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STATE BOARD OF ACCOUNTS
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August 4, 2022

Charter School Board
The Phalen Leadership Academy - Indiana, Inc.
2323 North Illinois St.
Indianapolis, IN 46208

We have reviewed the audit report of The Phalen Leadership Academy - Indiana, Inc. which was opined upon by CliftonLarsonAllen LLP, 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 The Phalen Leadership Academy - 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.

In our opinion, CliftonLarsonAllen LLP 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 The Phalen Leadership Academy - 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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
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**THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
OTHER REPORTS
YEAR ENDED JUNE 30, 2021**

The report presented herein was prepared in addition to another official report prepared for The Phalen Leadership Academy – Indiana, Inc. as listed below:

Supplemental Audit Report of Phalen Leadership Academy – 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*.



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Phalen Leadership Academy – Indiana, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Phalen Leadership Academy – Indiana, Inc. (PLA), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, 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 Accounting 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 auditor considers internal control relevant to PLA'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 PLA'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.

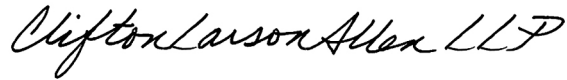
Board of Directors
The Phalen Leadership Academy – Indiana, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PLA as of June 30, 2021 and 2020, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022, on our consideration of PLA’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 solely 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 the effectiveness of PLA’s 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 PLA’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
March 15, 2022

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,988,002	\$ 5,392,461
Grants and Operator Receivables	2,806,711	783,883
Related Party Accounts Receivable	2,370,884	766,092
Total Current Assets	9,165,597	6,942,436
PROPERTY AND EQUIPMENT		
Land	-	771,200
Building and Improvements	6,784,448	6,004,048
Leasehold Improvements	4,087,637	2,008,977
Furniture and Equipment	915,594	887,594
Books and Educational Materials	830,556	830,556
Computer Software and Equipment	645,712	645,712
Total, at Cost	13,263,947	11,148,087
Less: Accumulated Depreciation	3,329,647	2,801,556
Total Furniture and Equipment	9,934,300	8,346,531
OTHER ASSETS		
Security Deposit	737,416	804,460
Total Assets	\$ 19,837,313	\$ 16,093,427
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 2,924,050	\$ 711,410
Related Party Payables	44,110	285,495
Current Portion of Notes Payable	787,353	974,651
Current Portion of Notes Payable - Affiliate	212,810	59,355
Accrued Liabilities	942,156	305,591
Total Current Liabilities	4,910,479	2,336,502
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	2,465,862	2,559,227
Notes Payable, Net of Current Portion - Affiliate	3,327,337	2,559,148
Loan Payable Under Paycheck Protection Program	-	1,987,600
Total Long-Term Liabilities	5,793,199	7,105,975
Total Liabilities	10,703,678	9,442,477
NET ASSETS		
Without Donor Restrictions:		
Undesignated	9,128,016	5,367,267
With Donor Restrictions:		
Purpose Restrictions	5,619	1,283,683
Total Net Assets	9,133,635	6,650,950
Total Liabilities and Net Assets	\$ 19,837,313	\$ 16,093,427

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT:			
REVENUE			
Contributions and Donations	\$ 1,546,460	\$ -	\$ 1,546,460
Grant Revenue	16,838,167	-	16,838,167
Operator Revenue	12,206,721	-	12,206,721
In-Kind Revenue	3,789,905	-	3,789,905
Other Revenue	487,771	-	487,771
Total Revenue	34,869,024	-	34,869,024
Net Assets Released from Restrictions	1,278,064	(1,278,064)	-
Total Revenue and Support	36,147,088	(1,278,064)	34,869,024
EXPENSES			
Program Services	24,633,393	-	24,633,393
Supporting Services:			
General and Administrative	7,752,946	-	7,752,946
Total Expenses	32,386,339	-	32,386,339
CHANGE IN NET ASSETS	3,760,749	(1,278,064)	2,482,685
Net Assets - Beginning of Year	5,367,267	1,283,683	6,650,950
NET ASSETS - END OF YEAR	\$ 9,128,016	\$ 5,619	\$ 9,133,635

