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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 26, 2022

Charter School Board
Otwell Miller Academy, Inc.
9958 E County Rd 150 N.
Otwell, IN 47564

We have reviewed the audit report of Otwell Miller Academy, 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 Otwell Miller Academy, 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 Otwell Miller Academy, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

OTWELL MILLER ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report
For the Years Ended June 30, 2021 and 2020



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Change in Net Assets.....	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 11
OTHER REPORT	12



Donovan CPAs

Independent Auditors' Report

The Board of Directors
Otwell Miller Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Otwell Miller Academy, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Otwell Miller Academy, 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 8, 2021

OTWELL MILLER ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 176,927	\$ 136,353
Grants receivable	9,065	17,010
	185,992	153,363
<i>Total current assets</i>		
PROPERTY AND EQUIPMENT		
Furniture and equipment	10,015	10,015
Textbooks	48,501	48,501
Vehicles	70,000	70,000
Leasehold improvements	28,386	-
Less: accumulated depreciation	(84,916)	(64,029)
	71,986	64,487
<i>Property and equipment, net</i>		
TOTAL ASSETS	\$ 257,978	\$ 217,850
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of capital lease obligation	\$ 15,600	\$ 15,600
Accounts payable and accrued expenses	95,118	70,009
Refundable advance - CARES Act funding	-	20,052
	110,718	105,661
<i>Total current liabilities</i>		
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	2,400	16,700
	113,118	122,361
<i>Total liabilities</i>		
NET ASSETS, WITHOUT DONOR RESTRICTIONS	144,860	95,489
TOTAL LIABILITIES AND NET ASSETS	\$ 257,978	\$ 217,850

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

OTWELL MILLER ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT		
State education support	\$ 774,259	\$ 671,513
Grant revenue	242,624	175,398
Student fees	9,619	22,533
Contributions:		
Related party contributions	-	4,266
Other contributions	4,089	4,413
Other income	1,493	870
	<u>1,032,084</u>	<u>878,993</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	773,179	695,799
Management and general	229,586	177,921
	<u>1,002,765</u>	<u>873,720</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS FROM OPERATIONS	29,319	5,273
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	<u>20,052</u>	<u>87,148</u>
CHANGE IN NET ASSETS	49,371	92,421
NET ASSETS, BEGINNING OF YEAR	<u>95,489</u>	<u>3,068</u>
NET ASSETS, END OF YEAR	<u>\$ 144,860</u>	<u>\$ 95,489</u>

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

OTWELL MILLER ACADEMY, 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	\$ 459,737	\$ 110,809	\$ 570,546	\$ 449,221	\$ 62,489	\$ 511,710
Professional services	5,206	83,383	88,589	18,339	85,731	104,070
Employee benefits	60,824	8,487	69,311	52,087	5,697	57,784
Occupancy	59,868	-	59,868	56,662	-	56,662
Food costs	65,941	-	65,941	49,424	-	49,424
Depreciation	20,887	-	20,887	21,703	-	21,703
Classroom, kitchen, and office supplies	42,746	253	42,999	14,749	2,278	17,027
Repairs and maintenance	37,533	-	37,533	14,495	-	14,495
Authorizer oversight fees	-	21,835	21,835	-	17,051	17,051
Equipment	11,597	-	11,597	9,563	-	9,563
Information technology	5,130	-	5,130	5,474	-	5,474
Telephone	-	4,432	4,432	-	4,675	4,675
Insurance	3,222	387	3,609	3,867	-	3,867
Other	488	-	488	215	-	215
<i>Total functional expenses</i>	<u>\$ 773,179</u>	<u>\$ 229,586</u>	<u>\$ 1,002,765</u>	<u>\$ 695,799</u>	<u>\$ 177,921</u>	<u>\$ 873,720</u>

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

OTWELL MILLER ACADEMY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 49,371	\$ 92,421
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness income	(20,052)	(87,148)
Depreciation	20,887	21,703
Change in certain assets and liabilities:		
Grants receivable	7,945	(17,010)
Accounts payable and accrued expenses	<u>25,109</u>	<u>8,929</u>
 <i>Net cash provided by operating activities</i>	 <u>83,260</u>	 <u>18,895</u>
 INVESTING ACTIVITY		
Purchases of property and equipment	<u>(28,386)</u>	<u>-</u>
 FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan payable	-	107,200
Principal payments on capital lease obligation	<u>(14,300)</u>	<u>(16,900)</u>
 <i>Net cash provided by (used in) financing activities</i>	 <u>(14,300)</u>	 <u>90,300</u>
 NET CHANGE IN CASH	 40,574	 109,195
 CASH, BEGINNING OF YEAR	 <u>136,353</u>	 <u>27,158</u>
 CASH, END OF YEAR	 <u>\$ 176,927</u>	 <u>\$ 136,353</u>

