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December 30, 2021


Charter School Board  
Circle City Preparatory, Inc.  
4002 N Franklin Rd  
Indianapolis, IN 46226

We have reviewed the audit report of Circle City Preparatory, 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 Circle City Preparatory, 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 Circle City Preparatory, 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, CPA  
State Examiner

**CIRCLE CITY PREPARATORY, 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  
Circle City Preparatory, Inc.

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

We have audited the accompanying financial statements of Circle City Preparatory, 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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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Circle City Preparatory, 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, prominent initial "D".

Indianapolis, Indiana  
November 29, 2021

**CIRCLE CITY PREPARATORY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 423,768	\$ 601,957
Grants receivable	228,006	172,538
Prepaid expenses	45,000	-
	696,774	774,495
<i>Total current assets</i>		
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>3,275,239</b>	<b>80,199</b>
<b>OTHER ASSETS</b>		
Cash - restricted	1,469,719	-
Security deposit	-	10,000
	1,469,719	10,000
<i>Total other assets</i>		
<b>TOTAL ASSETS</b>	<b>\$ 5,441,732</b>	<b>\$ 864,694</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of bonds payable	\$ 45,000	\$ -
Current portion of note payable	-	24,589
Accounts payable and accrued expenses	112,008	156,590
Refundable advance - CARES Act funding	-	8,677
Refundable advance - other	-	9,251
Tenant security deposit	30,000	-
	187,008	199,107
<i>Total current liabilities</i>		
<b>LONG-TERM LIABILITIES</b>		
Note payable, net of current portion	-	32,650
CIES debt service reserve fund liability	297,500	-
Bonds payable, net of current portion	4,735,000	-
Less: unamortized bond issuance costs	(443,114)	-
	4,589,386	32,650
<i>Long-term liabilities, net of unamortized bond issuance costs</i>		
<i>Total liabilities</i>	4,776,394	231,757
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<b>665,338</b>	<b>632,937</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,441,732</b>	<b>\$ 864,694</b>

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

**CIRCLE CITY PREPARATORY, 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	\$ 1,770,455	\$ 1,410,866
Grant revenue	863,125	780,915
Contributions	26,222	67,812
CARES Act funding	60,343	37,823
Rental income	59,161	-
Other income	39,424	25,856
	<u>2,818,730</u>	<u>2,323,272</u>
 <b>EXPENSES</b>		
Program services	2,057,422	1,603,643
Management and general	737,584	511,782
	<u>2,795,006</u>	<u>2,115,425</u>
 <b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	 23,724	 207,847
 <b>PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME</b>	 8,677	 108,523
	<u>32,401</u>	<u>316,370</u>
 <b>CHANGE IN NET ASSETS</b>	 32,401	 316,370
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 632,937	 316,567
	<u>632,937</u>	<u>316,567</u>
 <b>NET ASSETS, END OF YEAR</b>	 \$ 665,338	 \$ 632,937
	<u>\$ 665,338</u>	<u>\$ 632,937</u>

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

**CIRCLE CITY PREPARATORY, 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>
Salaries and wages	\$ 800,561	\$ 453,161	\$ 1,253,722	\$ 582,303	\$ 347,565	\$ 929,868
Classroom, kitchen, and office supplies	172,122	42,536	214,658	130,296	32,095	162,391
Employee benefits	102,556	95,044	197,600	128,795	44,104	172,899
Occupancy	167,782	-	167,782	270,269	9,449	279,718
Professional services	90,521	53,869	144,390	93,603	62,882	156,485
Repairs and maintenance	142,703	-	142,703	62,992	-	62,992
Interest	117,838	-	117,838	3,486	-	3,486
Curriculum	98,262	-	98,262	51,867	-	51,867
Equipment	94,473	-	94,473	71,932	-	71,932
Food service	91,102	-	91,102	107,804	-	107,804
Depreciation	72,024	-	72,024	9,581	-	9,581
Advertising	-	46,831	46,831	-	3,981	3,981
Information technology services	28,325	11,521	39,846	6,255	-	6,255
Insurance	38,351	-	38,351	16,732	-	16,732
Staff development	31,690	-	31,690	48,368	-	48,368
Authorizer oversight fee	-	7,153	7,153	-	3,682	3,682
Amortization	6,442	-	6,442	-	-	-
Travel	2,670	-	2,670	17,304	518	17,822
Other	-	27,469	27,469	2,056	7,506	9,562
<i>Total functional expenses</i>	<u>\$ 2,057,422</u>	<u>\$ 737,584</u>	<u>\$ 2,795,006</u>	<u>\$ 1,603,643</u>	<u>\$ 511,782</u>	<u>\$ 2,115,425</u>

