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January 21, 2022

Charter School Board  
Invent Learning Hub, Inc.  
1849 E Pleasant Run Pkwy S Dr.  
Indianapolis, IN 46203

We have reviewed the audit report of Invent Learning Hub, 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 Invent Learning Hub, 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 Invent Learning Hub, 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

**INVENT LEARNING HUB, 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  
Invent Learning Hub, Inc.

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

We have audited the accompanying financial statements of Invent Learning Hub, 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 Invent Learning Hub, 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

December 14, 2021

**INVENT LEARNING HUB, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 811,331	\$ 507,653
Grants receivable	<u>164,784</u>	<u>112,168</u>
<i>Total current assets</i>	<u>976,115</u>	<u>619,821</u>
<b>PROPERTY AND EQUIPMENT</b>		
Building and improvements	1,892,310	1,892,310
Furniture and equipment	261,835	170,403
Less: accumulated depreciation	<u>(186,958)</u>	<u>(89,331)</u>
<i>Property and equipment, net</i>	<u>1,967,187</u>	<u>1,973,382</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,943,302</u></u>	<u><u>\$ 2,593,203</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of note payable	\$ 42,654	\$ 40,026
Accounts payable and accrued expenses	81,750	54,612
Refundable advance - CARES Act funding	<u>-</u>	<u>56,410</u>
<i>Total current liabilities</i>	<u>124,404</u>	<u>151,048</u>
<b>LONG-TERM LIABILITIES</b>		
Note payable, net of current portion	1,392,015	1,434,669
Less: unamortized debt issuance costs	<u>(20,293)</u>	<u>(26,084)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>1,371,722</u>	<u>1,408,585</u>
<i>Total liabilities</i>	1,496,126	1,559,633
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>1,447,176</u>	<u>1,033,570</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,943,302</u></u>	<u><u>\$ 2,593,203</u></u>

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

**INVENT LEARNING HUB, 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	\$ 1,295,703	\$ 911,859
Grant revenue	634,517	630,764
Rent income	-	250,000
Other income	18,317	45,291
	<u>1,948,537</u>	<u>1,837,914</u>
<i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	979,242	1,004,808
Management and general	612,099	534,611
	<u>1,591,341</u>	<u>1,539,419</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	357,196	298,495
<b>PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME</b>	<u>56,410</u>	<u>83,337</u>
<b>CHANGE IN NET ASSETS</b>	413,606	381,832
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,033,570</u>	<u>651,738</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,447,176</u>	<u>\$ 1,033,570</u>

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

**INVENT LEARNING HUB, 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	\$ 519,938	\$ 300,256	\$ 820,194	\$ 508,907	\$ 257,986	\$ 766,893
Professional services	69,642	69,015	138,657	65,660	62,366	128,026
Interest	-	98,647	98,647	-	73,262	73,262
Depreciation	97,627	-	97,627	89,331	-	89,331
Employee benefits	35,467	48,727	84,194	37,441	74,099	111,540
Occupancy	63,956	-	63,956	66,224	-	66,224
Food costs	53,310	-	53,310	42,436	-	42,436
Insurance	-	44,166	44,166	-	33,631	33,631
Staff development	36,550	-	36,550	22,061	-	22,061
Repairs and maintenance	35,302	-	35,302	15,087	-	15,087
Student transportation	35,280	-	35,280	47,304	-	47,304
Classroom and office supplies	14,621	15,924	30,545	86,645	10,187	96,832
Advertising	-	24,219	24,219	-	11,992	11,992
Equipment	13,390	-	13,390	4,777	-	4,777
Information technology	982	-	982	15,991	-	15,991
Travel	-	-	-	315	144	459
Other	3,177	11,145	14,322	2,629	10,944	13,573
<i>Total functional expenses</i>	<u>\$ 979,242</u>	<u>\$ 612,099</u>	<u>\$ 1,591,341</u>	<u>\$ 1,004,808</u>	<u>\$ 534,611</u>	<u>\$ 1,539,419</u>

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

**INVENT LEARNING HUB, 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	\$ 413,606	\$ 381,832
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	97,627	89,331
Amortization of debt issuance costs	5,791	3,354
Paycheck Protection Program loan forgiveness income	(56,410)	(83,337)
Changes in certain assets and liabilities:		
Grants receivable	(52,616)	153,311
Accounts payable and accrued expenses	<u>27,138</u>	<u>(26,695)</u>
<i>Net cash provided by operating activities</i>	<u>435,136</u>	<u>517,796</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(91,432)</u>	<u>(757,107)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan payable	-	139,747
Proceeds from note payable	-	493,651
Principal payments on note payable	<u>(40,026)</u>	<u>(25,305)</u>
<i>Net cash provided by (used in) financing activities</i>	<u>(40,026)</u>	<u>608,093</u>
<b>NET CHANGE IN CASH</b>	303,678	368,782
<b>CASH, BEGINNING OF YEAR</b>	<u>507,653</u>	<u>138,871</u>
<b>CASH, END OF YEAR</b>	<u>\$ 811,331</u>	<u>\$ 507,653</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 92,856	\$ 69,908

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

**INVENT LEARNING HUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

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

General – Invent Learning Hub, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a public charter school on July 1, 2019 under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2026 and is renewable thereafter by mutual consent. During the 2020-2021 school year, the School served approximately 135 students in kindergarten through seventh grade. The School served approximately 110 students in grades kindergarten through fifth during the 2019-2020 school year.

