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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](http://www.in.gov/sboa)

December 21, 2021

Charter School Board  
Dynamic Minds Academy, Inc.  
8350 Craig Street  
Indianapolis, IN 46250

We have reviewed the audit report of Dynamic Minds Academy, Inc., which was opined upon by Donovan CPAs, 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 Dynamic Minds Academy, 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.

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 Dynamic Minds Academy, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are 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

**DYNAMIC MINDS ACADEMY, INC.**

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  
Dynamic Minds Academy, Inc.

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

We have audited the accompanying financial statements of Dynamic Minds Academy, Inc., 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 audit opinion.

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[www.cpadonovan.com](http://www.cpadonovan.com)

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dynamic Minds Academy, Inc. 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 signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana  
November 23, 2021

**DYNAMIC MINDS ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 541,125	\$ 521,189
Grants receivable	78,025	11,986
Prepaid expenses	<u>5,156</u>	<u>17,058</u>
<i>Total current assets</i>	624,306	550,233
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>14,863</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 639,169</u></u>	<u><u>\$ 550,233</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Paycheck Protection Program loan payable	\$ -	\$ 181,100
Accounts payable and accrued expenses	191,384	131,027
Refundable advance	-	33,936
Due to Charter School Capital, Inc.	<u>245,000</u>	<u>-</u>
<i>Total current liabilities</i>	436,384	346,063
<b>LONG-TERM LIABILITIES</b>		
Deferred rent payable	<u>90,000</u>	<u>78,000</u>
<i>Total liabilities</i>	526,384	424,063
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>112,785</u>	<u>126,170</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 639,169</u></u>	<u><u>\$ 550,233</u></u>

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

**DYNAMIC MINDS ACADEMY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 1,605,293	\$ 1,845,485
Grant revenue	666,951	119,956
Medicaid reimbursement	791,390	302,375
Contributions	362	4,999
Fundraising	-	1,279
Other income	810	-
	<u>3,064,806</u>	<u>2,274,094</u>
 <i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	2,882,892	1,891,644
Management and general	376,399	256,280
	<u>3,259,291</u>	<u>2,147,924</u>
 <i>Total expenses</i>		
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(194,485)	126,170
<b>PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME</b>	<u>181,100</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(13,385)	126,170
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>126,170</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 112,785</u>	<u>\$ 126,170</u>

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

**DYNAMIC MINDS ACADEMY, INC.**  
**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>
Professional services	\$ 1,197,584	\$ 54,868	\$ 1,252,452	\$ 568,199	\$ 45,551	\$ 613,750
Salaries and wages	938,762	212,879	1,151,641	834,552	129,708	964,260
Employee benefits	252,616	21,086	273,702	189,959	14,438	204,397
Occupancy	246,000	-	246,000	243,000	-	243,000
Classroom and office supplies	174,242	3,577	177,819	6,531	214	6,745
Equipment	35,355	-	35,355	20,235	-	20,235
Insurance	-	31,640	31,640	-	26,949	26,949
Authorizer fees	-	30,886	30,886	-	20,493	20,493
Information technology	27,763	-	27,763	28,793	-	28,793
Interest	-	16,874	16,874	-	15,157	15,157
Staff development	8,938	-	8,938	325	-	325
Repairs and maintenance	-	820	820	-	-	-
Travel	108	-	108	-	-	-
Other	1,524	3,769	5,293	50	3,770	3,820
<i>Total functional expenses</i>	<u>\$ 2,882,892</u>	<u>\$ 376,399</u>	<u>\$ 3,259,291</u>	<u>\$ 1,891,644</u>	<u>\$ 256,280</u>	<u>\$ 2,147,924</u>

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

**DYNAMIC MINDS ACADEMY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (13,385)	\$ 126,170
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Paycheck Protection Program loan forgiveness income	(181,100)	-
Changes in certain assets and liabilities:		
Grants receivable	(66,039)	(11,986)
Prepaid expenses	11,902	(17,058)
Accounts payable and accrued expenses	60,357	131,027
Refundable advance	(33,936)	33,936
Deferred rent payable	12,000	78,000
	<u>(210,201)</u>	<u>340,089</u>
<i>Net cash provided by (used in) operating activities</i>		
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(14,863)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan payable	-	181,100
Net proceeds from Charter School Capital, Inc. liability	<u>245,000</u>	<u>-</u>
<i>Net cash provided by financing activities</i>	<u>245,000</u>	<u>181,100</u>
<b>NET CHANGE IN CASH</b>	19,936	521,189
<b>CASH, BEGINNING OF YEAR</b>	<u>521,189</u>	<u>-</u>
<b>CASH, END OF YEAR</b>	<u>\$ 541,125</u>	<u>\$ 521,189</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 16,874	\$ 15,157

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

**DYNAMIC MINDS ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

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

General – Dynamic Minds Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a public charter school on July 1, 2019 under Indiana Code 20-24 and is sponsored by Education One, L.L.C. through Trine University. The School served approximately 105 students in grades kindergarten through twelfth grade during the 2020-2021 school year (115 students during the 2019-2020 school year).

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 accompanying financial statements 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 consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. As of June 30, 2021 and 2020, there were no cash equivalents.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs 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, minor replacement costs, and small equipment purchases are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

At June 30, 2021, property and equipment consist of leasehold improvements that were purchased at year end and no depreciation expense was taken as of June 30, 2021.

