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January 24, 2022


Charter School Board
Lighthouse Academies of Indiana, Inc.
d/b/a Victory College Prep.
1780 Sloan Avenue
Indianapolis, IN 46203

We have reviewed the audit report of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. 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 Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. 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 guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep., 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, CPA
State Examiner

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.

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
Lighthouse Academies of Indiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("VCP"), 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 (deficiency), 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. as of June 30, 2021 and 2020, and the changes in its net assets (deficiency), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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, 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 December 3, 2021 on our consideration of VCP'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 VCP's internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
December 3, 2021

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,568,518	\$ 1,713,216
Cash - restricted for bond interest	-	250,696
Grants receivable	1,264,572	605,795
Other accounts receivable	-	91,022
Prepaid expenses	32,907	268
<i>Total current assets</i>	<u>3,865,997</u>	<u>2,660,997</u>
PROPERTY AND EQUIPMENT, NET	<u>8,275,564</u>	<u>13,486,507</u>
OTHER ASSETS		
Cash - restricted for debt service	959,875	1,451,296
Cash - restricted for property repairs and replacement	15,367	207,875
<i>Total other assets</i>	<u>975,242</u>	<u>1,659,171</u>
TOTAL ASSETS	<u><u>\$ 13,116,803</u></u>	<u><u>\$ 17,806,675</u></u>
LIABILITIES AND NET ASSETS (DEFICIENCY)		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 150,000	\$ 265,000
Current portion of note payable	-	7,300
Accounts payable and accrued expenses	851,383	683,802
Refundable advance - CARES Act funding	-	90,200
Security deposit	-	10,000
<i>Total current liabilities</i>	<u>1,001,383</u>	<u>1,056,302</u>
LONG-TERM LIABILITIES		
CSFP debt service reserve fund liability	809,875	-
Bonds payable, net of current portion	13,685,000	16,020,000
Note payable, net of current portion	-	5,826
Less: unamortized bond issuance costs	<u>(757,799)</u>	<u>(219,270)</u>
<i>Total long-term liabilities, net of unamortized bond issuance costs</i>	<u>13,737,076</u>	<u>15,806,556</u>
TOTAL LIABILITIES	14,738,459	16,862,858
NET ASSETS (DEFICIENCY), WITHOUT DONOR RESTRICTIONS	<u>(1,621,656)</u>	<u>943,817</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u><u>\$ 13,116,803</u></u>	<u><u>\$ 17,806,675</u></u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT		
State education support	\$ 7,591,062	\$ 7,230,045
Grant revenue	2,970,848	3,169,815
CARES Act grant funding	1,450,989	380,840
Contributions	20,425	-
Rent	164,381	275,433
Student fees	90,082	72,151
Interest	-	4,190
Other	123,628	198,960
<i>Total revenue and support</i>	<u>12,411,415</u>	<u>11,331,434</u>
EXPENSES		
Program services	10,157,490	9,468,790
Management and general	1,091,554	1,114,597
<i>Total expenses</i>	<u>11,249,044</u>	<u>10,583,387</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>1,162,371</u>	<u>748,047</u>
OTHER INCOME AND EXPENSE		
Paycheck Protection Program loan forgiveness income	90,200	335,635
Premium on extinguishment of Series 2016 bond debt	(1,602,000)	-
Loss on sale of property	(1,996,774)	-
Loss on retirement of Series 2016 bond issuance costs	(219,270)	-
<i>Total other income and expense</i>	<u>(3,727,844)</u>	<u>335,635</u>
CHANGE IN NET ASSETS	(2,565,473)	1,083,682
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	<u>943,817</u>	<u>(139,865)</u>
NET ASSETS (DEFICIENCY), END OF YEAR	<u>\$ (1,621,656)</u>	<u>\$ 943,817</u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
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	\$ 4,904,215	\$ 552,231	\$ 5,456,446	\$ 4,250,417	\$ 515,057	\$ 4,765,474
Employee benefits	986,853	164,304	1,151,157	880,721	176,789	1,057,510
Interest	853,568	-	853,568	1,140,267	-	1,140,267
Transportation service	780,228	-	780,228	773,597	-	773,597
Occupancy	717,068	-	717,068	786,612	-	786,612
Classroom, kitchen, and office supplies	611,437	42,848	654,285	236,218	53,356	289,574
Depreciation	594,376	-	594,376	633,388	-	633,388
Other professional services	220,631	146,655	367,286	183,117	174,219	357,336
Food service	263,380	-	263,380	429,985	-	429,985
Staff development and recruitment	130,168	47,796	177,964	49,985	47,925	97,910
Authorizer fees	-	54,720	54,720	-	51,125	51,125
Property and textbook rental	28,750	-	28,750	4,900	-	4,900
Amortization	10,983	-	10,983	8,950	-	8,950
Other	55,833	83,000	138,833	90,633	96,126	186,759
<i>Total functional expenses</i>	<u>\$ 10,157,490</u>	<u>\$ 1,091,554</u>	<u>\$ 11,249,044</u>	<u>\$ 9,468,790</u>	<u>\$ 1,114,597</u>	<u>\$ 10,583,387</u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.

