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January 19, 2022

Charter School Board
Allegiant Preparatory, Inc.
3125 Concord Ct., Suite B
Indianapolis, IN 46222

We have reviewed the audit report of Allegiant 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 Allegiant 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 Allegiant 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
Paul D. Joyce, CPA
State Examiner

ALLEGIANT 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
Allegiant Preparatory, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Allegiant Preparatory, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, 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 Allegiant 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, looped initial "D".

Indianapolis, Indiana
January 10, 2022

ALLEGIANT PREPARATORY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 300,847	\$ 153,302
Grants receivable	125,425	118,764
Prepaid expenses	4,847	-
<i>Total current assets</i>	<u>431,119</u>	<u>272,066</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	216,517	168,521
Leasehold improvements	42,923	42,923
Less: accumulated depreciation	<u>(136,163)</u>	<u>(76,738)</u>
<i>Property and equipment, net</i>	<u>123,277</u>	<u>134,706</u>
OTHER ASSETS		
Security deposit	<u>7,769</u>	<u>7,769</u>
TOTAL ASSETS	<u>\$ 562,165</u>	<u>\$ 414,541</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 19,593	\$ 18,478
Accounts payable and accrued expenses	29,450	82,012
Due to landlord	-	3,683
Refundable advance - CARES Act funding	<u>-</u>	<u>2,176</u>
<i>Total current liabilities</i>	<u>49,043</u>	<u>106,349</u>
LONG-TERM LIABILITIES		
Note payable, net of current portion	28,210	47,893
Deferred rent payable	<u>15,539</u>	<u>21,365</u>
<i>Total long-term liabilities</i>	<u>43,749</u>	<u>69,258</u>
<i>Total liabilities</i>	92,792	175,607
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>469,373</u>	<u>238,934</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 562,165</u>	<u>\$ 414,541</u>

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

ALLEGIANT 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>
REVENUE AND SUPPORT		
State education support	\$ 892,956	\$ 562,666
Grant revenue	515,323	589,190
Contributions	96	16,161
Interest income	141	84
Other income	2,472	2,010
<i>Total revenue and support</i>	<u>1,410,988</u>	<u>1,170,111</u>
EXPENSES		
Program services	750,125	640,419
Management and general	432,600	421,073
<i>Total expenses</i>	<u>1,182,725</u>	<u>1,061,492</u>
CHANGE IN NET ASSETS FROM OPERATIONS	228,263	108,619
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	<u>2,176</u>	<u>47,824</u>
CHANGE IN NET ASSETS	230,439	156,443
NET ASSETS, BEGINNING OF YEAR	<u>238,934</u>	<u>82,491</u>
NET ASSETS, END OF YEAR	<u><u>\$ 469,373</u></u>	<u><u>\$ 238,934</u></u>

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

ALLEGIANT 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	\$ 328,912	\$ 218,712	\$ 547,624	\$ 229,137	\$ 277,091	\$ 506,228
Professional services	23,463	103,742	127,205	13,129	79,134	92,263
Employee benefits	68,299	48,104	116,403	17,950	27,167	45,117
Occupancy	90,507	-	90,507	64,035	-	64,035
Depreciation	59,425	-	59,425	40,127	-	40,127
Food costs	58,071	-	58,071	53,656	-	53,656
Classroom and office supplies	48,144	5,310	53,454	157,175	2,261	159,436
Information technology	37,792	-	37,792	27,566	-	27,566
Advertising	-	30,276	30,276	-	12,052	12,052
Insurance	139	16,762	16,901	-	16,058	16,058
Travel and meetings	16,133	-	16,133	17,448	1,624	19,072
Staff development	10,743	-	10,743	15,848	-	15,848
Equipment	5,081	4,183	9,264	1,258	3,697	4,955
Authorizer fees	-	3,736	3,736	-	1,643	1,643
Interest	3,416	-	3,416	3,090	-	3,090
Other	-	1,775	1,775	-	346	346
<i>Total functional expenses</i>	<u>\$ 750,125</u>	<u>\$ 432,600</u>	<u>\$ 1,182,725</u>	<u>\$ 640,419</u>	<u>\$ 421,073</u>	<u>\$ 1,061,492</u>

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

ALLEGIANT PREPARATORY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 230,439	\$ 156,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness income	(2,176)	(47,824)
Depreciation	59,425	40,127
Change in certain assets and liabilities:		
Grants receivable	(6,661)	(55,207)
Prepaid expenses	(4,847)	5,179
Accounts payable and accrued expenses	(52,562)	52,776
Deferred rent payable	<u>(5,826)</u>	<u>(5,826)</u>
<i>Net cash provided by operating activities</i>	<u>217,792</u>	<u>145,668</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(47,996)</u>	<u>(60,976)</u>
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan payable	-	50,000
Principal payments on note payable	(18,568)	(18,926)
Repayment of amount due to landlord	<u>(3,683)</u>	<u>(18,333)</u>
<i>Net cash provided by (used in) financing activities</i>	<u>(22,251)</u>	<u>12,741</u>
NET CHANGE IN CASH	147,545	97,433
CASH, BEGINNING OF YEAR	<u>153,302</u>	<u>55,869</u>
CASH, END OF YEAR	<u>\$ 300,847</u>	<u>\$ 153,302</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 3,416	\$ 3,090

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Allegiant Preparatory, 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, 2018 under Indiana Code 20-24. The School has approximately 105 students enrolled in kindergarten through third grade during the 2020-2021 school year. During the 2019-2020 school year, the School served approximately 70 students in kindergarten through second grade.

