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January 24, 2022

Charter School Board  
pilotED Schools of Indiana, Inc.  
2710 Bethel Ave  
Indianapolis, IN 46203


We have reviewed the audit report of pilotED Schools of Indiana, 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 pilotED Schools of Indiana, 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.

We call your attention to the finding in the report on page 19. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 20.

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 pilotED Schools of Indiana, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

**pilotED SCHOOLS OF INDIANA, 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  
pilotED Schools of Indiana, Inc.

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

We have audited the accompanying financial statements of pilotED Schools of Indiana, 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 (deficit), 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 pilotED Schools of Indiana, Inc. as of June 30, 2021 and 2020, and the changes in its net assets (deficit), 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 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 14, 2021 on our consideration of pilotED Schools of Indiana, Inc.’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 pilotED Schools of Indiana, Inc.’s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana  
December 14, 2021

**pilotED SCHOOLS OF INDIANA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 587,350	\$ 466,485
Grants receivable	277,306	20,000
Prepaid expenses	<u>6,281</u>	<u>-</u>
<i>Total current assets</i>	<u>870,937</u>	<u>486,485</u>
<b>PROPERTY AND EQUIPMENT</b>		
Building	3,058,575	3,058,575
Vehicles	85,863	-
Less: accumulated depreciation	<u>(617,439)</u>	<u>(407,810)</u>
<i>Property and equipment, net</i>	<u>2,526,999</u>	<u>2,650,765</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,397,936</u></u>	<u><u>\$ 3,137,250</u></u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of capital lease obligation	\$ 122,817	\$ 106,613
Paycheck Protection Program note payable	-	185,657
Accounts payable and accrued expenses	22,135	11,155
Refundable advances	<u>157,103</u>	<u>276,885</u>
<i>Total current liabilities</i>	302,055	580,310
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligation, net of current portion	<u>2,640,673</u>	<u>2,765,490</u>
<i>Total liabilities</i>	2,942,728	3,345,800
<b>NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS</b>	<u>455,208</u>	<u>(208,550)</u>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<u><u>\$ 3,397,936</u></u>	<u><u>\$ 3,137,250</u></u>

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

**pilotED SCHOOLS OF INDIANA, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)**  
**For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 1,446,199	\$ 1,194,852
Grants	1,502,686	1,004,625
Contributions	23,315	33,462
Other	5,434	2,895
	<u>2,977,634</u>	<u>2,235,834</u>
<i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	1,522,088	1,401,787
Management and general	977,445	780,537
	<u>2,499,533</u>	<u>2,182,324</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS (DEFICIT) FROM OPERATIONS</b>	478,101	53,510
<b>PAYCHECK PROTECTION PROGRAM NOTE PAYABLE FORGIVENESS INCOME</b>	<u>185,657</u>	<u>-</u>
<b>CHANGE IN NET ASSETS (DEFICIT)</b>	663,758	53,510
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>(208,550)</u>	<u>(262,060)</u>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ 455,208</u>	<u>\$ (208,550)</u>

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

**pilotED SCHOOLS OF INDIANA, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2021 and 2020**

	2021			2020		
	<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	\$ 526,853	\$ 664,623	\$ 1,191,476	\$ 358,786	\$ 563,720	\$ 922,506
Depreciation	209,629	-	209,629	203,905	-	203,905
Professional services	62,540	110,380	172,920	81,990	53,829	135,819
Employee benefits	71,170	98,679	169,849	48,677	94,901	143,578
Interest	154,690	-	154,690	160,267	-	160,267
Food costs	98,668	-	98,668	97,226	-	97,226
Repairs and maintenance	97,084	-	97,084	65,225	-	65,225
Classroom and office supplies	78,431	707	79,138	52,209	596	52,805
Information technology	54,879	-	54,879	21,605	-	21,605
Occupancy	49,686	-	49,686	64,841	-	64,841
Staff development and recruitment	46,021	-	46,021	34,675	-	34,675
Equipment	29,566	12,744	42,310	158,473	8,601	167,074
Advertising	-	36,225	36,225	-	34,249	34,249
Insurance	-	26,192	26,192	-	20,463	20,463
Travel and meetings	-	23,896	23,896	27,220	-	27,220
Other	42,871	3,999	46,870	26,688	4,178	30,866
<i>Total functional expenses</i>	<u>\$ 1,522,088</u>	<u>\$ 977,445</u>	<u>\$ 2,499,533</u>	<u>\$ 1,401,787</u>	<u>\$ 780,537</u>	<u>\$ 2,182,324</u>