d/b/a VICTORY COLLEGE PREP.

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	\$ (2,565,473)	\$ 1,083,682
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	594,376	633,388
Amortization	10,983	8,950
Paycheck Protection Program loan forgiveness income	(90,200)	(335,635)
Premium on extinguishment of Series 2016 bond debt	1,602,000	-
Loss on sale of property	1,996,774	-
Loss on retirement of Series 2016 bond issuance costs	219,270	-
Changes in certain assets and liabilities:		
Grants receivable	(658,777)	(181,963)
Other receivables	91,022	(68,808)
Prepaid expenses	(32,639)	-
Accounts payable and accrued expenses	167,581	(174,945)
Security deposit	(10,000)	-
<i>Net cash provided by operating activities</i>	<u>1,324,917</u>	<u>964,669</u>
INVESTING ACTIVITIES		
Cash proceeds on sale of property	3,250,000	-
Premium on extinguishment of Series 2016 bond debt	(1,602,000)	-
Purchases of property and equipment	(630,207)	(326,779)
<i>Net cash provided by (used in) investing activities</i>	<u>1,017,793</u>	<u>(326,779)</u>
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program note payable	-	425,835
Proceeds from CSFP to establish debt service reserve fund	809,875	-
Principal repayment of Series 2016 bonds payable	(16,285,000)	(250,000)
Proceeds from Series 2021 bonds payable	13,066,218	-
Principal repayment of note payable	(13,126)	(6,822)
<i>Net cash provided by (used in) financing activities</i>	<u>(2,422,033)</u>	<u>169,013</u>
NET CHANGE IN CASH	(79,323)	806,903
CASH, BEGINNING OF YEAR	<u>3,623,083</u>	<u>2,816,180</u>
CASH, END OF YEAR	<u>\$ 3,543,760</u>	<u>\$ 3,623,083</u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
STATEMENTS OF CASH FLOWS, Continued
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH, END OF YEAR		
Cash - unrestricted	\$ 2,568,518	\$ 1,713,216
Cash - restricted for bond interest	-	250,696
Cash - restricted for debt service	959,875	1,451,296
Cash - restricted for property repairs and replacement	<u>15,367</u>	<u>207,875</u>
<i>Total cash, end of year</i>	<u>\$ 3,543,760</u>	<u>\$ 3,623,083</u>
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 958,201	\$ 1,133,047
Bond issuance costs financed through bonds payable	768,782	-

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("VCP") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. VCP is a public charter school established under Indiana Code 20-24 and is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. VCP served approximately 960 students in grades kindergarten through twelve during the 2020-2021 school year (approximately 940 students during the 2019-2020 school year).

Financial Statement Presentation – VCP 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 VCP; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2021 and 2020, VCP had only net assets (deficiency) 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 and cash equivalents consist of cash held in bank accounts and 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 grants and legislation enacted by the State of Indiana. VCP 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 equipment purchases with a unit cost of less than \$5,000 and a useful life of five years or less are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Buildings and improvements	30 years
Furniture and equipment	5 years
Vehicle	5 years

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Bond Issuance Costs – During December 2016, VCP incurred costs associated with securing financing under Indiana Finance Authority Educational Facilities Revenue Bonds (“Series 2016 Bonds”). Total bond issuance costs incurred with the 2016 transaction were \$250,595. Amortization was provided on a straight-line basis over the original 28-year term of the Series 2016 Bonds. Unamortized bond issuance costs were \$219,270 as of June 30, 2020. In January 2021, VCP retired the Series 2016 Bonds, and recorded a loss on retirement of Series 2016 Bonds issuance costs for the entire unamortized amount.