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. 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 included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases of less than \$5,000 individually, or as a group of assets, are charged to expense as incurred.

Furniture and equipment are depreciated using the straight-line method over the respective asset’s estimated useful life (ranging from 3-5 years). Leasehold improvements are depreciated using the straight-line method over the life of the lease.

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.

ALLEGIANT PREPARATORY, 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. 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 January 10, 2022, 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 – 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 is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which 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 each grant is considered satisfaction of the performance obligations.

The School also receives contributions and grants from other agencies and individuals, which are recorded in accordance with the terms of the underlying agreements.

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

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

NOTE 3 - NOTE PAYABLE

The note payable was comprised of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Note payable to IFF, payable in monthly installments of \$1,831 including interest at 5.875% per annum until November 2023	\$ 47,803	\$ 66,371
Less: current portion	<u>(19,593)</u>	<u>(18,478)</u>
Long-term portion	<u>\$ 28,210</u>	<u>\$ 47,893</u>

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

2022	\$ 19,593
2023	20,776
2024	<u>7,434</u>
	<u>\$ 47,803</u>

NOTE 4 - PAYCHECK PROTECTION PROGRAM

On May 15, 2020, the School was granted a loan from CRF Small Business Loan Company, LLC in the amount of \$50,000, pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act. Under the terms of the PPP, the loan funds are to be forgiven if they are used for qualifying expenses as described in the CARES Act. As of June 30, 2020, the School evaluated the expenses to which the funds were applied and determined the loan requirements had been met for the \$47,824 of qualified expenses incurred through that date and recognized that amount as PPP loan forgiveness income during the year ended June 30, 2020. The remaining funds were spent on qualified expenses during the year ended June 30, 2021 and recognized as PPP loan forgiveness income. During the year ended June 30, 2021, the School was notified that the PPP loan has been forgiven in full.

NOTE 5 - DUE TO LANDLORD

During May 2018, the School received an advance from the landlord to pay for tenant leasehold improvements. The advance was non-interest bearing and called for 24 monthly payments, beginning January 2019. Total repayments were \$3,683 and \$18,333 during the years ended June 30, 2021 and 2020, respectively. As of June 30, 2020, \$3,683 was due to the landlord. The loan was repaid in full during the year ended June 30, 2021.

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

NOTE 6 - RETIREMENT PLAN

The School offers a 403(b) defined contribution retirement plan. All employees are eligible for benefits under the 403(b) plan. To receive matching contributions, employees must be at least 21 years old, have a minimum of 1,000 hours of service, and be employed on the last day of the plan year. The School may make discretionary contributions.

Total contributions by the School to the 403(b) plan were \$4,314 and \$7,065 during the years ended June 30, 2021 and 2020, respectively.

NOTE 7 - COMMITMENTS

The School operates under a charter granted by the Indiana Charter School Board (“ICSB”). As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to ICSB an administrative fee equal to 0.5% of revenues. Payments under this charter agreement were \$3,736 and \$1,643 for the years ended June 30, 2021 and 2020, respectively. The charter remains in effect until June 2023 and is renewable thereafter by mutual consent.

The charter agreement requires the School to establish an escrow of no less than \$30,000 should a dissolution occur. This account was established during the year ended June 30, 2021 and is included in the balance of cash on the statements of financial statements.

NOTE 8 - LEASES

The School leases office equipment and the building under operating leases that expire in fiscal year 2022. The building lease included a free rent period, along with an escalation 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.

Total lease expense was \$78,115 and \$64,035 for the years ended June 30, 2021 and 2020, respectively.

Minimum lease obligations for the above leases total \$60,822 during the year ending June 30, 2022.

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

NOTE 9 - RISKS AND UNCERTAINTIES

The School provides education instruction services to families primarily 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 National Bank of Indianapolis are insured up to the FDIC insurance limit.

NOTE 10 - LIQUIDITY

Financial assets include cash and grants receivable. Financial assets at June 30, 2021 and 2020 total \$426,272 and \$272,066, respectively, all of which are available to meet cash needs for general expenditures within a year, with the exception of the \$30,000 cash escrow account (Note 7).

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.

ALLEGIANT 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 Allegiant 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*.