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

**pilotED SCHOOLS OF INDIANA, 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 (deficit)	\$ 663,758	\$ 53,510
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Paycheck Protection Program note payable forgiveness income	(185,657)	-
Depreciation	209,629	203,905
Changes in certain assets and liabilities:		
Grants receivable	(257,306)	50,000
Prepaid expenses	(6,281)	-
Accounts payable and accrued expenses	10,980	2,584
Refundable advances	<u>(119,782)</u>	<u>(44,857)</u>
<i>Net cash provided by operating activities</i>	<u>315,341</u>	<u>265,142</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(85,863)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligation	(108,613)	(96,089)
Proceeds from Paycheck Protection Program note payable	<u>-</u>	<u>185,657</u>
<i>Net cash provided by (used in) financing activities</i>	<u>(108,613)</u>	<u>89,568</u>
<b>NET CHANGE IN CASH</b>	120,865	354,710
<b>CASH, BEGINNING OF YEAR</b>	<u>466,485</u>	<u>111,775</u>
<b>CASH, END OF YEAR</b>	<u>\$ 587,350</u>	<u>\$ 466,485</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 154,690	\$ 160,267

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

**pilotED SCHOOLS OF INDIANA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

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

General – pilotED Schools of Indiana, Inc. (the "School"), formerly known as pilotED Schools, Inc., is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School is named Bethel Park Elementary and is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. The School served approximately 180 students in kindergarten through fourth grade during the 2020-2021 school year. During the 2019-2020 school year, the School served approximately 155 students in kindergarten through third grade.

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

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

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

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

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consist 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 grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$5,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The building is being depreciated over the life of the capital lease (15 years). Vehicles are depreciated over five years.

**pilotED SCHOOLS OF INDIANA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

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

Taxes on Income – The School has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2021 and 2020, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ended after June 30, 2017 are open to audit for both federal and state purposes.

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

A significant portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs is considered satisfaction of the performance obligation.

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

**pilotED SCHOOLS OF INDIANA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 2 - REVENUE RECOGNITION, Continued**

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

**NOTE 3 - REFUNDABLE ADVANCES**

The School received multiple grants during the years ended June 30, 2021 and 2020, some of which must be spent in accordance with the submitted budgets with any funds not expended for the designated purposes returned. Accordingly, the revenue is recognized as approved expenditures are incurred. Refundable advances as of June 30, 2021 and 2020 represent grants received from Walton Family Foundation, Opportunity 180, and Charter School Program Quality Counts.

**NOTE 4 - CAPITAL LEASE OBLIGATION**

The School leases its building under a capital lease obligation maturing June 30, 2033 with two five-year renewal options. At June 30, 2021 and 2020, the accumulated depreciation of the building was \$611,715 and \$407,810, respectively.

Following is a schedule of future minimum lease payments under the capital lease for the years ending June 30 and present value of the net minimum lease payments as of June 30, 2021:

2022	\$	271,202
2023		279,338
2024		287,718
2025		296,350
2026		305,240
Thereafter		<u>2,410,904</u>
		3,850,752
Less: amount representing interest		<u>(1,087,262)</u>
	\$	<u>2,763,490</u>

**pilotED SCHOOLS OF INDIANA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 5 - PAYCHECK PROTECTION PROGRAM**

On April 24, 2020, the School was granted a loan from JPMorgan Chase Bank, N.A. in the amount of \$185,657, 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 determined the PPP note payable represented a financial liability and accounted for it in accordance with FASB ASC 470, *Simplifying the Classification of Debt*, until forgiveness was obtained. The School received notification on February 17, 2021 that the note had been forgiven in full and reported the PPP note payable forgiveness income during the year ended June 30, 2021.

**NOTE 6 - COMMITMENTS**

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. Beginning on July 1<sup>st</sup> before the School’s fourth school year, OEI will assess a fee equal to 1% of the basic tuition support received by the School. No management fees were paid during the years ended June 30, 2021 and 2020.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2021, the account only had a balance of \$5,283.

**NOTE 7 - RETIREMENT PLANS**

All employees are eligible to participate in a Section 401(k) defined contribution retirement plan sponsored by the School. Under this plan, the School may contribute a discretionary match up to 4% of compensation, not to exceed \$4,000 per employee.

Retirement plan expense under plan was \$21,044 and \$10,987 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 County 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.

Cash deposits maintained at JP Morgan Chase Bank, N.A. are insured up to the FDIC insurance limit of \$250,000. As of and throughout the years ended June 30, 2021 and 2020, cash balances exceeded the FDIC insurance limit.

