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January 20, 2022

Charter School Board
Paramount Schools of Excellence, Inc.
3020 Nowland Ave.
Indianapolis, IN 46201

We have reviewed the audit report of Paramount Schools of Excellence, Inc. which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Paramount Schools of Excellence, 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, Blue & Co., LLC 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 Paramount Schools of Excellence, 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 in our office as a matter of public record.

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



FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2021 AND 2020

CPAs / ADVISORS



PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

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JUNE 30, 2021 AND 2020

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Paramount Schools of Excellence, Inc. (Paramount), a nonprofit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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.

Auditor's 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paramount as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 17 through 20 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 21, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2022, on our consideration of Paramount's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paramount's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
January 7, 2022

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS		
	2021	2020
Current assets		
Cash	\$ 4,117,677	\$ 2,478,644
Grant receivables, net	851,898	306,999
Prepaid expenses	16,225	31,550
Total current assets	4,985,800	2,817,193
Investments		
Undesignated	535,837	-0-
Designated	450,000	-0-
Restricted by debt instrument	-0-	535,596
Total investments	985,837	535,596
Property and equipment		
Land and improvements	999,001	999,001
Building and improvements	20,264,124	9,692,508
Equipment	2,430,026	2,029,507
Software and educational materials	608,131	608,131
Construction in process	-0-	4,161,892
	24,301,282	17,491,039
Accumulated depreciation	(4,090,118)	(3,497,745)
Property and equipment, net	20,211,164	13,993,294
Total assets	\$ 26,182,801	\$ 17,346,083
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 328,681	\$ 469,305
Accrued salaries, wages and related liabilities	1,218,187	937,147
Refundable advances	1,042,837	584,628
Current portion of long-term debt	194,483	736,104
Current portion of capital leases	-0-	43,702
Total current liabilities	2,784,188	2,770,886
Long-term debt, less current portion	13,674,637	8,292,979
Total liabilities	16,458,825	11,063,865
Net assets		
Undesignated	9,273,976	6,282,218
Designated	450,000	-0-
Total net assets without donor restrictions	9,723,976	6,282,218
Total liabilities and net assets	\$ 26,182,801	\$ 17,346,083

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Revenues and support		
State support	\$ 10,673,327	\$ 8,635,661
Federal support	4,815,554	2,947,520
Contributions and donations	1,042,610	437,720
Other revenues and support	133,414	85,615
Forgiveness of PPP note payable	1,002,015	-0-
Investment return, net	1,137	9,720
Total revenues and support	<u>17,668,057</u>	<u>12,116,236</u>
Program and supporting service expenses		
Salaries and wages	6,976,040	6,541,145
Employee benefits	1,809,498	1,619,729
Professional services	1,161,981	1,194,385
Advertising	80,023	63,132
Depreciation	592,373	507,491
Occupancy	894,067	706,979
Supplies and miscellaneous equipment	2,017,104	1,696,732
Insurance	81,119	80,220
Interest	267,362	214,352
Other	346,732	306,473
Total program and supporting service expenses	<u>14,226,299</u>	<u>12,930,638</u>
Change in net assets without donor restrictions	3,441,758	(814,402)
Net assets		
Beginning of year	<u>6,282,218</u>	<u>7,096,620</u>
End of year	<u>\$ 9,723,976</u>	<u>\$ 6,282,218</u>

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

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

	2021	2020
Operating activities		
Change in net assets	\$ 3,441,758	\$ (814,402)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	592,373	507,491
Amortization of debt issuance costs	11,060	11,060
Loss on defeasance of debt	50,851	-0-
Forgiveness of PPP note payable	(1,002,015)	-0-
Changes in operating assets and liabilities		
Grant receivables	(544,899)	(138,916)
Prepaid expenses	15,325	43,166
Accounts payable and accrued expenses	(250,624)	378,305
Accrued salaries, wages and other liabilities	281,040	433,501
Refundable advances	458,209	559,466
Net cash flows from operating activities	3,053,078	979,671
Investing activities		
Property and equipment additions	(6,700,243)	(4,695,288)
Purchase of investments	(450,241)	(7,412)
Net cash flows from investing activities	(7,150,484)	(4,702,700)
Financing activities		
Payments on long-term debt	(13,783,639)	(183,310)
Proceeds from issuance of debt	17,490,771	4,050,250
Proceeds from debt premium	2,275,189	-0-
Payments for debt issuance costs	(202,180)	-0-
Payments on capital lease obligations	(43,702)	(49,322)
Net cash flows from financing activities	5,736,439	3,817,618
Change in cash	1,639,033	94,589
Cash		
Beginning of year	2,478,644	2,384,055
End of year	\$ 4,117,677	\$ 2,478,644
Supplemental cash flows information		
Cash paid for interest, net of capitalized interest of \$61,924 in 2021 and \$-0- in 2020	\$ 205,451	\$ 203,292
Property and equipment included in accounts payable	\$ 110,000	\$ -0-
Noncash financing - forgiveness of PPP note payable	\$ 1,002,015	\$ -0-

