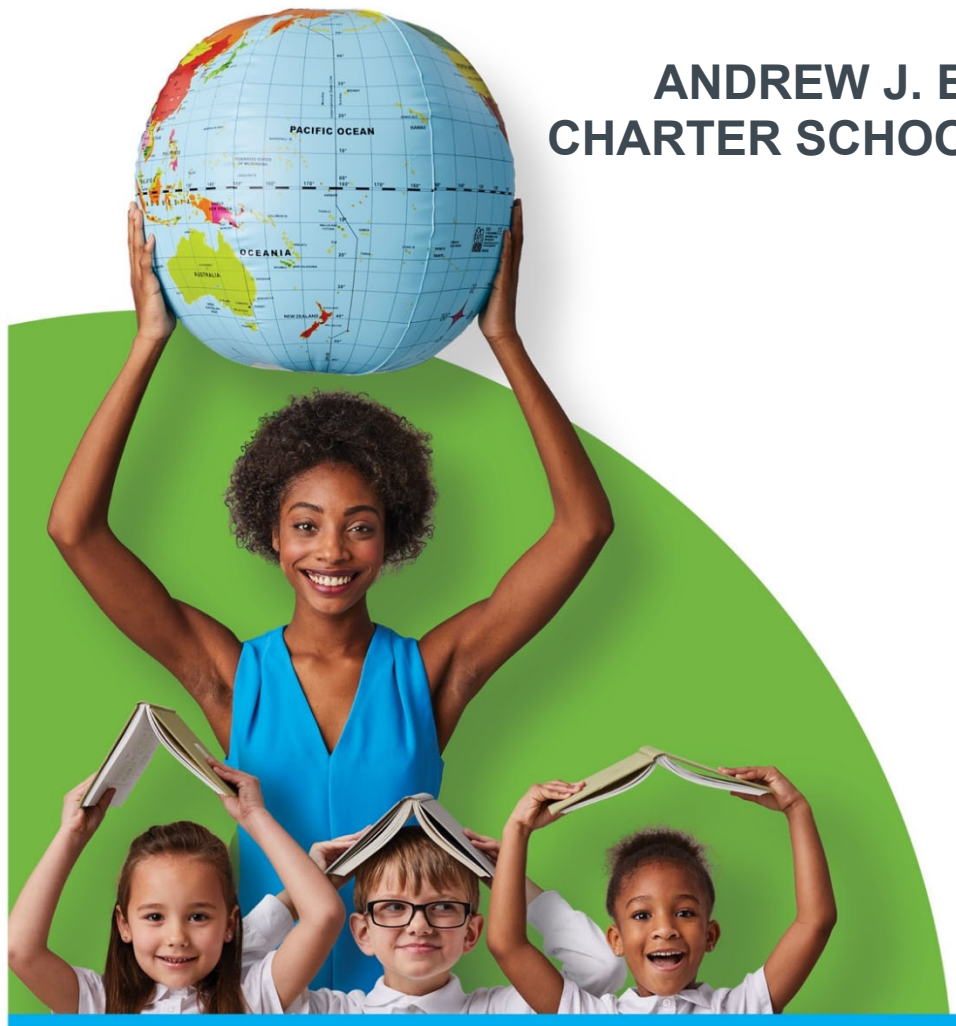
Charter School Board
Andrew J. Brown Charter School, Inc.
3600 N German Church Rd
Indianapolis, IN 46235

We have reviewed the audit report of Andrew J. Brown Charter School, Inc. which was opined upon by Plante & Moran, PLLC, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Andrew J. Brown Charter School, Inc. as of June 30, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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


Paul D. Joyce, CPA
State Examiner

**ANDREW J. BROWN
CHARTER SCHOOL, INC.**



Financial Statements and Federal
Awards Supplemental Information as of
and for the Years Ended June 30, 2021
and 2020, and Independent Auditor's
Reports

**NATIONAL
HERITAGE
ACADEMIES®** 

ANDREW J. BROWN CHARTER SCHOOL, INC.