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT:			
REVENUE			
Contributions and Donations	\$ 439,159	\$ -	\$ 439,159
Grant Revenue	10,101,067	-	10,101,067
Operator Revenue	9,875,340	-	9,875,340
In-Kind Revenue	3,384,291	-	3,384,291
Other Revenue	124,058	-	124,058
Total Revenue	23,923,915	-	23,923,915
Net Assets Released from Restrictions	1,597,367	(1,597,367)	-
Total Revenue and Support	25,521,282	(1,597,367)	23,923,915
EXPENSES			
Program Services	17,554,018	-	17,554,018
Supporting Services:			
General and Administrative	6,203,055	-	6,203,055
Total Expenses	23,757,073	-	23,757,073
CHANGE IN NET ASSETS	1,764,209	(1,597,367)	166,842
Net Assets - Beginning of Year	3,603,058	2,881,050	6,484,108
NET ASSETS - END OF YEAR	\$ 5,367,267	\$ 1,283,683	\$ 6,650,950

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
	<u>Academics</u>	<u>Management and General</u>	<u>Expenses</u>
Salaries and Benefits	\$ 14,564,277	\$ 2,909,534	\$ 17,473,811
Professional Services	321,391	236,515	557,906
Information Technology	1,588,989	3,653,558	5,242,547
Legal and Accounting	-	116,738	116,738
Professional Development	222,569	69,324	291,893
Cleaning Services	79,234	-	79,234
Security Services	203,841	-	203,841
Utilities	411,085	26,193	437,278
Materials and Supplies	1,125,150	108,747	1,233,897
Nutritional Support	1,621,668	-	1,621,668
Sales, Marketing, and Community Relations	44,284	24,294	68,578
Program Transportation Services	993,816	-	993,816
Travel and Entertainment	-	3,090	3,090
Interest Expense	-	270,202	270,202
Rent and Facilities	2,822,613	-	2,822,613
Depreciation and Amortization	595,133	-	595,133
Insurance	-	307,203	307,203
Repairs and Maintenance	39,343	-	39,343
Miscellaneous	-	27,548	27,548
	<u> </u>	<u> </u>	<u> </u>
Total	<u><u>\$ 24,633,393</u></u>	<u><u>\$ 7,752,946</u></u>	<u><u>\$ 32,386,339</u></u>

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services	Total
	Academics	Management and General	Expenses
Salaries and Benefits	\$ 9,162,947	\$ 2,584,943	\$ 11,747,890
Professional Services	614,610	265,795	880,405
Information Technology	1,120,950	2,489,216	3,610,166
Legal and Accounting	-	204,028	204,028
Professional Development	72,024	40,516	112,540
Cleaning Services	27,547	-	27,547
Security Services	153,002	-	153,002
Utilities	414,469	60,680	475,149
Materials and Supplies	598,002	76,651	674,653
Nutritional Support	1,492,518	300	1,492,818
Sales, Marketing and Community Relations	18,263	28,491	46,754
Program Transportation Services	986,610	-	986,610
Travel and Entertainment	-	14,478	14,478
Interest Expense	-	231,484	231,484
Rent and Facilities	2,163,282	-	2,163,282
Depreciation and Amortization	698,815	-	698,815
Insurance	-	199,410	199,410
Repairs and Maintenance	30,979	-	30,979
Miscellaneous	-	7,063	7,063
	<u>\$ 17,554,018</u>	<u>\$ 6,203,055</u>	<u>\$ 23,757,073</u>

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,482,685	\$ 166,842
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	528,089	631,771
Amortization of Security Deposit	67,044	67,044
Gain on Payroll Protection Program Loan Extinguishment	(1,987,600)	-
Changes in Operating Assets and Liabilities:		
Grants Receivable	(2,022,828)	(198,203)
Related Party Accounts Receivable	(1,604,792)	(364,644)
Prepaid Assets	-	4,673
Accounts Payable - Trade	2,212,640	458,059
Accounts Payable - Related Party	(241,385)	267,327
Accrued Liabilities	636,565	148,315
Net Cash Provided by Operating Activities	70,418	1,181,184
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,115,858)	(2,023,399)
Proceeds from Disposals of Property and Equipment	-	29,821
Net Cash Used by Investing Activities	(2,115,858)	(1,993,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(280,663)	(126,496)
Proceeds from Long-Term Debt	-	144,000
Principal Payments on Long-Term Debt - Affiliate	(78,356)	(57,032)
Proceeds from Long-Term Debt - Affiliate	1,000,000	750,000
Proceeds from Loan Payable Under Paycheck Protection Program	-	1,987,600
Net Cash Provided by Financing Activities	640,981	2,698,072
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,404,459)	1,885,678
Cash and Cash Equivalents - Beginning of Year	5,392,461	3,506,783
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,988,002	\$ 5,392,461
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest Paid	\$ 260,802	\$ 237,918