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

- net assets without donor restrictions - which include unrestricted resources that are available for the operating objectives of the School; and
- net assets with donor restrictions - which represent resources restricted by donors for specific time or purpose.

As of June 30, 2021 and 2020, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. 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 it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives for building and improvements are 30 years and furniture and equipment are 5 years.

**INVENT LEARNING HUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

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

Debt Issuance Costs – The School incurred costs totaling \$29,438 associated with the financing of the school facility. Amortization is provided on a straight-line basis over 60 months. Amortization for the years ended June 30, 2021 and 2020 was \$5,791 and \$3,354, respectively, and is included in interest expense. Accumulated amortization as of June 30, 2021 and 2020 was \$9,145 and \$3,354, respectively. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct reduction 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 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 December 14, 2021, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**NOTE 2 - REVENUE RECOGNITION**

Revenue Recognition Standard – Effective July 1, 2020, the School adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 replaced previous revenue recognition guidance under U.S. GAAP and requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The School has applied the provisions of this ASU to the June 30, 2021 and 2020 financial statements. There was no material impact on the financial statements.

Revenue Recognition Policy – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

**INVENT LEARNING HUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 2 - REVENUE RECOGNITION, Continued**

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.

The School leased a portion of its building during the year ended June 30, 2020. The lease payments were recognized as revenue during the period of the tenant’s occupancy.

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

**NOTE 3 - PAYCHECK PROTECTION PROGRAM**

On April 9, 2020, the School was granted a loan from Chase Bank in the amount of \$139,747, 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 \$83,337 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. The School was notified by Chase Bank on March 29, 2021 that the PPP loan has been forgiven in full.

**NOTE 4 - NOTE PAYABLE**

Note payable consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Note payable to IFF, payable \$11,073 monthly, including interest at 6.375% per annum through September 2024, at which time interest will be recalculated, matures October 1, 2034, secured by mortgage on the school facility	\$ 1,434,669	\$ 1,474,695
Less: current portion	<u>(42,654)</u>	<u>(40,026)</u>
Long-term portion	<u>\$ 1,392,015</u>	<u>\$ 1,434,669</u>

**INVENT LEARNING HUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 4 - NOTE PAYABLE, Continued**

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

2022	\$	42,654
2023		45,454
2024		48,437
2025		51,617
2026		55,006
Thereafter		<u>1,191,501</u>
	\$	<u>1,434,669</u>

**NOTE 5 - RENT INCOME**

The School had an agreement to lease a portion of its building to Paramount School of Excellence, Inc. through June 30, 2020. Rental income for the year ended June 30, 2020 was \$250,000. The lease was not renewed.

**NOTE 6 - COMMITMENTS**

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. This charter agreement remains in effect until June 30, 2026 and is renewable thereafter by mutual consent. Beginning with the 2022-2023 school year, OEI will assess a fee equal to 1% of the basic tuition support received by the School.

In addition, the charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. The School may provide for the full amount in its first year or provide a minimum of \$10,000 per year in the first three years. During the year ended June 30, 2021, the escrow account was funded with \$10,000, which is included in the balance of cash on the statements of financial position.

**NOTE 7 - RETIREMENT PLAN**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plan, the School contributes 5.5% of compensation for electing teaching faculty to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2020 (the latest year reported), TRF was more than 100% funded.

The School also offers a 403(b) defined contribution retirement plan. Non-teaching personnel and teachers who opt to not participate in TRF are eligible for benefits under the 403(b) plan.

**INVENT LEARNING HUB, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 7 - RETIREMENT PLAN, Continued**

Retirement plan expense was \$11,016 and \$6,130 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 8 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Marion and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist primarily of receivables from the State of Indiana. At June 30, 2021 and 2020, substantially all of the grants receivable balance was due from the State of Indiana. Bank deposits are maintained at JP Morgan Chase Bank, N.A. and are insured up to the FDIC insurance limit. As of and during the years ended June 30, 2021 and 2020, cash balances exceeded the FDIC insured limit.

**NOTE 9 - LIQUIDITY**

The School's financial assets include cash and grants receivable. Financial assets available to meet cash needs for general expenditures within one year totaled \$966,115 and \$619,821 as of June 30, 2021 and 2020, respectively, which excludes the \$10,000 escrow account (Note 6).

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 10 - FUNCTIONAL EXPENSE REPORTING**

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

**INVENT LEARNING HUB, 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 Invent Learning Hub, 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*.