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February 24, 2022

Charter School Board  
Matchbook Learning Schools of Indiana, Inc.  
1163 N Belmont Ave  
Indianapolis, IN 46222

We have reviewed the audit report of Matchbook Learning 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 Matchbook Learning 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 findings in the report on pages 20 through 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on page 22.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 3.

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 Matchbook Learning 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.

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

Paul D. Joyce, CPA  
State Examiner

**MATCHBOOK LEARNING 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  
Matchbook Learning Schools of Indiana, Inc.

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

We have audited the accompanying financial statements of Matchbook Learning 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, 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 Matchbook Learning Schools of Indiana, 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.

## Emphasis of Matter

As discussed in Note 3 to the financial statements, Matchbook Learning Schools of Indiana, Inc. recorded in-kind contributions and offsetting expenses from Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools (“IPS”), a related party, totaling \$2,138,930 and \$2,244,888 during the years ended June 30, 2021 and 2020, respectively. These in-kind transactions represent approximately 22% of total revenue and support and 24% of total expenses for the year ended June 30, 2021 (26% of total revenue and support and 27% of total expenses for the year ended June 30, 2020). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of Matchbook Learning Schools of Indiana, Inc. as presented. Our opinion is not modified with respect to this matter.

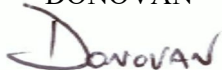
## Other Matters

Our audits were 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 January 31, 2022 on our consideration of Matchbook Learning 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 Matchbook Learning Schools of Indiana, Inc.’s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana  
January 31, 2022

**MATCHBOOK LEARNING 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	\$ 2,331,322	\$ 2,002,381
Grants receivable	650,796	222,762
Prepaid expenses	<u>2,438</u>	<u>9,888</u>
<i>Total current assets</i>	<u>2,984,556</u>	<u>2,235,031</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	75,639	52,689
Software	149,629	149,629
Less: accumulated depreciation	<u>(178,662)</u>	<u>(111,724)</u>
<i>Property and equipment, net</i>	<u>46,606</u>	<u>90,594</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,031,162</u></u>	<u><u>\$ 2,325,625</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 177,679	\$ 145,716
Accrued expenses	499,027	390,109
Paycheck Protection Program note payable	<u>-</u>	<u>752,000</u>
<i>Total liabilities</i>	<u>676,706</u>	<u>1,287,825</u>
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>		
Board-designated	1,000,000	500,000
Undesignated	<u>1,354,456</u>	<u>537,800</u>
<i>Total net assets, without donor restrictions</i>	<u>2,354,456</u>	<u>1,037,800</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,031,162</u></u>	<u><u>\$ 2,325,625</u></u>

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

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>REVENUE AND SUPPORT</b>		
Student-based allocation funding from Indianapolis Public Schools	\$ 4,806,320	\$ 4,576,159
Grants	2,668,792	1,750,556
In-kind contributions from Indianapolis Public Schools	2,138,930	2,244,888
Contributions	5,526	9,664
Interest	1,034	1,272
Other	13,620	844
	<hr/>	<hr/>
<i>Total revenue and support</i>	9,634,222	8,583,383
	<hr/>	<hr/>
<b>EXPENSES</b>		
Program services	7,316,072	6,638,995
Management and general	1,753,494	1,580,261
	<hr/>	<hr/>
<i>Total expenses</i>	9,069,566	8,219,256
	<hr/>	<hr/>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	564,656	364,127
<b>PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME</b>	<hr/>	<hr/>
	752,000	-
	<hr/>	<hr/>
<b>CHANGE IN NET ASSETS</b>	1,316,656	364,127
<b>NET ASSETS, BEGINNING OF YEAR</b>	<hr/>	<hr/>
	1,037,800	673,673
	<hr/>	<hr/>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,354,456</u>	<u>\$ 1,037,800</u>