See accompanying Notes to Financial Statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The George and Veronica Phalen Leadership Academies (PLA) is a nonprofit network of tuition-free public schools that help children excel in their academics and grow as well-rounded individuals. The PLA instructional model is evidence-based, designed by highly successful educators, and focuses on instruction that is personalized and data-driven. The model utilizes best practices including daily differentiated, data-driven instruction and intervention; frequent assessments, and regular progress feedback. This creates a uniquely rigorous and personalized learning experience for every child. At PLA, scholars have a safe and caring learning environment. Educators experience continued professional development and growth opportunities to best meet their scholars' needs. Scholars grow socially, emotionally, and physically through art, music, physical fitness, college- and career-focused visits, scholar-led community service projects, and more. Embedded throughout our program is an emphasis on helping our scholars develop a strong sense of self and character; build connections to their community and futures; and thrive as leaders at home, in their communities, and in the world.

To achieve these goals, PLA employs three distinct business models to operate its' schools:

The Direct Model

Under this model, new charter schools are opened and operated under a charter created, activated, and owned by PLA. Our approach builds on the success of Founder and CEO Earl Martin Phalen's 25-year pioneering track record in education.

PLA's first school, the George and Veronica Phalen Leadership Academy (GVPLA), opened in 2013. PLA also opened the James and Rosemary Phalen Leadership Academy (JRPLA) as a Middle School in July 2017. In July 2019, PLA converted the Phalen Leadership Academy at George Fisher (PLA93) into the direct model.

All Direct Model schools are located in Indianapolis, Indiana.

The Turnaround Model

Under this model, PLA helps to transform chronically low-performing public schools into the high-quality schools children need and deserve. PLA started turnaround work when it partnered with Indianapolis Public School (IPS) to operate PLA 103, an Innovation Network School. In July 2019, PLA was selected to operate PLA 48 starting in the 2020-2021 school year.

Expenses incurred by PLA on behalf of the schools are reimbursed by IPS. All revenues received from IPS for the operation of PLA 103 are captured as Operator Revenue in the statement of activities. PLA also recognizes in-kind revenue and expense for services provided directly to the schools including transportation, building use, and other services (see Note 9).

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The CMO

PLA utilizes the Central Management Office (CMO) to expand its turnaround model to help more children attending chronically low-performing schools excel. The CMO provides crucial support to partner schools to ensure school leadership can focus fully on high-quality education. Functional areas of support include: Human resources, Financial management, Facilities, Food services, Performance management, Policy development, Legal counsel, Grants management, On-site quality assurance monitoring and support.

PLA enters into management agreements with these schools to leverage the Turnaround Model. Under these agreements, PLA is paid a management fee for services related to operating the school; however, the school is responsible for acceptance and payment of all expenses.

PLA maintains management agreements with the Thea Bowman Leadership Academy (TBLA) to manage two schools in Gary, Indiana; Timothy L. Johnson Academy (TLJ) in Fort Wayne, Indiana; and the Michigan Educational Choice Center (MECC) in Detroit, Michigan. In 2018, PLA entered into management agreements with Higher Institute of Arts & Tech (HIAT) in Merrillville, Indiana.

Management fees received under these CMO agreements are recorded as Operator Revenue in the statement of activities.

Under these models, PLA is serving over 5,000 students across Indianapolis, Fort Wayne, Merrillville and Gary, Indiana, and Detroit, Michigan. Our ultimate goal is that scholars gain academic mastery, and demonstrate strong character, as exhibited by: honesty, service to others, a superior work ethic, and a strong vision for and belief in their futures. We believe that with the right education, all children can fulfill their tremendous innate potential.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

PLA considers all demand accounts to be cash. PLA had no cash equivalents at June 30, 2021 or 2020.

Grants Receivable

Grants receivable represent the uncollected portion of funds from grants awarded to PLA. Management has deemed these amounts to be fully collectible within one year.

