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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

December 30, 2021

Charter School Board
Believe Schools, Inc.
2540 N Capitol Ave
Indianapolis, IN 46208

We have reviewed the audit report of Believe Schools, Inc. 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* the financial statements included in the report present fairly the financial condition of Believe Schools, 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 Believe Schools, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

BELIEVE SCHOOLS, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Year Ended June 30, 2021



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Believe Schools, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Believe Schools, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

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 Believe Schools, Inc. as of June 30, 2021, and the changes in its net assets, functional expenses, and cash flows for the year 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, prominent initial "D".

Indianapolis, Indiana
November 30, 2021

BELIEVE SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 527,484
Grants receivable	76,254
Prepaid expenses	<u>19,125</u>
<i>Total current assets</i>	<u>622,863</u>

PROPERTY AND EQUIPMENT

Leasehold improvements	22,000
Vehicles	48,195
Less: accumulated depreciation	<u>(6,835)</u>
<i>Property and equipment, net</i>	<u>63,360</u>

TOTAL ASSETS

\$ 686,223

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 84,785
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LONG-TERM LIABILITIES

Deferred rent payable	<u>68,108</u>
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<i>Total liabilities</i>	152,893
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NET ASSETS, WITHOUT DONOR RESTRICTIONS

533,330

TOTAL LIABILITIES AND NET ASSETS

\$ 686,223

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

BELIEVE SCHOOLS, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2021

REVENUE AND SUPPORT	
State education support	\$ 427,704
Grant revenue	1,296,532
Interest income	348
Other income	<u>25,010</u>
<i>Total revenue and support</i>	<u>1,749,594</u>
 EXPENSES	
Program services	1,334,082
Management and general	<u>370,659</u>
<i>Total expenses</i>	<u>1,704,741</u>
 CHANGE IN NET ASSETS FROM OPERATIONS	 44,853
 PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	 <u>12,474</u>
 CHANGE IN NET ASSETS	 57,327
 NET ASSETS, BEGINNING OF YEAR	 <u>476,003</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 533,330</u></u>

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

BELIEVE SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 458,170	\$ 280,858	\$ 739,028
Occupancy	259,826	-	259,826
Equipment	147,608	-	147,608
Professional services	135,676	863	136,539
Classroom and office supplies	90,470	24,624	115,094
Information technology	91,573	20,498	112,071
Employee benefits	23,889	15,805	39,694
Repairs and maintenance	31,122	-	31,122
Food costs	30,539	-	30,539
Transportation	20,183	-	20,183
Advertising	-	16,620	16,620
Insurance	14,644	-	14,644
Travel	6,209	6,788	12,997
Depreciation	6,835	-	6,835
Other	17,338	4,603	21,941
	<u>17,338</u>	<u>4,603</u>	<u>21,941</u>
<i>Total functional expenses</i>	<u>\$ 1,334,082</u>	<u>\$ 370,659</u>	<u>\$ 1,704,741</u>

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

BELIEVE SCHOOLS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

OPERATING ACTIVITIES

Change in net assets	\$ 57,327
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Paycheck Protection Program loan forgiveness income	(12,474)
Depreciation expense	6,835
Changes in certain assets and liabilities:	
Grants receivable	(34,434)
Prepaid expenses	(18,054)
Accounts payable and accrued expenses	70,805
Refundable advance	(270,000)
Deferred rent payable	<u>68,108</u>
<i>Net cash used in operating activities</i>	(131,887)

INVESTING

Purchases of property and equipment	<u>(60,195)</u>
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NET CHANGE IN CASH

(192,082)

CASH, BEGINNING OF YEAR

719,566

CASH, END OF YEAR

\$ 527,484

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

BELIEVE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Believe Schools, 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, 2020 under Indiana Code 20-24 and is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The School served approximately 55 students in grades nine and ten during the 2020-2021 school year.

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.

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

- net assets without donor restrictions – which includes 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, the School had only net assets without donor restrictions.

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, 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 over \$500 for equipment and \$15,000 for non-equipment 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. The estimated useful lives generally are as follows:

Leasehold improvements	3 years
Vehicles	5 years

BELIEVE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Believe Schools, 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 year ended June 30, 2021, 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. Because the School commenced operations in 2020, all tax years are currently open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 30, 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 School has applied the provisions of this ASU to the June 30, 2021 financial statements. There was no material impact on the financial statements.

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and 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.

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

BELIEVE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - PRIOR PERIOD FINANCIAL ACTIVITY

Prior to the year ended June 30, 2021, (the School’s first year of operations), the School received grants and other funds in anticipation of opening the School. The School’s statement of financial position as of June 30, 2020 was as follows:

Cash	\$	719,566
Grants receivable		41,820
Prepaid expenses		1,071
Leasehold improvements		<u>10,000</u>
<i>Total assets</i>	\$	<u>772,457</u>
Accounts payable and accrued expenses	\$	13,980
Paycheck Protection Program loan payable		12,474
Refundable advance		<u>270,000</u>
<i>Total liabilities</i>		296,454
Net assets, without donor restrictions		<u>476,003</u>
<i>Total liabilities and net assets</i>	\$	<u>772,457</u>

NOTE 4 - 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 notes 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 JPMorgan Chase Bank, N.A. in the amount of \$12,474, pursuant to the PPP under Division A, Title I of the CARES Act.

The note was forgiven in full on April 1, 2021 and recorded as loan forgiveness income during the year ended June 30, 2021.

NOTE 5 - LEASE

The School leases its school facility from an unrelated party through July 31, 2023. The lease payments escalate over the term of the lease. In accordance with U.S. GAAP, the School records 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 statement of financial position as deferred rent payable.

For the year ended June 30, 2020, rent payments totaled \$120,000 and rent expense was \$188,108.

Deferred rent payable as of June 30, 2021 was \$68,108.

BELIEVE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 - LEASE, Continued

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

2022	\$	193,333
2023		245,833
2024		20,833

NOTE 6 - 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. For the year ended June 30, 2021, the School contributed 3% of defined compensation to eligible employees. Retirement plan expense was \$16,562 for the year ended June 30, 2021.

NOTE 7 - COMMITMENT

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. Beginning on July 1st before the School's fourth school year, OEI will assess a fee equal to 1% of the basic tuition support received by the School. No management fees were paid during the year ended June 30, 2021.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2021, this account has been established.

NOTE 8 - 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 JPMorgan Chase Bank, N.A. 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.

BELIEVE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 9 - LIQUIDITY

Financial assets held by the School include cash and grants receivable. Financial assets available to meet cash needs for general expenditures within one year totaled \$603,738 as of June 30, 2021.

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 10 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statement 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.

BELIEVE SCHOOLS, 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 Believe Schools, 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*.