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

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, 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>
In-kind expenses:						
Occupancy	\$ 1,497,304	\$ -	\$ 1,497,304	\$ 1,228,513	\$ -	\$ 1,228,513
Student transportation	489,294	-	489,294	475,345	-	475,345
Security services	-	80,402	80,402	-	75,881	75,881
Repairs and maintenance	71,930	-	71,930	243,076	-	243,076
Special education	-	-	-	222,073	-	222,073
<i>Total in-kind expenses</i>	<u>2,058,528</u>	<u>80,402</u>	<u>2,138,930</u>	<u>2,169,007</u>	<u>75,881</u>	<u>2,244,888</u>
Direct expenses:						
Salaries and wages	2,990,260	1,217,599	4,207,859	2,401,937	1,031,282	3,433,219
Employee benefits	630,636	251,702	882,338	680,146	243,446	923,592
Professional services	339,129	170,791	509,920	254,656	176,916	431,572
Food costs	236,829	-	236,829	258,672	-	258,672
Curriculum	211,704	-	211,704	216,227	-	216,227
Information technology	184,675	5,278	189,953	93,440	-	93,440
Classroom and office supplies	148,222	965	149,187	137,557	2,695	140,252
Staff development	125,097	-	125,097	34,591	1,130	35,721
Repairs and maintenance	124,704	-	124,704	212,663	-	212,663
Travel and meetings	83,351	-	83,351	47,268	21,540	68,808
Depreciation	65,231	1,707	66,938	66,011	-	66,011
Insurance	64,519	-	64,519	42,799	-	42,799
Occupancy	6	25,000	25,006	130	25,000	25,130
Advertising	3,713	-	3,713	4,326	-	4,326
Other	49,468	50	49,518	19,565	2,371	21,936
<i>Total direct expenses</i>	<u>5,257,544</u>	<u>1,673,092</u>	<u>6,930,636</u>	<u>4,469,988</u>	<u>1,504,380</u>	<u>5,974,368</u>
<i>Total functional expenses</i>	<u>\$ 7,316,072</u>	<u>\$ 1,753,494</u>	<u>\$ 9,069,566</u>	<u>\$ 6,638,995</u>	<u>\$ 1,580,261</u>	<u>\$ 8,219,256</u>

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

**MATCHBOOK LEARNING 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	\$ 1,316,656	\$ 364,127
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness income	(752,000)	-
Depreciation	66,938	66,011
Changes in certain assets and liabilities:		
Grants receivable	(428,034)	35,149
Prepaid expenses	7,450	9,449
Accounts payable	31,963	42,241
Accrued expenses	108,918	63,198
	<u>351,891</u>	<u>580,175</u>
<i>Net cash provided by operating activities</i>		
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(22,950)</u>	<u>(5,215)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program note payable	-	752,000
Principal repayments on note payable to Indianapolis Public Schools	<u>-</u>	<u>(20,000)</u>
	<u>-</u>	<u>732,000</u>
<i>Net cash provided by financing activities</i>		
<b>NET CHANGE IN CASH</b>	328,941	1,306,960
<b>CASH, BEGINNING OF YEAR</b>	<u>2,002,381</u>	<u>695,421</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,331,322</u>	<u>\$ 2,002,381</u>

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

# MATCHBOOK LEARNING 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 – Matchbook Learning Schools of Indiana, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates as a public charter school under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation 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 640 students in grades kindergarten through eighth during the 2020-2021 school year (610 students during the 2019-2020 school year).

The School operates under an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools ("IPS"), to operate a charter school within an IPS building. The agreement is for a term of five years, ending June 30, 2023, and renews automatically for an additional five-year term unless either party provides written notice at least 180 days prior to the expiration of the agreement. Under the agreement, IPS will pay to the School the amount the School would receive from the State of Indiana for state basic tuition support and complexity grant funding as if the School were a traditional charter school. The agreement can be terminated by either party within 30 days of written notice for material breach of the agreement, by IPS at the end of the school year for poor academic performance given written notice to the school 180 days prior, or by both parties by mutual consent effective as of a mutually agreeable date.

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.

Included in net assets without donor restrictions are Board-designated net assets of \$1,000,000 and \$500,000 as of June 30, 2021 and 2020, respectively, to establish a "Future Needs Fund." These funds may be used at the Board's discretion to further the strategic objectives of the School or to finance unanticipated or unbudgeted future expenses.

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.

# MATCHBOOK LEARNING 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

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 over \$1,000 that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Furniture and equipment is depreciated over three to five years. Software is depreciated over three years.

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

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions. 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 January 31, 2022, 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.

# MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.

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

Revenue Recognition Policy – As discussed in Note 1, the majority of revenue comes from IPS as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School receives an amount per student in equal portion as if the School functioned as a traditional charter school. Funding from IPS is received monthly. Revenue is recognized in the year in which the 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 under each grant is considered satisfaction of the performance obligations.

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

### NOTE 3 - VALUATION OF IN-KIND SERVICES

The School recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$2,138,930 and \$2,244,888 during the years ended June 30, 2021 and 2020, respectively. These in-kind transactions represent approximately 22% of total revenue and support and 24% of total expenses for the year ended June 30, 2021 (26% of total revenue and support and 27% of total expenses for the year ended June 30, 2020). The values of these in-kind services are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented.

### NOTE 4 - PAYCHECK PROTECTION PROGRAM

On May 15, 2020, the School was granted a loan from Idaho First Bank in the amount of \$752,000, 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 would be forgiven if they were 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 that the loan was forgiven in full effective March 4, 2021, therefore recognized the entire amount as PPP loan forgiveness income as of that date.

# **MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2021 and 2020**

### **NOTE 5 - RETIREMENT PLANS**

The School maintains a defined contribution Section 401(k) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make matching contributions on the first 5% of elective contributions. Retirement plan expense was \$71,011 and \$87,065 for the years ended June 30, 2021 and 2020, respectively.

### **NOTE 6 - RISKS AND UNCERTAINTIES**

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

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. The School also receives substantial financial assistance from IPS in the form of in-kind contributions covering occupancy, student transportation, repairs and maintenance, special education, and security services. Changes to the Innovation Network Charter School Agreement with IPS 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. At June 30, 2021 and 2020, all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at The National Bank of Indianapolis are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceeded the FDIC insurance limit as of June 30, 2021 and 2020.

### **NOTE 7 - LIQUIDITY**

The School's financial assets include cash and grants receivable totaling \$2,982,118 and \$2,225,143 as of June 30, 2021 and 2020, respectively. The School has Board-designated net assets of \$1,000,000 and \$500,000 as of June 30, 2021 and 2020, respectively, for the purpose of establishing a "Future Needs Fund." While these funds are not immediately available to meet general expenditures within one year, they may be released from designation at the Board's discretion.

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.

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2021 and 2020**

**NOTE 8 - 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.

SUPPLEMENTARY INFORMATION

**MATCHBOOK LEARNING SCHOOLS OF INDIANA, INC.**  
**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	Assistance Listing 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		\$ 82,377
National School Lunch Program	10.555		<u>195,128</u>
<i>Total U.S. Department of Agriculture</i>			<u>277,505</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A: Grants to Local Educational Agencies			
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A200014	655,528
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A190014	12,722
Title II: Supporting Effective Instruction State Grants			
Title II: Supporting Effective Instruction State Grants	84.367	S367A200013	52,287
Title II: Supporting Effective Instruction State Grants	84.367	S367A190013	99,865
Title IV: Student Support and Academic Enrichment Program			
Title IV: Student Support and Academic Enrichment Program	84.424	S424A200015	40,459
Special Education Cluster			
Special Education - Grants to States	84.027A	20611-621-PN01	112,038
Special Education - Preschool Grants	84.173		2,257
Education Stabilization Fund			
Governor's Emergency Education Relief Fund	84.425C	S425C200018	3,711
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	247,124
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	<u>306,695</u>
<i>Total U.S. Department of Education</i>			<u>1,532,686</u>
<i>Total federal awards expended</i>			<u>\$ 1,810,191</u>

See independent auditors' report and accompanying notes to this schedule

**MATCHBOOK LEARNING 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 Matchbook Learning 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  
Matchbook Learning 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 Matchbook Learning 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 dated January 31, 2022.

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

## **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*.

## **Matchbook Learning Schools of Indiana, Inc.'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 22. 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 signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana  
January 31, 2022



# 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  
Matchbook Learning Schools of Indiana, Inc.

### **Report on Compliance for Major Federal Programs**

We have audited Matchbook Learning 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 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 the major federal programs 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 the major federal programs under audit. However, our audit does not provide a legal determination of the School's compliance.

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## **Opinion on Major Federal Programs**

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 its major federal programs for the year ended June 30, 2021.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2021-002. Our opinion on the major federal programs is not modified with respect to this matter.

The School's response to the noncompliance finding identified in our audit is described in the Corrective Action Plan on page 22. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 the major federal programs as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2021-002 to be a significant deficiency.