Property and Equipment

Property and equipment are reported at cost, less accumulated depreciation. Improvements and replacements greater than \$500 of major property additions are capitalized. Repairs, maintenance, and minor replacements are expensed.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets which are as follows:

Building and Improvements	30 Years
Leasehold Improvements	30 Years
Furniture and Equipment	7 to 15 Years
Books and Educational Materials	5 Years
Computer Software and Equipment	3 Years

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-lived Assets

On an ongoing basis, PLA reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. PLA recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows.

Security Deposit

Upon closing of the lease of the building for JRPLA, PLA was obligated to make a one-time cash deposit that would be applied to the PLA's future purchase of the property. This deposit is not refundable and is being amortized over the life of the lease.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Support and Revenue

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

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (Continued)

A 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. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2021, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Contributions and Donations – PLA reports gifts of cash and other assets from various organizations and private donors as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as Net Assets Released from Restrictions.

Volunteers provide program services through the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria. Such services include volunteering at events, in classrooms and clerical assistance.

Grant Revenue – PLA receives monies from federal and state organizations, primarily under the Direct Model in which PLA is the direct recipient of the related grant.

Operator Revenue – Operator revenue is reported at the amount that reflects the consideration to which PLA expects to be entitled in exchange for providing services under the terms of the agreements with the Turnaround and CMO Model schools. Operator revenue consists of the monies received under the agreements under Turnaround and CMO Model schools. This represents fees related to those management services, as well as any reimbursement for expenses incurred by PLA on the individual school's behalf. Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by PLA included in the agreements. Revenue for performance obligations satisfied over time is recognized based on actual services provided. PLA believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Contract assets included in operator receivables and related party receivables was \$149,821 and \$447,849 as of June 30, 2021 and 2020, respectively.

In-Kind Support – Contributions of services received are recognized if the services (a) create or enhance nonfinancial assets of (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

PLA expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2021 and 2020 totaled \$40,234 and \$28,491, respectively.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited using a direct expense allocation method.

Income Taxes

The Phalen Leadership Academy – Indiana, Inc. 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. Tax years ending after 2017 are open to audit for both federal and state purposes.

Subsequent Events

Management evaluated subsequent events through March 15, 2022, the date the financial statements were available to be issued. Management has determined that no subsequent events exist.

New Accounting Standards

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's financial statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 LIQUIDITY AND AVAILABILITY

PLA has \$9,159,978 and \$6,942,436 of financial assets available within one year of the statement of financial position date consisting of cash, grants receivable, and related party accounts receivable at June 30, 2021 and 2020, respectively. This includes \$5,619 and \$1,283,683 which is subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the financial statement date at June 30, 2021 and 2020, respectively. PLA does not currently have any liquidity management policies in place.

NOTE 3 NOTES PAYABLE

PLA notes payable consists of the following at June 30:

<u>Description</u>	<u>2021</u>	<u>2020</u>
6.375% note payable, principal and unpaid accrued interest due at April 1, 2021, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	\$ 676,450	\$ 724,973
3.27% note payable at the federal tax exempt rate set to re-price every 5 years (next re-price in March 2021), principal and unpaid accrued interest due at March 1, 2041, secured by the property located at 2323 North Illinois Street, Indianapolis, IN 46208.	2,576,765	2,664,905
Pre-Operational loan bearing no interest from Indianapolis Public Schools with payments of \$12,000 due monthly through the 2020-2021 school year.	-	144,000
Total	3,253,215	3,533,878
Less: Current Portion	<u>787,353</u>	<u>974,651</u>
Notes Payable Less Current Portion	<u>\$ 2,465,862</u>	<u>\$ 2,559,227</u>

PLA is subject to financial reporting loan covenants associated with the above notes payable. As of June 30, 2021 and 2020, management is not in compliance with these covenants. PLA has received waivers regarding these covenants from the lenders.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 NOTES PAYABLE (CONTINUED)

Future maturities of all notes payable, including related party notes payable (see Note 9), are as follows:

Year Ending June 30,	Amount
2022	\$ 1,000,163
2023	312,989
2024	324,847
2025	337,587
2026	350,611
Thereafter	4,467,163
Total	\$ 6,793,360

NOTE 4 DEBT EXTINGUISHMENT

On May 6, 2020, PLA received a loan from Immito, LLC in the amount of \$1,987,600 to fund payroll, rent, utilities, and interest on existing debt through the Paycheck Protection Program (the PPP Loan). The PPP loan was formally forgiven by the U.S Small Business Administration (SBA) on June 11, 2021. Accordingly, PLA recognized a gain on the extinguishment of debt of \$1,987,600 during the year ended June 30, 2021. This amount is included in the 2021 statement of activities as grant revenue.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on PLA's financial position.