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Paramount Schools of Excellence, Inc. (Paramount) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. Paramount operates public charter schools established under Indiana Code 20-24 and is sponsored by the Mayor's Office of the City of Indianapolis. Paramount provides educational instruction to students in grades kindergarten through eighth grade. Paramount operated in three locations throughout central Indiana and one virtual environment during 2021.

Basis of Accounting

Paramount prepares its financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues when they are earned and measurable in the accounting period when services are provided, and the recognition of expenses in the period in which they occur.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Paramount maintains its cash in accounts, which at times, may exceed federally insured limits. Paramount has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Grant Receivables

Grant receivables are amounts due from federal, state or local government agencies or other organizations. Amounts are recognized as receivable when Paramount has incurred expenditures in compliance with specific contract or grant provisions or amounts billed for incurred expenditures or services and not yet paid. The government agencies or other organizations are billed in the period in which expenditures are incurred. Grant receivables are reported at the net realizable amount due from the government agencies or other organizations.

Grant receivables are recognized at the net amount Paramount expects to collect based on established collection history. Paramount recognizes a separate allowance only when it determines there has been an unforeseeable change in the agencies' ability to pay subsequent to the delivery of goods and services resulting in an impairment loss. Such account balances are charged off against the allowance after all means of collection have been exhausted and the potential recovery is considered remote. Paramount did not record an allowance for doubtful accounts as of June 30, 2021 and 2020.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Prepaid Expenses

Prepaid expenses relate to advance payments on products or services that will be used for future programs or activities.

Investments

Investments consist of cash and certificates of deposit recorded at contract value. During a portion of 2021 and all of 2020, the certificates of deposit of approximately \$536,000 served as collateral for a long-term debt agreement and were restricted to use. In conjunction with the long-term refinancing during 2021, the restriction was removed and the certificates of deposit are undesignated as of June 30, 2021. Paramount designated \$450,000 of cash for employee benefit plans as of June 30, 2021. There were no designated investments as of June 30, 2020.

Property, Equipment and Depreciation

Property and equipment are recorded at cost, or if donated, at fair market value at date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance repairs and minor renewals are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from 3-40 years, and is computed on using the straight-line method. Depreciation expense was approximately \$592,000 and \$507,000 for 2021 and 2020, respectively. Paramount did not have any property and equipment commitments as of June 30, 2021.

Debt Issuance Costs and Premiums

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The costs incurred in issuing the debt are classified with long-term debt, as a deduction, and are amortized over the term of the respective debt. Debt issuance premiums represent the difference between the original face value amount and the premium price paid for a long-term debt instrument. The premium incurred in issuing the debt are classified with long-term debt, as an addition, and are amortized as a reduction of interest expense over the term of the respective debt.

Net Assets

Net assets, support, revenues, gains, and losses are classified based on the absence or existence of donor restrictions. Accordingly, the net assets of Paramount are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use. As of June 30, 2021, \$450,000 of net assets were designated for employee benefit plans. There were no net assets designated as of June 30, 2020.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes. There were no net assets with donor restrictions as of June 30, 2021 and 2020.

Public Support

Paramount's revenue is primarily derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by Paramount as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Amounts received are recognized as revenue when Paramount has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Refundable advances were approximately \$1,043,000 and \$585,000 as of June 30, 2021 and 2020, respectively. Amounts received after incurring qualifying expenditures are reported as grant receivables in the statements of financial position. Grant receivables were \$852,000 and \$307,000 as of June 30, 2021 and 2020, respectively.

Paramount receives state funds that have been designated for charter schools from the Indiana Department of Education (IDOE). The State of Indiana uses a formula based on the number of students enrolled in the school during the year to determine the amount of funds Paramount receives. Paramount also receives federal support through a variety of programs administered by the IDOE and United States Department of Agriculture.

Paramount derives a significant portion of its revenue from state and federal funding programs (approximately 88% and 96% in 2021 and 2020, respectively). The receipt of future revenues by Paramount is subject to among other factors, state and federal policies affecting education, economic conditions, and other conditions which are impossible to predict.