Simultaneously with the retirement of the Series 2016 Bonds, VCP incurred costs associated with securing separate financing under Indiana Finance Authority Educational Facilities Refunding Revenue Bonds (“Series 2021 Bonds”). Total bond issuance costs incurred with the 2021 transaction were \$768,782. Amortization is provided on a straight-line basis over the 35-year term of the Series 2021 Bonds. Amortization expense was \$10,983 during the year ended June 30, 2021.

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

Taxes on Income – VCP 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, VCP 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 VCP 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. VCP has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after June 30, 2017 are open to audit for both federal and state purposes.

Subsequent Events – VCP evaluated subsequent events through December 3, 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.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2 - REVENUE RECOGNITION

Revenue Recognition Standard – Effective July 1, 2020, VCP 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. VCP 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, VCP receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of VCPs revenue is the product of cost reimbursement grants. Accordingly, VCP 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.

VCP also receives contributions and grants from other agencies and individuals and these are recorded in accordance with the terms of the underlying agreements. Rent is recognized monthly as the performance obligation of providing facilities for use by the lessee is satisfied. Student fees are recognized in the year in which the services are rendered.

Disaggregation of Revenue – Revenue is disaggregated on the statements of activities and changes in net assets (deficiency).

NOTE 3 - SALE OF BUILDING

In January 2021, VCP sold the building and furnishing associated with the former Lighthouse Academies of Indiana, Inc. East location to another charter school that had been leasing the building from VCP. The sale was executed through the Series 2021 Bonds transaction described in Note 6. Proceeds from the sale of the building and furnishings were \$3,250,000, which resulted in a loss on sale of property of \$1,996,774. This loss was financed through the Series 2021 Bonds.

NOTE 4 - RESTRICTED AND TEMPORARILY HELD CASH

Cash - restricted for bond interest was reserved for the payment of interest on the bond semi-annually. Funds were placed in the account monthly to cover one-sixth of the semi-annual interest payment. This restricted account is no longer required by the bonds in existence at June 30, 2021.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 4 - RESTRICTED AND TEMPORARILY HELD CASH, Continued

Cash - restricted for debt service is reserved for the payment of principal and interest on the bonds in the event that other funding is unavailable to meet payment requirements. Included in *cash - restricted for debt service* is \$809,875 provided by Charter School Financing Partnership, LLC as a credit enhancement. Upon full repayment or other termination of the bond debt, VCP is obligated to repay the amount of the credit enhancement and has therefore recorded a long-term liability to reflect the obligation, which is reflected as a CSFP debt service fund liability on the statements of financial position.

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

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 130,000	\$ 367,700
Buildings and improvements	8,893,698	14,217,181
Furniture and equipment	1,480,575	1,903,801
Vehicle	36,668	36,668
	<u>10,540,941</u>	<u>16,525,350</u>
Less: accumulated depreciation	<u>(2,265,377)</u>	<u>(3,038,843)</u>
	<u>\$ 8,275,564</u>	<u>\$ 13,486,507</u>

NOTE 6 - BONDS PAYABLE

Prior to the establishment of Victory College Prep., Lighthouse Academies of Indiana, Inc. purchased facilities on the South and the East sides of Indianapolis, Indiana with proceeds from Series 2016 Bonds with original amounts totaling \$16,770,000. Principal was payable in annual installments that increased from \$235,000 to \$1,320,000, beginning in December 2018 and maturing in December 2044. Interest payments were made semi-annually at rates ranging from 6.25% to 7.25% in accordance with the bond agreements. The bonds were secured by land, buildings, and improvements.

Victory College Prep. assumed the Series 2016 Bonds when it took over operations of the former Lighthouse Academies of Indianapolis, Inc. South location. The operations of the former Lighthouse Academies of Indianapolis, Inc. East location ceased, and the building and its furnishings were leased to two separate charter schools.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 6 - BONDS PAYABLE, Continued

In January 2021, VCP executed a transaction to sell the building and furnishings associated with the former Lighthouse Academies of Indiana, Inc. East location, retire the Series 2016 Bonds, and establish the Series 2021 Bonds. VCP incurred a 10% call premium totaling \$1,602,000 to retire the Series 2016 Bonds. This call premium was financed through the Series 2021 Bonds.

The Series 2021 Bonds have original amounts totaling \$13,835,000 with principal payments that increase from \$150,000 to \$775,000, beginning in December 2021 and maturing in December 2055. Interest payments are made semi-annually at 4.5% in accordance with the bond agreement. The bonds are secured by land, building, and improvements.