NOTE 5 CONCENTRATION OF CREDIT RISK

PLA maintains its cash in bank accounts at a single financial institution. At June 30, 2021, balances in PLA's deposit accounts were insured by the FDIC up to \$250,000 per depositor bank. As of June 30, 2021 and 2020 and from time-to-time throughout the year, PLA has cash balances on deposit in excess of insured limits.

Credit risk related to grants receivable is limited due to PLA's ability to accomplish the terms of the grants. No credit losses related to grants receivable were incurred during the years ended June 30, 2021 and 2020.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 CONCENTRATION OF CREDIT RISK (CONTINUED)

PLA receives operating funds from the Indiana Department of Education which amounted to 33% of the total revenue and contributed support for the years ended June 30, 2021 and 2020, respectively. Operating revenues are determined under a state funding formula based on the number of students enrolled during the school year.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 6 LEASES

PLA is a party to a 15-year lease agreement for its JRPLA facility that expires June 2032. The base monthly rent for the space under the agreement is 122% of the Landlord's Debt Service Coverage Payments (variable) for the first two lease years with an annual increase of 1% thereafter. Amount of actual payments is based on the "Total Project Cost for the Project." Additionally, there is a provision in the lease that grants PLA the option to renew the lease for two additional five-year periods beyond the original lease term. Rent expense for the years ended June 30, 2021 and 2020 was \$482,500 and \$402,083, respectively.

As part of the lease, PLA has an option to purchase the building. PLA can exercise this right at any time during the lease term. Closing of the purchase option must take place within 120 days of notice and prior to the end of the lease term. PLA was required to make a one-time cash deposit of \$1,000,000 toward its future purchase of the property. This deposit shall be applied to the future purchase price of the property and is nonrefundable. Amortization of the deposit for the both years ended June 30, 2021 and 2020 was \$67,044.

Future minimum lease payments remaining under this operating lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 316,599
2023	319,765
2024	322,963
2025	326,192
2026	329,454
Thereafter	2,047,076
Total	<u>\$ 3,662,049</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 RETIREMENT PLANS

PLA has a 403(b)-retirement plan. The plan is contributory only and requires no contribution by PLA. PLA does contribute 7.5% of the salary for all teaching staff. The plan is qualified under Section 403(b)(9) of the Internal Revenue Code. Total contributions to the plan for the years ended June 30, 2021 and 2020 were \$473,931 and \$234,072, respectively.

NOTE 8 PENSION PLANS

PLA elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. PLA contributed 5.5% and 7.5%, respectively, of the annual covered salary of employees. PLA is required to contribute an actuarially determined rate determined annually for PERF and TRF. Retirement plan expense for PERF and TRF was \$188,127 and \$128,010 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 RELATED PARTY TRANSACTIONS

PLA paid Summer Advantage approximately \$2,284,875 and \$2,384,000 in the years ended June 30, 2021 and 2020, respectively, for reimbursement of management related functions. Amounts due from Summer Advantage at June 30, 2021 and 2020 were \$0 and \$766,092, respectively. Amounts due to Summer Advantage at June 30, 2021 and 2020 were \$1,185,518 and \$285,495, respectively.

PLA and TLJ, MECC, TBLA, and HIAT are considered to be entities under common control by virtue of common board members. There were no receivables for TLJ, MECC, TBLA and HIAT at June 30, 2021. As of June 30, 2020, PLA had receivables from TLJ and MECC \$97,193 and \$151,902, respectively. There were no receivables for TBLA and HIAT at June 30, 2020. For the years ended June 30, 2021 and 2020, PLA had revenues from TLJ and TBLA of \$381,335 and \$791,539 and \$387,329 and \$1,129,999, respectively.

In February 2016, the GVPLA entered into a 25-year operating lease for \$2,100,000 for its school facility with a member of the Board. That organization is controlled by a separate and independent board of directors. PLA is required to make monthly rental payments in the amount of \$11,085 and an interest rate of 4%. For the year ended June 30, 2021 and 2020, principal payments of \$54,547 and \$57,032, respectively, were made.