Contributions received, including unconditional promises to give, are recognized when received. Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. If a restriction is fulfilled in the same reporting period in which the contribution is received, the contribution is reported as net assets without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, applicable net assets with restriction are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from donor restrictions.

Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due unless the contribution is clearly intended to support activities of the current year or is received with restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. Paramount also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Paramount. Volunteers also provide program services throughout the year that are not recognized as contributions in the financial statements unless the recognition criteria are met. These services include volunteering at events and clerical work.

Advertising

Paramount uses advertising to promote its programs among the audiences it serves. The cost of advertising is expensed as incurred. Advertising expense totaled approximately \$80,000 and \$63,000 during 2021 and 2020, respectively, and is included within operating expenses within the statements of activities and changes in net assets.

Income Taxes

Paramount is a not-for-profit corporation as defined by Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes. As such, Paramount is generally exempt from income taxes. However, Paramount is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Paramount and recognize a tax liability if Paramount has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Paramount, and has concluded that as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Paramount is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Paramount filed its federal and state income tax returns for periods through June 30, 2020. The income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Reclassification

Certain 2020 amounts in the financial statements have been reclassified to conform to the 2021 presentation. Any reclassifications had no impact on previously reported net assets or change in net assets.

Going Concern Evaluation

Management evaluated whether there were conditions or events that raised substantial doubt about Paramount's ability to continue as a going concern for a period of one year from the date the financial statements were available to be issued.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Subsequent Events

Paramount evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is January 7, 2022.

Upcoming Accounting Standards Updates

In February 2016, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This standard, which Paramount is not required to adopt until its year ending June 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

In September 2020, the FASB issued ASU No. 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard is intended to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including information on how those assets are used and how they are valued. This standard requires that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets. In addition, there are expanded disclosure requirements. Paramount will be required to adopt this new standard in its year ending June 30, 2022.

Paramount is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.

2. LONG-TERM DEBT AND CAPITAL LEASES

Long-Term Debt

In June 2021, Paramount entered into a loan agreement with Equitable Facilities Fund, Inc. (EFF) for approximately \$11,521,000 with fixed interest at 5.00%. The loan was issued at a premium of approximately \$2,275,000 to be amortized over the term loan agreement. The loan matures in August 2051 and requires monthly principal and interest payments. The loan is secured by a pledge of Paramount's revenues and property with a net book value of approximately \$18,344,000 as of June 30, 2021. The loan cannot be paid in advance without penalty prior to June 2031.

The proceeds from the EFF loan were used to retire Indiana Finance Authority (IFA) Educational Facilities Revenue Bonds, Series 2015 (Series 2015 Bonds) and the Schola Building Fund, LLC construction loan (Schola Loan) in June 2021. The retirement of the Series 2015 Bonds and Schola Loan resulted in a loss of approximately \$51,000.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

The Series 2015 Bonds in the amount of \$5,175,000 were issued in December 2015. Paramount, IFA and National Bank of Indianapolis (NBI) entered into a Bond Purchase Agreement whereby NBI purchased from IFA all the Series 2015 Bonds in a private placement. The interest rate on the Series 2015 Bonds was fixed at 4.06% as of June 30, 2020 and through December 2021. NBI had agreed to hold the Series 2015 Bonds through the original maturity date in 2041. The Series 2015 Bonds were secured by a certificate of deposit and property and equipment with a net book value of approximately \$7,903,000 as of June 30, 2020.

The Schola Loan was a \$9,000,000 construction loan to be drawn as construction costs were incurred by Paramount. The interest rate on the Schola Loan was 0% through the completion of the renovation and expansion phase which was August 2020 and adjusted in 1% increments once the renovation and expansion phase was complete to a maximum of 7%. The Schola Loan required monthly principal and interest payments with a balloon payment due in November 2026. The Schola Loan was secured by property and equipment with a net book value of approximately \$4,162,000 as of June 30, 2020.

In December 2015, the Indiana Common School Fund and the State Board of Education issued a \$500,000 loan to Paramount. This agreement requires semi-annual principal payments to be made as reductions of Paramount's distributive share of the State Tuition Support. The interest rate is fixed at 1% for duration of the agreement. The loan payable matures in July 2026.

Paramount has agreed to certain covenants, which, among other things, limit additional indebtedness and guarantees and require Paramount to maintain specific financial ratios. Management believed Paramount was in compliance with the covenants as of June 30, 2021. Paramount was not in compliance with certain covenants as of June 30, 2020. Management obtained waivers from the lenders for the 2020 noncompliance items.