The bond agreement contains certain covenants requiring:

- submission of audited financial statements within 150 days after the end of the fiscal year;
- a minimum 45 days' cash on hand as of each June 30;
- a minimum debt service coverage ratio of 1.15 to 1.00, measured annually, and;
- enrollment of at least 890 students, tested annually each October.

VCP met all the covenants as of June 30, 2021.

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

2022	\$	150,000
2023		175,000
2024		180,000
2025		190,000
2026		200,000
Thereafter		<u>12,940,000</u>
	\$	<u>13,835,000</u>

NOTE 7 - CARES ACT FUNDING

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security ("CARES") Act which includes the Paycheck Protection Program ("PPP") administered through the Small Business Administration. The proceeds from PPP notes payable can be used for costs related to payroll, employee healthcare, rent, and utilities. On April 10, 2020, VCP was granted a loan from JPMorgan Chase Bank, N.A. in the amount of \$425,835, pursuant to the PPP under Division A, Title I of the CARES Act. Under the terms of the PPP, the loan proceeds would be forgiven if they are used for qualifying expenses as described in the CARES Act.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 7 - CARES ACT FUNDING, Continued

For the year ended June 30, 2020, VCP evaluated the expenses to which these funds were applied and determined the loan requirements would be met and the loan would be forgiven for at least the value of funds expended through June 30, 2020. VCP elected to recognize the funds as a contribution in accordance with FASB ASC 958-605 by reflecting the amount of funds expended during the year ended June 30, 2020 as revenue and the amount remaining to be spent (\$90,200 as of June 30, 2020) as a refundable advance. On March 16, 2021, VCP received notification of forgiveness of the full amount of the loan. Accordingly, the remaining \$90,200 previously recognized as a refundable advance has been recorded as loan forgiveness income for the year ended June 30, 2021.

For the years ended June 30, 2021 and 2020, VCP also received \$1,450,989 and \$380,840, respectively, in CARES Act funding in the form of a grant under the Elementary and Secondary School Emergency Relief Fund.

NOTE 8 - RENT INCOME

VCP had an agreement to sublease portions of the building previously occupied by Indianapolis Lighthouse East to Circle City Preparatory, Inc. through June 30, 2021. In January 2021, Circle City Preparatory, Inc. purchased the building from VCP, ending the lease. Rent income under this agreement totaled approximately \$160,000 and \$275,000 for the years ended June 30, 2021 and 2020, respectively.

Beginning July 1, 2020, VCP entered into a separate lease-to-own equipment agreement with Geo Academies, Inc. The lease calls for quarterly payments of \$20,000, with possession of all equipment transferring to Geo Academies, Inc. upon termination of the agreement. Payments under this agreement are factored into the loss on sale of property reported on the statement of changes in net assets (deficiency) during the year ended June 30, 2021.

NOTE 9 - COMMITMENTS

VCP operates under a charter granted by OEI, which remains in effect until June 30, 2026, and is renewable thereafter by mutual consent. As the sponsoring organization, OEI exercises certain oversight responsibilities. OEI assesses a fee equal to 1% of the basic tuition support received by VCP. The fees totaled \$54,720 and \$51,125 for the years ended June 30, 2021 and 2020, respectively.

NOTE 10 - RETIREMENT PLAN

VCP offers a Section 401(k) plan to its employees. Under the plan, VCP matches 100% of employee contributions up to 4% of compensation for the plan year. Additional contributions could have been made to the plan at the discretion of the VCP Board of Directors. No discretionary contributions were made during the years ended June 30, 2021 or 2020. Retirement plan expense was \$172,669 and \$131,141 for the years ended June 30, 2021 and 2020, respectively.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 11 - RISKS AND UNCERTAINTIES

VCP provides education services to families residing in Marion and surrounding counties of 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 VCP. Additionally, VCP is subject to monitoring and audit by state and federal agencies. These examinations may result in additional liability to be imposed.

Financial instruments that potentially subject VCP to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2021 and 2020, substantially all receivable balances were due from the State of Indiana. Cash deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and are insured up to the FDIC insurance limit of \$250,000. Funds held at these financial institutions exceeded the FDIC insurance limit as of and during the years ended June 30, 2021 and 2020.