TABLE OF CONTENTS

| | Page |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020: | |
| Statement of Financial Position | 3 |
| State of Activities and Change in Net Assets | 4 |
| Statement of Cash Flows | 5 |
| Notes to the Financial Statements | 6-12 |
| SUPPLEMENTAL INFORMATION | 13 |
| 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 <i>GOVERNMENTAL AUDITING STANDARDS</i> | 14-15 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>THE UNIFORM GUIDANCE</i> | 16-17 |
| Schedule of Expenditures of Federal Awards | 18 |
| Notes to the Schedule of Expenditures of Federal Awards | 19 |
| Schedule of Findings and Questioned Costs | 20 |

Independent Auditor's Report

To the Board of Directors
Andrew J. Brown Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Andrew J. Brown Charter School, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Andrew J. Brown Charter School, Inc. as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Andrew J. Brown Charter School, Inc.

Report on Prior Year Financial Statements

The financial statements of Andrew J. Brown Charter School, Inc. as of June 30, 2020 were audited by other auditors, whose report dated December 21, 2020 expressed an unqualified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Andrew J. Brown Charter School, Inc.'s financial statements. The schedule of expenditures of federal awards, as identified in the table of contents, and as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards 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. Such 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 schedule of expenditures of federal awards 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 our report dated October 28, 2021 on our consideration of Andrew J. Brown Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the effectiveness of the School'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 Andrew J. Brown Charter School, Inc.'s internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 28, 2021

ANDREW J. BROWN CHARTER SCHOOL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--------------------------------------------------------------------------------------------|-------------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 2,249,239 | \$ 1,148,319 |
| Due from governmental revenue sources | 2,689,631 | 2,345,932 |
| Less allowance for doubtful accounts | <u>(2,252,626)</u> | <u>(2,252,626)</u> |
| Total due from governmental revenue sources, net of allowance for doubtful accounts | <u>437,005</u> | <u>93,306</u> |
| Total current assets | <u>2,686,244</u> | <u>1,241,625</u> |
| NON-CURRENT ASSETS: | | |
| Capital assets | 291,172 | 291,172 |
| Less accumulated depreciation | <u>(87,091)</u> | <u>(76,134)</u> |
| Total capital assets, net of accumulated depreciation | <u>204,081</u> | <u>215,038</u> |
| TOTAL | <u>\$ 2,890,325</u> | <u>1,456,663</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES: | | |
| Deferred revenue | \$ 32,804 | \$ 25,244 |
| Contracted service fee payable | <u>2,601,416</u> | <u>1,170,266</u> |
| Total liabilities | <u>2,634,220</u> | <u>1,195,510</u> |
| NET ASSETS — Net Assets without Donor Restriction | <u>256,105</u> | <u>261,153</u> |
| TOTAL | <u>\$ 2,890,325</u> | <u>1,456,663</u> |

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|------------------------------------------------|-------------------|------------------|
| REVENUES, AND SUPPORT: | | |
| State aid | \$ 4,764,055 | 4,945,936 |
| Other state sources | 912,582 | 933,055 |
| Federal sources | 1,465,457 | 1,066,838 |
| Private sources | 46,376 | 58,920 |
| In-kind contribution — NHA | <u>483,085</u> | <u>246,389</u> |
| Total revenues, and support | 7,671,555 | 7,251,138 |
| EXPENSES: | | |
| Contracted service fee | 7,636,555 | 7,216,138 |
| Depreciation | 10,957 | 11,484 |
| Board expenses | <u>29,091</u> | <u>52,136</u> |
| Total expenses | <u>7,676,603</u> | <u>7,279,758</u> |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION | (5,048) | (28,620) |
| NET ASSETS: | | |
| Beginning of year | <u>261,153</u> | <u>289,773</u> |
| End of year | <u>\$ 256,105</u> | <u>261,153</u> |