In April 2020, Paramount received a low interest loan of approximately \$1,002,000 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP loan was unsecured, bore interest at 1% and funds advanced were subject to forgiveness, if certain criteria were met, with the remaining balance repayable within two years of disbursement. The PPP loan was forgivable to the extent that Paramount incurred and spent the funds on qualified expenditures, which included payroll, employee health insurance, rent, utilities, and interest costs during the covered period as defined by the PPP guidance. In addition, Paramount was required to maintain specific employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. Paramount accounted for the PPP loan as debt and recognized any forgiveness when it was legally forgiven by the SBA which occurred in April 2021. Paramount recognized approximately \$1,002,000 as forgiveness of PPP note payable in revenues and support in the 2021 statement of activities and changes in net assets.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Long-term debt as of June 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Loan payable to Equitable Facilities Fund, Inc., maturing in August 2051, fixed interest rate of 5.00%, principal payments due in monthly installments ranging from \$3,000 to \$62,000 plus interest, secured by pledge of revenues and property with net book value of approximately \$18,344,000 as of June 30, 2021.	\$ 11,521,111	\$ -0-
Loan payable to Indiana Common School Fund and the State Board of Education, maturing in July 2026, fixed interest rate of 1.0%, semi-annual principal and interest payments ranging from \$25,000 to \$30,000 plus interest, secured by property with a net book value of approximately \$275,000 and \$325,000 as of June 30, 2021 and 2020, respectively.	275,000	325,000
Indiana Finance Authority Educational Facilities Revenue Bonds Payable, Series 2015	-0-	4,715,744
Construction loan payable to Schola Building Fund, LLC	-0-	3,048,235
Paycheck Protection Program note payable to Small Business Administration.	-0-	1,002,015
	<u>11,796,111</u>	<u>9,090,994</u>
Unamortized debt issuance costs	(202,180)	(61,911)
Unamortized debt premium	2,275,189	-0-
Current portion	<u>(194,483)</u>	<u>(736,104)</u>
	<u>\$ 13,674,637</u>	<u>\$ 8,292,979</u>

Aggregate future maturities for long-term debt obligations for the years succeeding June 30, 2021 are as follows:

Year Ending <u>June 30,</u>	
2021	\$ 194,483
2022	228,106
2023	237,218
2024	246,796
2025	256,865
Thereafter	<u>10,632,643</u>
	<u>\$ 11,796,111</u>

Capital Leases

In 2019, Paramount placed into service equipment entered into under a capital lease agreement. The capital lease ran through June 2021 with a fixed interest rate of 4.00% with annual payments of principal and interest of approximately \$49,300. As of June 30, 2020, the cost of the equipment was \$140,000 with accumulated depreciation of \$88,000. During 2021, the capital lease agreement was paid off in entirety.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

3. RETIREMENT PLANS

403(b) Plan

Paramount's eligible faculty and administrative staff are participants in a 403(b) tax deferred annuity retirement plan (the Plan). Paramount may make a discretionary matching contribution on participant deferrals and may make a discretionary profit sharing contribution to the Plan. Paramount's contribution to the Plan, net of forfeitures, was approximately \$136,000 and \$176,000 during 2021 and 2020, respectively.

Indiana Public Retirement System

Paramount elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Indiana Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011.

TRF is a defined benefit pension plan. TRF is also a cost-sharing multiple employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The plan is recorded as a multiple employer plan, which was established by the State of Indiana. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate. Indiana Code (IC 5-10.2) governs, through the INPRS Board, most requirements of the system, and give Paramount authority to contribute to the plan. The retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus interest credited to the member's account. Paramount's required contribution rate is 7.5%. Paramount may elect to make additional contributions on behalf of the member.

Retirement plan contributions for TRF were approximately \$12,000 and \$20,000 for 2021 and 2020, respectively. The plan is not governed by the Employee Income Retirement Income Security Act of 1974 and is not required to file a Federal Form 5500, Annual Return/Report of Employee Benefit Plan. There were no surcharges imposed and there is no expiration date of the plan included in state statutes. Upon withdrawing from TRF, Paramount, would be obligated for its proportionate share of the plan's unfunded vested benefits. Paramount has no intention of withdrawing from the plan. A complete copy of the annual report for the year ended June 30, 2020 can be obtained at www.in.gov/inprs.