In December 2019, JRPLA entered into a loan with James Phalen for \$750,000. The loan requires monthly interest only payments at an interest rate of 3%. The principal balance of the loan was due on January 1, 2025. During the year-ended June 30, 2021, JRPLA entered into an agreement with a member of the Board. As part of the agreement, the \$750,000

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)

balance of the James Phalen loan was transferred to a renovations loan with the Board member and an additional \$1,000,000 was obtained as well for a total loan balance of \$1,750,000. PLA is required to make monthly payments in the amount of \$17,717.90 and an interest rate of 4%. For the year ended June 30, 2021, principal payments of \$23,809 were made.

Related party notes payable consist of the following at June 30:

<u>Description</u>	<u>2021</u>	<u>2020</u>
4% note payable, principal and unpaid accrued interest due at April 1, 2041, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	\$ 1,813,956	\$ 1,868,503
3% Jim Phalen loan, principal and unpaid accrued interest due at January 1, 2025, unsecured	-	750,000
4% note payable, due in monthly installments of \$17,717.90, remaining principal and accrued interest due at April 1, 2031, secured by the property located at 2323 North Illinois Street, Indianapolis, Indiana 46208. Subordinated.	1,726,191	-
Total	<u>3,540,147</u>	<u>2,618,503</u>
Less: Current Portion	<u>212,810</u>	<u>59,355</u>
Related Party Notes Payable Less Current Portion	<u>\$ 3,327,337</u>	<u>\$ 2,559,148</u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction of \$5,619 and \$1,283,683 at June 30, 2021 and 2020, respectively, are restricted for specific purpose restrictions, as defined by the grantors. While restrictions are based on specific purpose, PLA expects to fulfill those restrictions within the next year.

During the year ended June 30, 2021 and 2020, \$1,287,064 and \$1,597,367, respectively, of net assets with donor restriction were released from donor restrictions by incurring expenses satisfying the purpose of the agreement.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 DONATED PROFESSIONAL SERVICES AND MATERIALS

IPS contributes significant amounts of resources to the School's program services at PLA 103 and PLA 93. In-kind contributions for the year ended June 30, 2021 and 2020 were as follows: building and facilities usage, utilities and building maintenance, security, SPED personnel, other personnel, transportation, and food service were recognized in the amount of \$3,789,905 and \$3,384,291, respectively, for the period. The expenses are included in their natural classification on the statement of functional expenses.

PLA 103 and 93 received donated professional services and materials as follows for the year ended June 30, 2021 and 2020:

	<u>PLA 103</u>	<u>PLA 93</u>	<u>Total</u>
Building and Facilities Usage	\$ 969,802	\$ 971,643	\$ 1,941,445
Utilities and Building Maintenance	104,834	63,575	168,409
Security	56,519	56,144	112,663
Grounds Maintenance	23,367	23,212	46,579
Transportation	133,519	325,073	458,592
Total	<u>\$ 1,288,041</u>	<u>\$ 1,439,647</u>	<u>\$ 2,727,688</u>
	<u>PLA 103</u>	<u>PLA 93</u>	<u>Total</u>
Building and Facilities Usage	\$ 882,238	\$ 821,885	\$ 1,704,123
Utilities and Building Maintenance	131,715	65,099	196,814
Security	60,555	57,814	118,369
SPED Personnel	226,007	-	226,007
Other Personnel	358,012	65,898	423,910
Transportation	105,352	215,346	320,698
Food Service	394,370	-	394,370
Total	<u>\$ 2,158,249</u>	<u>\$ 1,226,042</u>	<u>\$ 3,384,291</u>