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| State aid | \$ 4,790,789 | \$ 4,969,507 |
| Other state sources | 912,582 | 933,055 |
| Federal sources | 1,095,025 | 1,166,587 |
| Private sources | 53,936 | 60,513 |
| Payments for services rendered | <u>(5,751,412)</u> | <u>(7,044,591)</u> |
| NET INCREASE IN CASH | 1,100,920 | 85,071 |
| CASH — Beginning of year | <u>1,148,319</u> | <u>1,063,248</u> |
| CASH — End of year | <u>\$ 2,249,239</u> | <u>\$ 1,148,319</u> |
| RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION TO NET CASH NEWS PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (5,048) | \$ (28,620) |
| Depreciation | 10,957 | 11,484 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Change in due from governmental revenue sources | (343,699) | 123,319 |
| Change in contracted service fee payable | 1,431,150 | 1,593 |
| Change in deferred revenue | <u>7,560</u> | <u>(22,705)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 1,100,920</u> | <u>\$ 85,071</u> |
| NON CASH ACTIVITY: | | |
| In-kind contribution from NHA | <u>\$ 483,085</u> | <u>\$ 246,389</u> |

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

ANDREW J. BROWN CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

1. NATURE OF OPERATIONS AND REPORTING ENTITY

Andrew J. Brown Charter School, Inc. (the “School”) is a public benefit not-for-profit organization established under the laws of the State of Indiana that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The School operates as a public charter school established under Indiana Code 20-24-3-1 and is sponsored by the Mayor of the Consolidated City of Indianapolis, which is responsible for oversight of the School’s operations. Under this Charter, the School has agreed to pay to the Mayor of the Consolidated City of Indianapolis an annual fee equal to 1% of the state tuition support, which is included in the expenses assumed by NHA as described above. This amounted to \$37,098 and \$38,337 during the years ended June 30, 2021 and 2020, respectively. The charter expires on June 30, 2024 and is subject to renewal. The School is exempt from taxation as a governmental entity pursuant to Internal Revenue Code Section 115. The School qualifies for public charity status by meeting the requirements of Internal Revenue Code Sections 509(1) and 170(b)(1)(A)(ii).

The Board of Directors of the School entered into a management agreement (the “agreement”) with National Heritage Academies, Inc. (“NHA”) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. The agreement will continue until the termination or expiration of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the School or NHA.

Under the terms of the agreement, NHA receives all School revenue from all sources as their contracted service fee. NHA is entitled to any difference between the gross management fee and the operating costs of the School as compensation for management services rendered. Revenues — In-kind contribution — NHA represent a contribution granted by NHA for the excess of School expenditures over revenues available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported

amounts of revenues, and expenditures during the reporting period. Actual results could differ from those estimates.

Cash — Cash represents bank deposits with a carrying amount and bank balance of \$2,249,239 and \$1,148,319 as of June 30, 2021 and 2020, respectively, of which \$1,999,239 and \$898,319 was uninsured and uncollateralized by federal depository insurance as of June 30, 2021 and 2020, respectively. The School does not have a deposit policy for custodial credit risk, as it typically does not anticipate holding uninsured deposits based on the nature of its management agreement with NHA. The School believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Deferred Revenue— Deferred revenue as of June 30, 2021 and 2020 consists of grant funds received in advance of eligible expenses incurred.

Contracted Service Fee Payable — Contracted service fee payable as of June 30, 2021 and 2020 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

Capital Assets — Capital assets, which include other equipment, are reported in the financial statements at historical cost. Capital assets are defined by the School as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Leasehold improvements are depreciated using the straight-line method over useful lives of 30 years. Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

The Financial Statements — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Net Assets without Donor Restriction* — Net assets which are not subject to donor imposed or governmental stipulations. All net assets as of June 30, 2021 and 2020 are considered to be without donor restrictions.