Other Benefit Plans

During 2021, Paramount established additional benefits plans effective July 1, 2021 for certain eligible employees. Under these plans, Paramount will make contributions with eligible employees vesting over periods ranging from 5 to 10 years. As of June 30, 2021, Paramount designated investments of \$450,000 to these plans. There was no expense in 2021 as the effective date of the plans was July 1, 2021.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

4. RISKS AND UNCERTAINTIES

Paramount provides education 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. Changes in state legislation could significantly affect Paramount. Additionally, Paramount is subject to monitoring and audit by state agencies. Those examinations may result in additional liabilities to be imposed on Paramount.

5. COMMITMENTS AND CONTINGENCIES

Operating Leases

Paramount leases certain equipment and space for classrooms and administrative purposes under operating leases expiring at various times through July 2032. Total lease expense for 2021 and 2020 was approximately \$543,000 and \$455,000, respectively, and has been included in occupancy expense in the statements of activities and changes in net assets. Future minimum lease payments for operating leases are as follows:

Year Ending June 30,	
2022	\$ 776,708
2023	797,477
2024	789,782
2025	777,478
2026	754,994
Thereafter	2,653,321
	<u>\$ 6,549,760</u>

Subsequent to June 30, 2021, Paramount entered into a lease agreement for a Lafayette, Indiana school location at approximately \$23,000 per month. The lease expires July 2032 and is renewable for one ten-year term with a 10% increase in rent to approximately \$26,000 per month.

Litigation

Paramount may be involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the future financial position, results of operations or cash flows of Paramount.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Pandemic

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may continue to adversely impact the local, regional, national and global economies. The extent to which COVID-19 continues to impact Paramount's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Impacts include, but are not limited to, additional costs for responding to COVID-19, potential shortages of personnel, potential shortages of supplies, loss of, or reduction to, revenue, and investment portfolio declines. Management believes Paramount is taking appropriate actions to respond to the pandemic. However, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

6. LIQUIDITY AND AVAILABILITY OF RESOURCES

Paramount's financial assets available within one year of the June 30, 2021 and 2020 statements of financial position for general expenditure are as follows:

	2021	2020
Financial assets		
Cash	\$ 4,117,677	\$ 2,478,644
Undesignated investments	535,837	-0-
Grant receivables, net	851,898	306,999
Total financial assets	<u>\$ 5,505,412</u>	<u>\$ 2,785,643</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Grant receivables are subject to implied time restrictions but are expected to be collected within one year. Paramount has a policy to structure its financial assets to be available as is general expenditures, liabilities, and other obligations come due.

7. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program and supporting services have been summarized on a natural basis in the statements of activities and changes in net assets and have been summarized on a functional basis below. Certain costs have been allocated among education services and management and general categories based on an estimate of time spent by Paramount's personnel. These expenses include salaries and wages and employee benefits. Other expenses require allocation on a reasonable basis that is consistently applied based on the ratio of salaries and wages and employee benefits charged to the category to total salaries and wages and employee benefits. The other expenses that are allocated include professional services, advertising, depreciation, occupancy, supplies, insurance, interest, and other. Although the methods used were appropriate, alternative methods may provide different results. Fundraising costs were not significant in 2021 and 2020.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Paramount incurred the following education services as well as management and general expenses for 2021 and 2020:

	2021		
	Education Services	Management and General	Total Expenses
Salaries and wages	\$ 5,580,832	\$ 1,395,208	\$ 6,976,040
Employee benefits	1,447,598	361,900	1,809,498
Professional services	929,585	232,396	1,161,981
Advertising	64,018	16,005	80,023
Depreciation	473,898	118,475	592,373
Occupancy	715,254	178,813	894,067
Supplies	1,613,683	403,421	2,017,104
Insurance	64,895	16,224	81,119
Interest	213,890	53,472	267,362
Other	277,386	69,346	346,732
	<u>\$ 11,381,039</u>	<u>\$ 2,845,260</u>	<u>\$ 14,226,299</u>

	2020		
	Education Services	Management and General	Total Expenses
Salaries and wages	\$ 5,232,916	\$ 1,308,229	\$ 6,541,145
Employee benefits	1,295,783	323,946	1,619,729
Professional services	955,508	238,877	1,194,385
Advertising	50,506	12,626	63,132
Depreciation	405,993	101,498	507,491
Occupancy	565,583	141,396	706,979
Supplies	1,357,386	339,346	1,696,732
Insurance	64,176	16,044	80,220
Interest	171,482	42,870	214,352
Other	245,178	61,295	306,473
	<u>\$ 10,344,511</u>	<u>\$ 2,586,127</u>	<u>\$ 12,930,638</u>