NOTE 12 - LIQUIDITY

Financial assets for VCP include cash and grants receivable. Financial assets at June 30, 2021 total \$4,808,332 of which \$3,833,090 (excludes restricted cash) is available to meet cash needs for general expenditures within a year. Financial assets at June 30, 2020 totaled \$4,319,900, of which \$2,410,033 (excludes restricted cash) was available to meet cash needs for general expenditures within a year.

From time to time, VCP receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, VCP 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 VCP'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 13 - 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 (deficiency). Management of VCP has categorized expenses as program services, management and general, or fundraising according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

SUPPLEMENTARY INFORMATION

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/ Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 249,882
National School Lunch Program	10.555		<u>116,274</u>
<i>Total U.S. Department of Agriculture</i>			<u>366,156</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Education Agencies	84.010	18611-001-PN01	695,324
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A200013	86,411
Title IV, Student Support and Academic Enrichment Program	84.424	S424A200015	170,265
Special Education Cluster			
Special Education Grants to States	84.027	20611-516-PN01	184,411
Special Education Preschool Grants	84.173	20619-516-PN01	3,629
21 st Century Community Learning Centers	84.287		202,477
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief	84.425D	S425D200013	455,975
Elementary and Secondary School Emergency Relief	84.425D	S425D210013	946,340
Governor's Emergency Education Relief	84.425C		<u>48,674</u>
<i>Total U.S. Department of Education</i>			<u>2,793,506</u>
<i>Total federal awards expended</i>			<u>\$ 3,159,662</u>

See independent auditors' report and accompanying notes to this schedule

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("VCP") under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of VCP, it is not intended to and does not present the financial position, change in net assets (deficiency), functional expenses, or cash flows of VCP.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule 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.

NOTE 3 - INDIRECT COST RATE

VCP has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

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

The Board of Directors
Lighthouse Academies of Indiana, Inc.

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 Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("VCP"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets (deficiency), functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered VCP's internal control over financial reporting ("internal control") to determine the 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 VCP's internal control. Accordingly, we do not express an opinion on the effectiveness of VCP'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 the entity'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether VCP'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 determination of financial statement amounts. 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 VCP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VCP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized initial 'D'.

Indianapolis, Indiana
December 3, 2021



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors
Lighthouse Academies of Indiana, Inc.

Report on Compliance for Each Major Federal Program

We have audited Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep.'s ("VCP") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on VCP's major federal programs for the year ended June 30, 2021. VCP's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of VCP'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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and 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 VCP'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 VCP's compliance.

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Opinion on Each Major Federal Program

In our opinion, VCP 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 VCP 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 VCP internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 VCP's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over 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 first paragraph of this section 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 have not been 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.

DONOVAN



Indianapolis, Indiana
December 3, 2021

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425C	Education Stabilization Fund: Governor's Emergency Education Fund
84.425D	Elementary and Secondary School Emergency Relief Fund

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

FINDING 2020-001 LACK OF FINANCIAL OVERSIGHT
MATERIAL WEAKNESS
FINANCIAL STATEMENT FINDING

Condition

Several material adjustments were required during the audit of the June 30, 2020 fiscal year for the financial statements to be free of material misstatement. Among the proposed adjustments were corrections for unsubstantiated revenues from VCP's previous management company, corrections to grant revenues resulting in prior period adjustment, and numerous other adjustments.

Current Status

Corrective action was taken.

FINDING 2020-002 PROCUREMENT
SIGNIFICANT DEFICIENCY
FEDERAL AWARD FINDING

Federal Agency: U.S. Department of Agriculture
CFDA Number: 10.553 & 10.555
Federal Program: Child Nutrition Cluster

Condition

VCP was unable to provide evidence of a request for proposal for the food service contract in place, nor was VCP able to provide documentation showing vendor responses and management's analysis and conclusion on those responses received.

Current Status

Corrective action was taken.

FINDING 2020-003 CASH MANAGEMENT
MATERIAL WEAKNESS
FEDERAL AWARD FINDING

Federal Agency: U.S. Department of Agriculture
CFDA Number: 10.553 & 10.555
Federal Program: Child Nutrition Cluster

Condition

VCP carried a balance in its Child Nutrition Cluster cash account in excess of the three-month average of expenditures.

Current Status

Corrective action was taken.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
OTHER REPORT
For the Year Ended June 30, 2021

The reports presented herein were prepared in addition to another official report prepared for Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. as listed below:

Supplemental Audit Report of Lighthouse Academies of Indiana, Inc.
d/b/a Victory College Prep.

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*.