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

# CIRCLE CITY PREPARATORY, 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	\$ 32,401	\$ 316,370
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Paycheck Protection Program loan forgiveness income	(8,677)	(108,523)
Depreciation	72,024	9,581
Amortization	6,442	-
Changes in certain assets and liabilities:		
Grants receivable	(55,468)	(52,066)
Prepaid expenses	(45,000)	-
Security deposit	10,000	-
Accounts payable and accrued expenses	(44,582)	28,237
Refundable advance - other	(9,251)	9,251
<i>Net cash provided by (used in) operating activities</i>	<u>(42,111)</u>	<u>202,850</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(254,764)</u>	<u>(65,006)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan payable	-	117,200
Proceeds to establish debt service reserve fund	297,500	-
Proceeds from bond payable	1,348,144	-
Principal repayment on note payable	<u>(57,239)</u>	<u>(21,459)</u>
<i>Net cash provided by financing activities</i>	<u>1,588,405</u>	<u>95,741</u>
<b>NET CHANGE IN CASH</b>	1,291,530	233,585
<b>CASH, BEGINNING OF YEAR</b>	<u>601,957</u>	<u>368,372</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,893,487</u>	<u>\$ 601,957</u>
<b>CASH, END OF YEAR</b>		
Cash - unrestricted	\$ 423,768	\$ 601,957
Cash - restricted	<u>1,469,719</u>	<u>-</u>
<i>Total cash, end of year</i>	<u>\$ 1,893,487</u>	<u>\$ 601,957</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 92,475	\$ 3,486
Building and land purchased through bonds payable	3,012,300	-
Bond issuance costs financed through bonds payable	449,556	-

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

**CIRCLE CITY PREPARATORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

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

General – Circle City Preparatory, Inc. (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 is sponsored by the Indiana Charter School Board (“ICSB”). The charter remains in effect until June 30, 2022 and is renewable thereafter by mutual consent. During the 2020-2021 school year, the School served approximately 220 students in kindergarten through fourth grade. During the 2019-2020 school year, the School served approximately 175 students in kindergarten through third grade. The School plans to grow one grade level per year until it serves kindergarten through eighth grade.

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 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.

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. There were no cash equivalents at June 30, 2021 and 2020.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes that 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 using the straight-line method. The estimated useful lives generally are as follows:

Building and improvements	30 years
Leasehold improvements	5 years
Furniture and equipment	5 years

**CIRCLE CITY PREPARATORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

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

Bond Issuance Costs – During January 2021, the School incurred costs associated with securing financing under Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2021A (“Series 2021A Bonds”) and Revenue Bonds, Series 2021B (“Series 2021B Bonds”). Total bond issuance costs incurred with the 2021 transaction were \$449,556. Amortization was provided on a straight-line basis over the original 35-year term of the Series 2021 Bonds and totaled \$6,442 for the year ended June 30, 2021. Unamortized bond issuance costs were \$443,114 as of June 30, 2021.

As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

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. The tax years ended after June 30, 2017 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 29, 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.

**CIRCLE CITY PREPARATORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 2 - REVENUE RECOGNITION, Continued**

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.

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

**NOTE 3 - CARES ACT FUNDING AND REFUNDABLE ADVANCE**

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 29, 2020, the School was granted a loan from The National Bank of Indianapolis in the amount of \$117,200, pursuant to the PPP under Division A, Title I of the CARES Act. Under the terms of the PPP, the loan funds will be forgiven if they are used for qualifying expenses as described in the CARES Act. The School evaluated the expenses to which these funds were applied through June 30, 2020 and determined the loan requirements were met and therefore forgiven for the \$108,523 in allowable expenses incurred through June 30, 2020. The School elected to recognize the funds as a contribution in accordance with FASB ASC 958-605 by reflecting the amount of funds expended during the year ended June 30, 2020 as revenue. The remaining unspent portion of \$8,667 was reflected as a refundable advance until such time as the funds can be spent for an allowable purpose. For the year ended June 30, 2021, the School received full forgiveness for the loan and reported the remaining \$8,677 as revenue.

The School received additional CARES Act grants totaling \$60,343 and \$37,823 during the years ended June 30, 2021 and 2020, respectively.

**CIRCLE CITY PREPARATORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment was comprised of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 237,700	\$ -
Building and improvements	3,029,394	-
Leasehold improvements	73,633	73,633
Furniture and equipment	32,633	32,633
	<u>3,373,360</u>	<u>106,266</u>
Less: accumulated depreciation	<u>(98,121)</u>	<u>(26,097)</u>
	<u>\$ 3,275,239</u>	<u>\$ 80,199</u>

**NOTE 5 - RESTRICTED AND TEMPORARILY HELD CASH**

*Cash - restricted for project fund* is reserved for improvements to the building.