SUPPLEMENTARY INFORMATION

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>GVPLA</u>	<u>PLA 103</u>	<u>PLA 93</u>	<u>CMO</u>	<u>JRPLA</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 791,371	\$ 227,623	\$ 711,901	\$ 10,333	\$ 1,059,655
Grants and Operator Receivables	656,864	999,329	320,159	38,232	276,716
Related Party Accounts Receivable	692,856	4,123,203	2,294,852	583,771	860,757
Prepaid Assets	-	-	-	-	-
Total Current Assets	<u>2,141,091</u>	<u>5,350,155</u>	<u>3,326,912</u>	<u>632,336</u>	<u>2,197,128</u>
PROPERTY AND EQUIPMENT					
Land	-	-	-	-	-
Building and Improvements	6,775,248	-	-	-	-
Leasehold Improvements	10,657	-	108,213	-	3,959,567
Furniture and Equipment	508,832	206,824	-	-	171,938
Books and Educational Materials	164,966	383,435	201,804	-	80,351
Computer Software	49,977	-	58,825	-	64,600
Computer Equipment	155,188	87,684	22,450	-	206,988
Total, at Cost	<u>7,664,868</u>	<u>677,943</u>	<u>391,292</u>	<u>-</u>	<u>4,483,444</u>
Less: Accumulated Depreciation	2,015,016	622,157	289,274	-	400,254
Total Furniture and Equipment	<u>5,649,852</u>	<u>55,786</u>	<u>102,018</u>	<u>-</u>	<u>4,083,190</u>
OTHER ASSETS					
Security Deposit	-	-	-	-	737,416
Total Assets	<u>\$ 7,790,943</u>	<u>\$ 5,405,941</u>	<u>\$ 3,428,930</u>	<u>\$ 632,336</u>	<u>\$ 7,017,734</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 950,222	965,335	96,177	\$ -	707,638
Related Party Payables	223,548	174,886	-	-	4,319,881
Current Portion of Notes Payable	787,353	-	-	-	-
Current Portion of Notes Payable - Affiliate	66,581	-	-	-	146,229
Accrued Liabilities	134,829	206,006	180,796	-	119,057
Total Current Liabilities	<u>2,162,533</u>	<u>1,346,227</u>	<u>276,973</u>	<u>-</u>	<u>5,292,805</u>
LONG-TERM LIABILITIES					
Notes Payable, Net of Current Portion	2,465,862	-	-	-	-
Notes Payable, Net of Current Portion - Affiliate	1,747,375	-	-	-	1,579,962
Payroll Protection Program Loan	-	-	-	-	-
Total Long-Term Liabilities	<u>4,213,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,579,962</u>
Total Liabilities	6,375,770	1,346,227	276,973	-	6,872,767
NET ASSETS					
Without Donor Restrictions	1,415,173	4,059,714	3,151,957	632,336	139,348
With Donor Restrictions	-	-	-	-	5,619
Total Net Assets	<u>1,415,173</u>	<u>4,059,714</u>	<u>3,151,957</u>	<u>632,336</u>	<u>144,967</u>
Total Liabilities and Net Assets	<u>\$ 7,790,943</u>	<u>\$ 5,405,941</u>	<u>\$ 3,428,930</u>	<u>\$ 632,336</u>	<u>\$ 7,017,734</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL (CONTINUED)
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>JRPHS</u>	<u>PLAVS</u>	<u>PLA48</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 554,076	\$ 215,840	\$ 417,203	\$ -	\$ 3,988,002
Grants and Operator Receivables	134,592	100,575	280,244	-	2,806,711
Related Party Accounts Receivable	150,000	-	100,000	(6,434,555)	2,370,884
Prepaid Assets	-	-	-	-	-
Total Current Assets	<u>838,668</u>	<u>316,415</u>	<u>797,447</u>	<u>(6,434,555)</u>	<u>9,165,597</u>
PROPERTY AND EQUIPMENT					
Land	-	-	-	-	-
Building and Improvements	9,200	-	-	-	6,784,448
Leasehold Improvements	9,200	-	-	-	4,087,637
Furniture and Equipment	28,000	-	-	-	915,594
Books and Educational Materials	-	-	-	-	830,556
Computer Software	-	-	-	-	173,402
Computer Equipment	-	-	-	-	472,310
Total, at Cost	<u>46,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,263,947</u>
Less: Accumulated Depreciation	2,946	-	-	-	3,329,647
Total Furniture and Equipment	<u>43,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,934,300</u>
OTHER ASSETS					
Security Deposit	-	-	-	-	737,416