**pilotED SCHOOLS OF INDIANA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2021 and 2020**

**NOTE 9 - LIQUIDITY**

The School's financial assets include cash and grants receivable. Financial assets at June 30, 2021 and 2020 totaled \$864,656 and \$486,485, respectively, all of which were available to meet cash needs for general expenditures within a year, including expenditures covered by the Walton Family Foundation, Opportunity 180, and Charter School Program Quality Counts grants (See Note 3).

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 (deficit). 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.

SUPPLEMENTARY INFORMATION

**pilotED SCHOOLS OF INDIANA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2021**

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 38,115
National School Lunch Program	10.555		73,408
Child Nutrition Discretionary Grants Limited Availability	10.579		<u>11,977</u>
<i>Total for U.S. Department of Agriculture</i>			<u>123,500</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Educational Agencies	84.010	S010A200014	113,461
Title II, Part A; Supporting Effective Instruction State Grants	84.367A	S367A200013	14,644
Title IV, Part A; Student Support and Academic Enrichment	84.424A	S424A190015	10,000
Special Education Cluster			
Special Education Grants to States	84.027A	21611-620-PN01	34,357
Special Education Preschool Grants	84.173		1,911
Charter Schools Programs	84.282A	U282A170017	70,848
Education Stabilization Fund			
Governor's Emergency Education Relief Fund	84.425C		2,739
Elementary and Secondary School Emergency Relief Fund	84.425D	7000-S425D200013	100,046
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	317,076
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	<u>194,602</u>
<i>Total for U.S. Department of Education</i>			<u>859,684</u>
<i>Total federal awards expended</i>			<u>\$ 983,184</u>

See independent auditors' report and notes to this schedule

**pilotED SCHOOLS OF INDIANA, INC.**  
**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 pilotED Schools of Indiana, Inc. (the “School”) 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 the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

**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**

The School 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  
pilotED Schools 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 pilotED Schools of Indiana, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon December 14, 2021.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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. The results of our tests disclosed one instance of a material weakness in internal control that was required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2021-001. Additional 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 the School'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*.

## **The School's Response to Finding**

The School's response to the finding identified in our audit is described in the accompanying corrective action plan on page 20. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School'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 letters are cursive and somewhat stylized, with the "D" being particularly large and the "N" having a long tail.

Indianapolis, Indiana  
December 14, 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  
pilotED Schools of Indiana, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited pilotED Schools of Indiana, Inc.'s (the "School") 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 the School's major federal programs for the year ended June 30, 2021. The School'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 the School'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 the School'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 the School's compliance.

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## Opinion on Each Major Federal Program

In our opinion, the School 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 the School 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 the School's 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 the School'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 14, 2021

**pilotED SCHOOLS OF INDIANA, INC.**  
**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?	Yes
• 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>
	Education Stabilization Fund:
84.425C	Governor's Emergency Education Relief 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

**pilotED SCHOOLS OF INDIANA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2021**

**II. Financial Statement Findings**

**FINDING NO. 2021-001 LACK OF FINANCIAL OVERSIGHT**  
**MATERIAL WEAKNESS**

**Condition**

Material adjustments were required to be proposed and recorded during the audit for the financial statements to be free of material misstatement. Those adjustments resulted in an increase of grants receivable and grant revenues of \$200,266.

**Criteria**

2 CFR part 200.510(a) requires that “the auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.”

**Cause**

The School did not have sufficient financial oversight to ensure all transactions were substantiated, grant revenues were recorded in the proper period, and all accounts were reconciled timely and accurately.

**Effect**

Material misstatements existed in the unadjusted financial records prior to the audit.

**Recommendation**

We recommend the School develop internal controls to ensure proper financial oversight is provided.

**Views of Responsible Officials**

The School’s Corrective Action Plan is included on page 20.

**III. Federal Award Findings and Questioned Costs**

No matters are reportable.



December 12, 2021

To whom it may concern,

Please find below pilotED Schools of Indiana Inc.'s response to the audit findings:

**Single Audit - Material Weakness**

pilotED Schools of Indiana Inc. has been transitioning its bookkeeping from in-house management to professional management with Bookkeeping Plus Inc (BPI). As the books become fully onboarded with BPI, financial statement oversight in the subsequent years will be in line as BPI will have a full year of handling the books.

*Jennica Adkins*  
Principal

*Jenniffer Lopez*  
Manager, Business & Operations

**pilotED SCHOOLS OF INDIANA, INC.**

**OTHER REPORT**

**For the Year Ended June 30, 2021**

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of pilotED Schools of Indiana, 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*.