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

OTWELL MILLER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Effective March 2017, the not-for-profit entity, Friends of Otwell Elementary, Ltd. (“Friends”), formed and incorporated a subsidiary, Otwell Miller Academy, Inc. (the “School”). The School 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, sponsored by Grace College, commenced operations with the 2017-2018 academic year and serves students in kindergarten through fifth grade. The School served approximately 110 students during the 2020-2021 school year (95 in 2019-2020). The accompanying financial statements include only the activity of the subsidiary, Otwell Miller Academy, Inc.

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 included in the accounts at cost. Routine maintenance and repairs and minor replacement costs and 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 generally are as follows:

Furniture and equipment	3 to 5 years
Textbooks	10 years
Vehicles	5 years
Leasehold improvements	15 years

OTWELL MILLER ACADEMY, 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 – For tax filing purposes, the School’s activity is reported on the tax returns of Friends of Otwell Elementary, Ltd. Friends 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, it would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2021 and 2020, the School had no unrelated business income and thus no accounting for federal and state income taxes was required to be included in the accompanying financial statements of the School.

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

Subsequent Events – The School evaluated subsequent events through December 8, 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, respectively. 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 purchase obligation.

OTWELL MILLER ACADEMY, 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 changes in net assets.

NOTE 3 - PAYCHECK PROTECTION PROGRAM

On April 28, 2020, the School was granted a loan from Old National Bank in the amount of \$107,200, 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 assessed the expenses to which these funds were applied and determined the loan requirements were met for \$87,148 of PPP-related expenses incurred. The remaining \$20,052 was applied and the loan requirements were met during the year ended June 30, 2021. The School has elected to recognize the funds as a contribution in accordance with FASB ASC 958-605 by reflecting the amount of funds expended as PPP loan forgiveness income during the years in which the loan requirements were met. The School received notification on March 22, 2021 that the loan has been forgiven in full.

NOTE 4 - LEASES

The School entered into a financing agreement for two school buses. Total payments are \$70,000 over a period of 54 months. The lease does not explicitly state an interest rate. Management has determined that the imputed interest on this agreement is insignificant and therefore has recorded the asset and related initial liability at \$70,000. The lease is accounted for as a capital lease obligation with a cost of \$70,000. As of June 30, 2021 and 2020, accumulated depreciation relating to these assets was \$40,000 and \$30,000, respectively.

Minimum future lease payments under the capital lease are as follows for the years ending June 30:

	2022	\$	15,600
	2023		2,400
			2,400
		\$	18,000

The School leases a building under an operating lease with Friends, a related party. The lease is renewed annually in August. Base rent expense was \$2,000 per month until August 2019 when it increased to \$3,500 per month. In addition, the School pays a share of the monthly expenses incurred by Friends.

OTWELL MILLER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 5 - RETIREMENT PLAN

The School provides retirement benefits covering teaching faculty. Retirement benefits 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 7.5% of compensation for electing teaching faculty to TRF. Should the School elect to withdraw from TRF, the School 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 over 100% funded. Retirement plan expense was \$21,758 and \$15,241 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 - COMMITMENTS

The School operates under a charter granted by Grace College. As the sponsoring organization, Grace College exercises certain oversight responsibilities. Under this charter, the School has agreed to pay Grace College an annual administrative fee not to exceed 3% of state tuition support received. Expense under this charter agreement was \$21,835 and \$17,051 for the years ended June 30, 2021 and 2020, respectively. The charter remains in effect until June 30, 2024 and is renewable thereafter by mutual consent.

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, this account had a balance of \$25,100, which is included in the cash balance on the statements of financial position.

NOTE 7 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to persons primarily residing in Otwell, Indiana and greater Pike County, and is subject to the risks of economic and competitive forces at work within this geographic area.

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at Old National Bank are insured up to the FDIC insurance limit.

OTWELL MILLER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 8 - LIQUIDITY

Financial assets held by the School include cash and grants receivable totaling \$185,992 and \$153,363 as of June 30, 2021 and 2020, respectively, all of which were available to meet cash needs for general expenditures within one year with the exception of \$25,100 as of June 30, 2021 in the dissolution 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 9 - 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.

OTWELL MILLER ACADEMY, 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 Otwell Miller Academy, 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*.