Taxes on Income – Dynamic Minds Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2021 and 2020, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

**DYNAMIC MINDS ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

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

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. Because the School commenced operations in 2019, all tax years are currently open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 23, 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 significant 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.

Medicaid Reimbursement – The School receives services for Applied Behavioral Analysis (ABA) therapy, which the School then is reimbursed through Medicaid reimbursement. The revenue is recognized in the amount of costs and expenses at the time they are incurred.

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

**DYNAMIC MINDS ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 3 - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE**

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes the Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from the PPP loans payable can be used for costs related to payroll, employee healthcare, rent, and utilities. On April 24, 2020, the School was granted a loan from The Huntington National Bank in the amount of \$181,100, pursuant to the PPP under Division A, Title I of the CARES Act. To the extent that the funds were used for qualifying expenses under the program during the 24-week period beginning on the date of the loan origination, the School was able to apply for loan forgiveness. The School determined the PPP loan payable represented a financial liability as of June 30, 2020 and accounted for it in accordance with FASB ASC 470, *Simplifying the Classification of Debt*, until forgiveness was obtained.

The School received notification on November 25, 2020 that the loan was forgiven in full and reported the PPP loan forgiveness income during the year ended June 30, 2021.

The School received additional CARES Act Grants totaling \$39,256 and \$9,923 during the years ended June 30, 2021 and 2020, respectively.

**NOTE 4 - DUE TO CHARTER SCHOOL CAPITAL, INC.**

The School has a Receivables Purchase Agreement (“RPA”) with Charter School Capital, Inc. (“CSC”) to sell, transfer, and otherwise convey to CSC without recourse all of the School’s rights, title, and interest in, to, and under certain basic grant and other receivables. Under the terms of the RPA, the School’s sale limit during the term of the RPA is a maximum of \$388,200 at any one time outstanding. During the years ended June 30, 2021 and 2020, the School executed the sale of receivables totaling \$728,400 and \$643,900, respectively, for a cost of \$16,874 and \$15,157, respectively, which is included in interest expense. Outstanding receivables owed to CSC as of June 30, 2021 and 2020, were \$245,000 and \$-0-, respectively.

**NOTE 5 - REFUNDABLE ADVANCE**

During the year ended June 30, 2020, the School received a special education grant, that if not used for approved expenditures, was required to be returned. The grant was required to be, and was, spent in accordance with the submitted budget. The revenue was recognized as approved expenditures were incurred. As of June 30, 2020, \$33,936 remained to be expended. The full amount was expended as of June 30, 2021.

**DYNAMIC MINDS ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 6 - LEASE**

The School leases its school facility from an unrelated party through June 30, 2024. The lease payments escalate over the term of the lease. In accordance with U.S. GAAP, the School is required to record rent expense using the straight-line method over the term of the lease. The difference between recorded rent expense and the actual cash outflow is presented on the statements of financial position as deferred rent payable. For the years ended June 30, 2021 and 2020, rent payments totaled \$234,000 and \$165,000 and rent expense was \$246,000, and \$243,000, respectively.

Deferred rent payable as of June 30, 2021 and 2020 was \$90,000 and \$78,000, respectively.

Minimum lease obligations for the facility are as follows for the years ending June 30:

2022	\$	252,000
2023		276,000
2024		300,000

**NOTE 7 - RETIREMENT PLANS**

The School maintains a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make contributions at its discretion. Alternatively, an employee may participate in the Indiana State Teachers' Retirement Plan ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan sponsored by the State of Indiana and administered by the Indiana Public Retirement System Board. For the years ended June 30, 2021 and 2020, the School contributed 5.5% of defined compensation to each employee's retirement plan account of choice. Retirement plan expense was \$78,207 and \$37,602 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 8 - COMMITMENT**

The School operates under a charter agreement by Education One, L.L.C. ("Education One") through Trine University. As the sponsoring organization, Education One exercises certain oversight responsibilities. This charter agreement remains in effect until June 30, 2024 and is renewable thereafter by mutual consent. Education One assesses a fee in an amount equal to no more than 3% of the basic tuition amount received by the School. The fees were \$30,886 and \$20,493 for the years ended June 30, 2021 and 2020, respectively. In addition, the charter agreement requires the School to establish an escrow account of \$50,000 should a dissolution occur, which has been established and is included with cash on the statements of financial position.

**DYNAMIC MINDS ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 9 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Marion and surrounding counties 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.

Bank deposits are maintained at The Huntington National Bank and are insured up to the FDIC insurance limit. As of June 30, 2021, and at times during the year, cash balances exceeded the FDIC insured limit.

**NOTE 10 - LIQUIDITY**

Financial assets held by the School include cash and grants receivable. Following is a schedule of financial assets and the ability thereof to meet cash needs for general expenditures as of June 30:

	<u>2021</u>	<u>2020</u>
Financial assets	\$ 619,150	\$ 533,175
Less: receivables factored as of June 30 (see Note 4)	(245,000)	-
Less: escrow for dissolution (see Note 8)	<u>(50,000)</u>	<u>-</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$ <u>324,150</u>	 \$ <u>533,175</u>

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.

**NOTE 11 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**DYNAMIC MINDS ACADEMY, INC.**

**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 Dynamic Minds Academy, Inc.

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