*Cash - restricted for debt service fund* is reserved for the payment of principal and interest on the bonds in the event that other funding is unavailable to meet payment requirements. Included is \$297,500 provided by Center for Innovation Education Solutions, Inc. (CIES) as a credit enhancement. Upon full repayment or other termination of the bond debt, the School is obligated to repay the amount of the credit enhancement and has therefore recorded a long-term liability to reflect the obligation, which is reflected as a CIES debt service reserve fund liability on the statements of financial position.

*Cash - restricted for bond fund* is reserved for the monthly payment of interest and principal.

*Cash - restricted for property repairs and replacement* was established with the bond proceeds and represents resources available for repairing and replacing facilities.

Restricted cash is comprised of the following as of June 30, 2021:

Project fund	\$ 1,114,774	
Debt service fund	297,500	
Bond fund	48,445	
Property repairs and replacement	<u>9,000</u>	
	<u>\$ 1,469,719</u>	

**CIRCLE CITY PREPARATORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 6 - BONDS PAYABLE**

In January 2021, the School executed a transaction to purchase the building and furnishings associated with the lease in Note 8. The building was purchased via Series 2021 Bonds, which have original amounts totaling \$4,780,000, with annual principal payments paid on the first of December each year. Interest payments begin June 2021 and are made semi-annually at 5% in accordance with the bond agreement. The bonds are secured by land, building, and improvements.

The bond agreement contains certain covenants, including:

- submission of audited financial statements within 150 days after the end of the fiscal year;
- a minimum 45 days' cash on hand as of each June 30;
- a minimum debt service coverage ratio of 1.15 to 1.00, measured annually, and;
- enrollment of at least 235 students, tested annually each October.

The School met all of the covenants as of June 30, 2021 with the exception of the debt service coverage ratio.

Principal maturities of bonds payable are as follows for the years ending June 30:

2022	\$	45,000
2023		55,000
2024		60,000
2025		60,000
2026		65,000
Thereafter		<u>4,495,000</u>
	\$	<u>4,780,000</u>

**NOTE 7 - NOTE PAYABLE**

The note payable consisted of the following as of June 30, 2020:

Note payable to IFF, payable in monthly installments of \$2,266, including interest at 5.625% per annum, secured by substantially all of the School's assets	\$	57,239
Less: current portion		<u>(24,589)</u>
Long-term portion	\$	<u><u>32,650</u></u>

This note was paid in full during the year ended June 30, 2021.

**CIRCLE CITY PREPARATORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 8 - LEASE**

The School leased its building under an operating lease agreement through January 2021. The lease provided for monthly rental payments that include a base rate plus an additional charge for each student over a number outlined in the agreement, both of which increase each year. The School had a security deposit related to this lease of \$10,000. The School terminated this lease in accordance with the purchase of the building, described in Note 6. Total lease expense was \$134,441 and \$270,269 for the years ended June 30, 2021 and 2020, respectively.

The School also leases certain equipment under operating leases. Total lease expense was \$34,816 and \$27,261 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments for all operating leases with initial non-cancellable lease terms in excess of one year are as follows for the years ending June 30:

2022	\$	54,884
2023		54,663
2024		45,333
2025		36,003
2026		19,714

**NOTE 9 - RENT INCOME**

Upon the purchase of the building, the School acquired a tenant lease of \$10,000 monthly payments. The lease also resulted in a security deposit of \$30,000, which was transferred to the School. The lease expired on June 30, 2021 and was not renewed. Rent income under this agreement totaled \$59,161 during the year ended June 30, 2021.

**NOTE 10 - COMMITMENT**

The School operates under a charter granted by the ICSB. As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay ICSB an annual administrative fee equal to .5% of state tuition payments received. Payments under the charter agreement were \$7,153 and \$3,682 for the years ended June 30, 2021 and 2020, respectively.

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

**CIRCLE CITY PREPARATORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 11 - RETIREMENT PLAN**

The School provides retirement benefits covering substantially all full-time employees. Employees are eligible to participate in a School-sponsored Section 403(b) plan. Under this plan, the School may, at its discretion, match full time employee contributions up to 3% of compensation, as defined in the plan document. The School contributed \$20,160 and \$16,661 to the plan for the years ended June 30, 2021 and 2020, respectively.

**NOTE 12 - RISKS AND UNCERTAINTIES**

The School provides educational instruction to students residing in Marion County, 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 The National Bank of Indianapolis and are insured up to the FDIC insurance limit. Cash balances at the end of the year and periodically throughout the year exceeded the FDIC insured limit.

**NOTE 13 - LIQUIDITY**

Financial assets held by the School include unrestricted cash and grants receivable. Financial assets available to meet cash needs for general expenditures within one year totaled \$651,774 and \$774,495 as of June 30, 2021 and 2020, respectively.

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 14 - 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. 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.

**CIRCLE CITY PREPARATORY, 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 Circle City Preparatory, 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*.