SUPPLEMENTARY INFORMATION

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

SCHEDULE OF FINANCIAL POSITION – LOCATION JUNE 30, 2021

	Brookside	Cottage Home	Englewood	Online Academy	Eliminations	Total
ASSETS						
Current assets						
Cash	\$ 3,852,865	\$ 128,432	\$ 136,380	\$ -0-	\$ -0-	\$ 4,117,677
Grant receivables, net	459,539	250,205	153,084	439	(11,369)	851,898
Prepaid expenses	16,225	-0-	-0-	-0-	-0-	16,225
Total current assets	4,328,629	378,637	289,464	439	(11,369)	4,985,800
Investments						
Undesignated	535,837	-0-	-0-	-0-	-0-	535,837
Designated	450,000	-0-	-0-	-0-	-0-	450,000
Total investments	985,837	-0-	-0-	-0-	-0-	985,837
Property and equipment						
Land and improvements	999,001	-0-	-0-	-0-	-0-	999,001
Building and improvements	9,695,993	10,427,519	140,612	-0-	-0-	20,264,124
Equipment	1,783,200	555,775	91,051	-0-	-0-	2,430,026
Software and educational materials	522,010	47,568	38,553	-0-	-0-	608,131
	13,000,204	11,030,862	270,216	-0-	-0-	24,301,282
Accumulated depreciation	(3,799,690)	(218,155)	(72,273)	-0-	-0-	(4,090,118)
Property and equipment, net	9,200,514	10,812,707	197,943	-0-	-0-	20,211,164
Total assets	\$ 14,514,980	\$ 11,191,344	\$ 487,407	\$ 439	\$ (11,369)	\$ 26,182,801
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	\$ 328,681	\$ -0-	\$ 11,369	\$ -0-	\$ (11,369)	\$ 328,681
Accrued salaries, wages and related liabilities	723,263	234,581	260,343	-0-	-0-	1,218,187
Refundable advances	819,483	220,700	2,654	-0-	-0-	1,042,837
Current portion of long-term debt	113,154	81,329	-0-	-0-	-0-	194,483
Total current liabilities	1,984,581	536,610	274,366	-0-	(11,369)	2,784,188
Long-term debt, less current portion						
	7,956,141	5,718,496	-0-	-0-	-0-	13,674,637
Total liabilities	9,940,722	6,255,106	274,366	-0-	(11,369)	16,458,825
Net assets						
Undesignated	4,124,258	4,936,238	213,041	439	-0-	9,273,976
Designated	450,000	-0-	-0-	-0-	-0-	450,000
Total net assets without donor restrictions	4,574,258	4,936,238	213,041	439	-0-	9,723,976
Total liabilities and net assets	\$ 14,514,980	\$ 11,191,344	\$ 487,407	\$ 439	\$ (11,369)	\$ 26,182,801

See report of independent auditors on pages 1 and 2.

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

**SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – LOCATION
YEAR ENDED JUNE 30, 2021**

	Brookside	Cottage Home	Englewood	Online Academy	Eliminations	Total
Revenues and support						
State support	\$ 6,990,489	\$ 2,010,981	\$ 1,671,857	\$ -0-	\$ -0-	\$ 10,673,327
Federal support	2,446,391	1,431,520	937,204	439	-0-	4,815,554
Contributions and donations	292,603	7	-0-	750,000	-0-	1,042,610
Other revenues and support	65,282	57,124	11,008	-0-	-0-	133,414
Forgiveness of PPP note payable	1,002,015	-0-	-0-	-0-	-0-	1,002,015
Investment return, net	1,101	19	17	-0-	-0-	1,137
Total revenues and support	<u>10,797,881</u>	<u>3,499,651</u>	<u>2,620,086</u>	<u>750,439</u>	<u>-0-</u>	<u>17,668,057</u>
Program and supporting service expenses						
Salaries and wages	3,794,009	1,939,243	1,242,788	-0-	-0-	6,976,040
Employee benefits	1,045,322	370,220	357,605	36,351	-0-	1,809,498
Professional services	488,493	415,579	235,995	21,914	-0-	1,161,981
Advertising	76,294	1,533	1,203	993	-0-	80,023
Depreciation	415,400	135,413	41,560	-0-	-0-	592,373
Occupancy	237,500	101,352	555,165	50	-0-	894,067
Supplies and miscellaneous equipment	817,275	518,223	484,208	197,398	-0-	2,017,104
Insurance	45,750	20,163	15,206	-0-	-0-	81,119
Interest	267,362	-0-	-0-	-0-	-0-	267,362
Other	169,263	161,531	15,842	96	-0-	346,732
Total program and supporting service expenses	<u>7,356,668</u>	<u>3,663,257</u>	<u>2,949,572</u>	<u>256,802</u>	<u>-0-</u>	<u>14,226,299</u>
Revenues and support over (under) expenses	3,441,213	(163,606)	(329,486)	493,637	-0-	3,441,758
Transfers	<u>(6,720,194)</u>	<u>6,016,939</u>	<u>1,196,453</u>	<u>(493,198)</u>	<u>-0-</u>	<u>-0-</u>
Change in net assets without donor restrictions	(3,278,981)	5,853,333	866,967	439	-0-	3,441,758
Net assets (deficit)						
Beginning of year	7,853,239	(917,095)	(653,926)	-0-	-0-	6,282,218
End of year	<u>\$ 4,574,258</u>	<u>\$ 4,936,238</u>	<u>\$ 213,041</u>	<u>\$ 439</u>	<u>\$ -0-</u>	<u>\$ 9,723,976</u>