Revenues and contributions are reported as follows:

- Revenues and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in net assets without donor restrictions. Other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets. For the years ended June 30, 2021 and 2020, all revenue sources were without donor restrictions.

- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Income Taxes — The School operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code. Accordingly, no provision for federal income taxes has been made.

Recent Accounting Pronouncements — In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the Statement of Activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the Statement of Financial Position. The reporting of lease-related expenses in the Statements of Activities and Cash Flows will be generally consistent with the current guidance. The new lease guidance will be effective for the School's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined, but is expected to have minimal impact on the statement of activities and will include a right-of-use asset and related lease liability when adopted.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements and there will be additional disclosures included for each category including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Organization's year ending June 30, 2022 and will be applied using the retrospective method.

3. DUE FROM GOVERNMENTAL REVENUE SOURCES

The School's due from balance consists of amounts due from the State of Indiana for tuition support relating to a) the first six months of the School's initial school year and b) enrollment growth occurring in subsequent school years.

Pursuant to IC § 20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that are defined in the statute.

In April 2013, the Indiana General Assembly repealed IC § 20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. The amounts forgiven under House Bill 1001 were to be applied against the related due from balance previously recorded by the School. The School did not receive funds from the Common School Fund and as such, no amount was forgiven by the State.

Members of the Indiana General Assembly have been informed that a number of charter schools remain with a due from balance and those charter schools believe that the State remains obligated for amounts not reimbursed through the provisions of House Bill 1001. On August 29, 2017, the School entered into a lawsuit against the State of Indiana and the Indiana Department of Education. The School alleges failure to pay proper tuition support amounts for the January 2013 to June 2013 semester. As of the report date, the lawsuit remains outstanding and legal efforts continue to resolve any outstanding obligations of the State. The School has recorded a reduction in state aid in a prior year in the amount of \$2,252,626 that was not reimbursed through the provisions of House Bill 1001. The remaining balance of \$437,005 and \$93,306 in the due from relates to routine amounts due from other state programs and federal programs as of June 30, 2021 and 2020, respectively.

4. LIQUIDITY

The School has \$2,686,244 and \$1,241,625 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures as of June 30, 2021 and 2020, respectively, consisting of cash of \$2,249,239 and \$1,148,318, and amounts due from governmental revenue sources of \$437,005 and \$93,306 at June 30, 2021 and 2020, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The School has a goal to maintain financial assets, which consist of cash and short-term receivables on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,279,000 and \$1,209,000 at June 30, 2021 and 2020, respectively.

While the School will not always carry financial assets in excess of 60 days of normal operating expenses, due to their management agreement with NHA, NHA is required make contributions to the School if the School's expenditures exceed the school's revenue during the year.

5. FUNCTIONAL EXPENSES

The School provides educational services to its students. Expenses related to providing these services are as follows for the years ended June 30, 2021 and 2020, respectively:

| | 2021 | 2020 |
|------------------------|---------------------|---------------------|
| Program services | | |
| Contracted service fee | \$ 6,974,064 | \$ 6,526,997 |
| Board expenses | 29,091 | 52,136 |
| Depreciation | 10,957 | 11,484 |
| Total program services | <u>7,014,112</u> | <u>6,590,617</u> |
| Management and general | | |
| Contracted service fee | <u>662,491</u> | <u>689,141</u> |
| Total | <u>\$ 7,676,603</u> | <u>\$ 7,279,758</u> |

The costs of providing the program and support services are allocated on an actual basis, when possible. Certain expenses attributable to more than one function and require an allocation on a reasonable basis that is consistently applied. Management and general expenses consist of expenditures incurred by the School based on their usage of management company services. Usage of management company services are calculated on a variety of different allocation methods based on various cost centers.

6. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2021 or 2020, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|-----------------------------------------|------------------------------|--------------------|------------------|---------------------------|
| Other equipment | \$ 26,674 | \$ - | \$ - | \$ 26,674 |
| Leasehold improvements | <u>264,498</u> | <u>-</u> | <u>-</u> | <u>264,498</u> |
| Total capital assets at historical cost | <u>291,172</u> | <u>-</u> | <u>-</u> | <u>291,172</u> |
| Less accumulated depreciation — | | | | |
| Other equipment | (18,825) | (2,140) | - | (20,965) |
| Leasehold improvements | <u>(57,309)</u> | <u>(8,817)</u> | <u>-</u> | <u>(66,126)</u> |
| Total accumulated depreciation | <u>(76,134)</u> | <u>(10,957)</u> | <u>-</u> | <u>(87,091)</u> |
| Total capital asset activity, net | <u>\$ 215,038</u> | <u>\$ (10,957)</u> | <u>\$ -</u> | <u>\$ 204,081</u> |

Capital asset activity for the year ended June 30, 2020, was as follows:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|-----------------------------------------|------------------------------|--------------------|------------------|---------------------------|
| Other equipment | \$ 26,674 | \$ - | \$ - | \$ 26,674 |
| Leasehold improvements | <u>264,498</u> | <u>-</u> | <u>-</u> | <u>264,498</u> |
| Total capital assets at historical cost | <u>291,172</u> | <u>-</u> | <u>-</u> | <u>291,172</u> |
| Less accumulated depreciation — | | | | |
| Other equipment | (16,158) | (2,667) | - | (18,825) |
| Leasehold improvements | <u>(48,492)</u> | <u>(8,817)</u> | <u>-</u> | <u>(57,309)</u> |
| Total accumulated depreciation | <u>(64,650)</u> | <u>(11,484)</u> | <u>-</u> | <u>(76,134)</u> |
| Total capital asset activity, net | <u>\$ 226,522</u> | <u>\$ (11,484)</u> | <u>\$ -</u> | <u>\$ 215,038</u> |

8. CONTINGENCIES

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

9. OPERATING LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is from July 1, 2020 through June 30, 2021. Annual rental payments required by the lease are \$817,116 payable in twelve monthly payments of \$68,093 for the years ended June 30, 2021 and 2020.

The School subsequently renewed the sublease with NHA for the period of July 1, 2021 through June 30, 2022 at the same rental rate.

10. SUBSEQUENT EVENTS

Events or transactions for the year ended June 30, 2021 have been evaluated through October 28, 2021, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

* * * * *

SUPPLEMENTAL INFORMATION

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*

Independent Auditor's Report

To Management and the Board of Directors
Andrew J. Brown Charter School, Inc.

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 Andrew J. Brown Charter School, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Andrew J. Brown Charter School, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Directors
Andrew J. Brown Charter School, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Andrew J. Brown Charter School, 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*.

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 results 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.

Plante & Moran, PLLC

October 28, 2021

Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Andrew J. Brown Charter School, Inc.

Report on Compliance for Each Major Federal Program

We have audited Andrew J. Brown Charter School, Inc.'s (the "School") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2021. Andrew J. Brown Charter School, Inc.'s major federal program is identified in the summary of auditor's 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Andrew J. Brown Charter School, Inc.'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* (the "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 Andrew J. Brown Charter School, Inc.'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 Andrew J. Brown Charter School, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Andrew J. Brown Charter School, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

To the Board of Directors
Andrew J. Brown Charter School, Inc.