The School's response to the noncompliance finding identified in our audit is included in the Corrective Action Plan on pages 22. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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  
January 31, 2022

**MATCHBOOK LEARNING 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?	Yes
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)?	Yes
Identification of major programs:	

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A: Grants to Local Educational Agencies
	Education Stabilization Fund
84.425C	Governor's Emergency Education Relief Fund
84.425D	Elementary and Secondary School Emergency Relief Fund

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

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

**II. Financial Statement Findings**

FINDING 2021-001 LACK OF FINANCIAL OVERSIGHT (REPEAT FINDING)  
MATERIAL WEAKNESS

Condition

Several 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 the following increases to the financial statements:

Assets	\$	631,586
Revenue		651,586
Expenses		20,000

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

Matchbook Learning Schools of Indiana, Inc. (the “School”) did not have sufficient financial oversight to ensure all transactions were substantiated, grant revenues were recorded in the proper period, all accounts were reconciled timely and accurately, and grant claims were processed timely.

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 22.

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

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

**FINDING 2021-002 MAINTENANCE OF EFFORT (REPEAT FINDING)**  
**SIGNIFICANT DEFICIENCY**

**Federal Program:** Title I, Part A: Grants to Local Educational Agencies  
**Assistance Listing Number:** 84.010

**Condition**

The Indiana Department of Education completes the maintenance of effort calculation using the Form 9 report issued by Matchbook Learning Schools of Indiana, Inc. (the “School”), which is a cash-basis report. Review of the School’s Form 9 found the report to be unreliable. Expenditures per the Form 9 totaled approximately \$5,939,000 for the period of July 1, 2020 to June 30, 2021. Cash basis expenses per the School’s financial records totaled approximately \$6,703,000.

**Criteria**

2 CFR part 200, Appendix XI, Compliance Supplement 2020, Section 4-84.000-13, states “An LEA may receive funds under an applicable program only if the SEA finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from state and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year, unless specifically waved.”

**Cause**

The School did not report expenses in line with the guidelines set by the Indiana Department of Education.

**Effect**

Maintenance of effort calculations prepared by the Indiana Department of Education could be impacted by incorrect reporting of expense transactions.

**Recommendation**

We recommend the School develop internal controls to ensure expenses are properly reported on the Form 9 report in line with guidelines.

**Views of Responsible Officials and Planned Corrective Actions**

The School’s Corrective Action Plan is included on page 22.



27 Jan 2022

Don Stewart, Director of Finance  
Matchbook Learning Schools of Indiana, Inc.  
1163 N. Belmont, Indianapolis, IN. 46222

Subject: Single Audit Findings

To: Donavan CPAs

**FINDING 2021-001 LACK OF FINANCIAL OVERSIGHT (MATERIAL WEAKNESS)**

Several 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 the following increases to the financial statements.

Assets – 631,586  
Revenue – 651,586  
Expenses – 20,000

**The school is working with the accounting firm to ensure all reimbursements are counted as revenue once the purchase is made and not waiting on the reimbursement to hit the account before revenue is claimed. This action will assist in alleviating audit adjustments.**

**Responsible Individual: Don Stewart, Director of Finance**

**FINDING 2021-002 MAINTENANCE OF EFFORT (SIGNIFICANT DEFICIENCY)**

Matchbook Learning Schools of Indiana, Inc. was not reporting expenses in line with the guidelines set by the Indiana Department of Education with the Form 9.

**The Director of Finance got approval to allow the accounting firm the school employs to assist with more accurately reporting the input required for completion of the Form 9 in March of 2020. The Director of Finance is also working with the Indiana Department of Education to adjust the beginning balances to allow for proper reporting on the FORM 9 on all accounts. The Director of Finance will continue to use these tools to assist in accurately reporting data on the Form 9. The Director of Finance is also working with the Indiana Charter Network to ensure accuracy for the January 2022 submission of the Form 9 which is due on 31 Jan of 2022.**

**Responsible Individual: Don Stewart, Director of Finance**

Don Stewart, Director of Finance  
Matchbook Learning

**MATCHBOOK LEARNING 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 Matchbook Learning Schools of Indiana, Inc. as listed below:

Supplemental Audit Report of Matchbook Learning 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*.