See report of independent auditors on pages 1 and 2.

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

SCHEDULE OF FINANCIAL POSITION – LOCATION
JUNE 30, 2020

	Brookside	Cottage Home	Englewood	Eliminations	Total
ASSETS					
Current assets					
Cash	\$ 2,376,458	\$ 52,185	\$ 50,001	\$ -0-	\$ 2,478,644
Grant receivables, net	3,129,644	158,091	51,513	(3,032,249)	306,999
Prepaid expenses	31,550	-0-	-0-	-0-	31,550
Total current assets	5,537,652	210,276	101,514	(3,032,249)	2,817,193
Investments - restricted by debt instrument	535,596	-0-	-0-	-0-	535,596
Property and equipment					
Land and improvements	999,001	-0-	-0-	-0-	999,001
Building and improvements	9,215,904	349,971	126,633	-0-	9,692,508
Equipment	1,786,783	151,673	91,051	-0-	2,029,507
Software and educational materials	522,010	47,568	38,553	-0-	608,131
Construction in process	-0-	4,161,892	-0-	-0-	4,161,892
	12,523,698	4,711,104	256,237	-0-	17,491,039
Accumulated depreciation	(3,384,290)	(82,742)	(30,713)	-0-	(3,497,745)
Property and equipment, net	9,139,408	4,628,362	225,524	-0-	13,993,294
Total assets	\$ 15,212,656	\$ 4,838,638	\$ 327,038	\$ (3,032,249)	\$ 17,346,083
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable and accrued expenses	\$ 203,880	\$ 2,473,681	\$ 823,993	\$ (3,032,249)	\$ 469,305
Accrued salaries, wages and related liabilities	669,899	138,135	129,113	-0-	937,147
Refundable advances	461,088	95,682	27,858	-0-	584,628
Current portion of long-term debt	660,972	75,132	-0-	-0-	736,104
Current portion of capital leases	43,702	-0-	-0-	-0-	43,702
Total current liabilities	2,039,541	2,782,630	980,964	(3,032,249)	2,770,886
Long-term debt, less current portion	5,319,876	2,973,103	-0-	-0-	8,292,979
Total liabilities	7,359,417	5,755,733	980,964	(3,032,249)	11,063,865
Net assets without donor restrictions	7,853,239	(917,095)	(653,926)	-0-	6,282,218
Total liabilities and net assets	\$ 15,212,656	\$ 4,838,638	\$ 327,038	\$ (3,032,249)	\$ 17,346,083

See report of independent auditors on pages 1 and 2.

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – LOCATION
YEAR ENDED JUNE 30, 2020