Report on Internal Control Over Compliance

Management of Andrew J. Brown Charter School, Inc. 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 Andrew J. Brown Charter School, Inc.'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 the School'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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Plante & Moran, PLLC

October 28, 2021

ANDREW J. BROWN CHARTER SCHOOL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2021

| Program Title/Project Number/Subrecipient Name | Grant/Project Number | CFDA Number | Expenditures | Current Year Cash Transferred to Subrecipient |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------|----------------|--------------|-----------------------------------------------------|
| Clusters: | | | | |
| Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Indiana Department of Education: | | | | |
| Cash Assistance: | | | | |
| National School Lunch Program 2020-21 | N/A | 10.555 | \$ 152,104 | \$ - |
| National School Breakfast Program 2020-21 | N/A | 10.553 | 57,702 | - |
| Total Child Nutrition Cluster | | | 209,806 | - |
| Other federal awards: | | | | |
| Passed through the Indiana Department of Education: | | | | |
| Title I Part A: | | | | |
| Title I Part A 1920 | S010A190014 | 84.010 | 16,298 | - |
| Title I Part A 2021 | S010A200014 | 84.010 | 644,537 | - |
| Total Title I Part A | | 84.010 | 660,835 | - |
| Title II Part A - Supporting Effective Instruction State Grants: | | | | |
| Title II Part A 1819 | S367A190013 | 84.367 | 180 | - |
| Title II Part A 1920 | S367A200013 | 84.367 | 8,455 | - |
| Title II Part A 2021 | S367A210013 | 84.367 | 53,085 | - |
| Total Title II Part A | | 84.367 | 61,720 | - |
| Title III - English Language Acquisition: | | | | |
| Title III 1920 | 01120-095 | 84.365 | 8,000 | - |
| Title III 2021 | 01121-095 | 84.365 | 19,596 | - |
| Total Title III | | 84.365 | 27,596 | - |
| Total noncluster programs passed through the Indiana Department of Education | | | 750,151 | - |
| Education Stabilization Fund Program - U.S. Department of Education Passed through Indiana Department of Education | | | | |
| COVID-19 ESSER Formula Fund I | 203710 | 84.425D | 264,867 | - |
| COVID-19 ESSER Formula Fund II | 213712 | 84.425D | 94,286 | - |
| COVID-19 ESSER Formula Fund III ARP | | 84.425U | 119,447 | - |
| Total ESSER | | | 478,600 | - |
| Passed through Marion County | | | | |
| COVID-19 Governor's Emergency Education Relief Fund (GEER) | 201200 | 84.425C | 26,900 | - |
| Total Education Stabilization Fund Program | | 84.425 | 505,500 | - |
| Total federal awards | | | \$ 1,465,457 | \$ - |

ANDREW J. BROWN CHARTER SCHOOL, INC.

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Andrew J. Brown Charter School, Inc. (the "School") under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

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

Note 3 - Grant Auditor Report

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

ANDREW J. BROWN CHARTER SCHOOL, INC.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster | Opinion |
|-------------|------------------------------------|------------|
| 84.010 | Title 1, Part A | Unmodified |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Audit Findings

| Reference Number | Finding | Questioned Costs |
|---------------------|---------|------------------|
| Current Year | None | |

Section III - Federal Program Audit Findings

| Reference Number | Finding | Questioned Costs |
|---------------------|---------|------------------|
| Current Year | None | |



Andrew J. Brown Academy, Inc.

June 30, 2021

Summary Schedule of Prior Audit Findings

Prior Year Finding Number:

2020-001

Fiscal Year in Which the Finding Initially Occurred:

2020

Federal Program, CFDA Number and Name:

Federal Program: Title I

CFDA Number: 84.010

Original Finding Description:

The Indiana Department of Education completes the maintenance of effort calculation using the Form 9 report issued by the School, which is a cash-basis report. The following issues were identified with the reporting of expenses on these reports:

1. The School believed that it was not allowed to show any negative ending balances on funds reported on the Form 9. Schools can show a negative balance if the balances are the result of awaiting reimbursements. To not show negative balances, the School adjusted the balance of expenses to be in line with receipts on all funds but fund 300.
2. It was identified that \$5,736 of retirement expenses and \$67,300 of utilities were coded to the wrong object code on the Form 9.

Status/Partial Corrective Action (as applicable):

The Academy now correctly submits Form 9 funds and correctly classified expenditures on Form 9 for utilities and retirement.