	Brookside	Cottage Home	Englewood	Eliminations	Total
Revenues and support					
State support	\$ 6,607,407	\$ 1,165,445	\$ 862,809	\$ -0-	\$ 8,635,661
Federal support	1,617,413	763,034	567,073	-0-	2,947,520
Contributions and donations	392,610	45,110	-0-	-0-	437,720
Other revenues and support	59,912	24,626	1,077	-0-	85,615
Investment return, net	9,409	239	72	-0-	9,720
Total revenues and support	8,686,751	1,998,454	1,431,031	-0-	12,116,236
Program and supporting service expenses					
Salaries and wages	4,181,869	1,353,318	1,005,958	-0-	6,541,145
Employee benefits	1,160,216	257,122	202,391	-0-	1,619,729
Professional services	677,312	363,121	153,952	-0-	1,194,385
Advertising	59,581	908	2,643	-0-	63,132
Depreciation	424,662	52,315	30,514	-0-	507,491
Occupancy	296,153	143,352	267,474	-0-	706,979
Supplies and miscellaneous equipment	1,033,463	371,811	291,458	-0-	1,696,732
Insurance	53,640	24,115	2,465	-0-	80,220
Interest	214,352	-0-	-0-	-0-	214,352
Other	204,673	49,487	52,313	-0-	306,473
Total program and supporting service expenses	8,305,921	2,615,549	2,009,168	-0-	12,930,638
Change in net assets without donor restrictions	380,830	(617,095)	(578,137)	-0-	(814,402)
Net assets (deficit)					
Beginning of year	7,472,409	(300,000)	(75,789)	-0-	7,096,620
End of year	\$ 7,853,239	\$ (917,095)	\$ (653,926)	\$ -0-	\$ 6,282,218

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant ID Number(s)	Expenditures
Major programs			
U.S. Department of Education (DOE) through Indiana Department of Education (IDOE) Expanding Opportunity through Quality Charter Schools Program	84.282	S282D190002/ U282A170017	\$ 1,409,196
COVID-19 - Education Stabilization Fund	84.425	S425D200013	933,145
Total major programs			<u>2,342,341</u>
Non-major programs			
U.S. Department of Agriculture (USDA) through IDOE Child Nutrition Cluster			
School Breakfast Program	10.553	Not Available	180,477
National School Lunch Program	10.555	Not Available	342,544
Summer Food Service Program for Children	10.559	Not Available	85,070
Total for cluster			<u>608,091</u>
DOE - through IDOE Special Education Cluster			
Special Education - Grants to States	84.027	H027A190084	243,884
DOE - through IDOE - Title I Grants to Local Educational Agencies	84.010	S010A200014	948,265
DOE - through IDOE - Twenty-First Century Community Learning Centers	84.287	S287C180014	446,350
DOE - through IDOE - Supporting Effective Instruction State Grants	84.367	S367A200013	152,525
DOE - through IDOE - Student Support and Academic Enrichment Program	84.424	S424A200015	74,098
Total non-major programs			<u>2,473,213</u>
Total federal expenditures			<u>\$ 4,815,554</u>
Total DOE through IDOE			\$ 4,207,463
Total USDA through IDOE			608,091
Total federal expenditures			<u>\$ 4,815,554</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Paramount for the year ended June 30, 2021, and is presented on the accrual basis of accounting. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the *Uniform Guidance*). Therefore, some of the amounts presented in this SEFA may differ from amounts presented in or used in the preparation of the basic financial statements. The basic financial statement classifications may include other financial activity for reporting purposes.

Summary of Significant Accounting Policies

Expenditures on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Paramount has elected not to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

Amounts Passed through to Subrecipients

Paramount did not pass through any federal awards to subrecipients during 2021. In addition, there were no federal awards expended in the form of non-cash assistance and there were no loan guarantees outstanding or extended during 2021.

Fair Market Value of Donated Personal Protective Equipment (Unaudited)

During 2021, Paramount did not receive donated personal protective equipment from federal sources.

See report of independent auditors on pages 1 and 2.



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REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Paramount Schools of Excellence, Inc. (Paramount) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paramount's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Paramount's internal control. Accordingly, we do not express an opinion on the effectiveness of Paramount's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Paramount's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paramount's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paramount's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
January 7, 2022



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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited Paramount Schools of Excellence, Inc.'s, (Paramount) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Paramount's major federal programs for the year ended June 30, 2021. Paramount's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Paramount's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the *Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Paramount's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Paramount's compliance.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Opinion on Each Major Federal Program

In our opinion, Paramount complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Paramount is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Paramount's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Paramount's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over their compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
January 7, 2022

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Section I – Summary of Audit Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es) noted? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es) noted? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

CFDA 84.282 - Expanding Opportunity through Quality Charter Schools Program

CFDA 84.425 - COVID-19 - Education Stabilization Fund

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

Auditee qualified as low-risk auditee? yes no

Section II - Findings Related to Financial Statements Reported in Accordance With Government Auditing Standards:

No matters reported

Section III - Findings and Questioned Costs Relating to Federal Awards:

No matters reported

Section IV - Summary Schedule of Prior Audit Findings:

No matters reported

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

OTHER REPORT
JUNE 30, 2021

The report presented herein was prepared in addition to another official report prepared for Paramount as listed below:

Supplemental Audit Report of Paramount Schools of Excellence, 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*.