Total Assets	<u>\$ 882,122</u>	<u>\$ 316,415</u>	<u>\$ 797,447</u>	<u>\$ (6,434,555)</u>	<u>\$ 19,837,313</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 68,671	\$ 50,340	85,667	\$ -	\$ 2,924,050
Related Party Payables	879,804	151,488	729,058	(6,434,555)	44,110
Current Portion of Notes Payable	-	-	-	-	787,353
Current Portion of Notes Payable - Affiliate	-	-	-	-	212,810
Accrued Liabilities	157,431	33,126	110,911	-	942,156
Total Current Liabilities	<u>1,105,906</u>	<u>234,954</u>	<u>925,636</u>	<u>(6,434,555)</u>	<u>4,910,479</u>
LONG-TERM LIABILITIES					
Notes Payable, Net of Current Portion	-	-	-	-	2,465,862
Notes Payable, Net of Current Portion - Affiliate	-	-	-	-	3,327,337
Payroll Protection Program Loan	-	-	-	-	-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,793,199</u>
Total Liabilities	1,105,906	234,954	925,636	(6,434,555)	10,703,678
NET ASSETS					
Without Donor Restrictions	(223,784)	81,461	(128,189)	-	9,128,016
With Donor Restrictions	-	-	-	-	5,619
Total Net Assets	<u>(223,784)</u>	<u>81,461</u>	<u>(128,189)</u>	<u>-</u>	<u>9,133,635</u>
Total Liabilities and Net Assets	<u>\$ 882,122</u>	<u>\$ 316,415</u>	<u>\$ 797,447</u>	<u>\$ (6,434,555)</u>	<u>\$ 19,837,313</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	GVPLA			PLA 103			PLA93		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT									
REVENUE									
Contributions and Donations	\$ 1,111,743	\$ -	\$ 1,111,743	\$ 1,000	\$ -	\$ 1,000	\$ 20,000	\$ -	\$ 20,000
Grant Revenue	5,447,548	-	5,447,548	-	-	-	343,419	-	343,419
Operator Revenue	-	-	-	5,423,622	-	5,423,622	5,610,225	-	5,610,225
In-Kind Contributions	-	-	-	1,287,983	-	1,287,983	1,439,705	-	1,439,705
Other Revenue	116,235	-	116,235	271,082	-	271,082	-	-	-
Total Revenue	6,675,526	-	6,675,526	6,983,687	-	6,983,687	7,413,349	-	7,413,349
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-	-
Total Revenue and Support	6,675,526	-	6,675,526	6,983,687	-	6,983,687	7,413,349	-	7,413,349
EXPENSES									
Program Services	3,537,053	-	3,537,053	5,501,879	-	5,501,879	5,143,735	-	5,143,735
Supporting Services:									
General and Administrative	1,931,454	-	1,931,454	1,167,208	-	1,167,208	1,340,045	-	1,340,045
Total Expenses	5,468,507	-	5,468,507	6,669,087	-	6,669,087	6,483,780	-	6,483,780
CHANGE IN NET ASSETS	1,207,019	-	1,207,019	314,600	-	314,600	929,569	-	929,569
Net Assets - Beginning of Year	208,154	-	208,154	3,745,114	-	3,745,114	2,222,388	-	2,222,388
NET ASSETS - END OF YEAR	<u>\$ 1,415,173</u>	<u>\$ -</u>	<u>\$ 1,415,173</u>	<u>\$ 4,059,714</u>	<u>\$ -</u>	<u>\$ 4,059,714</u>	<u>\$ 3,151,957</u>	<u>\$ -</u>	<u>\$ 3,151,957</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	CMO			JRPLA			JRPHS		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT									
REVENUE									
Contributions and Donations	\$ -	\$ -	\$ -	\$ 3,500	\$ -	\$ 3,500	\$ 350	\$ -	\$ 350
Grant Revenue	-	-	-	4,155,092	-	4,155,092	3,535,370	-	3,535,370
Operator Revenue	1,172,874	-	1,172,874	-	-	-	-	-	-
In-Kind Contributions	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	34,618	-	34,618	33,143	-	33,143
Total Revenue	1,172,874	-	1,172,874	4,193,210	-	4,193,210	3,568,863	-	3,568,863
Net Assets Released from Restrictions	-	-	-	1,278,064	(1,278,064)	-	-	-	-
Total Revenue and Support	1,172,874	-	1,172,874	5,471,274	(1,278,064)	4,193,210	3,568,863	-	3,568,863
EXPENSES									
Program Services	-	-	-	3,086,571	-	3,086,571	3,305,768	-	3,305,768
Supporting Services:									
General and Administrative	866,544	-	866,544	1,127,342	-	1,127,342	486,879	-	486,879
Total Expenses	866,544	-	866,544	4,213,913	-	4,213,913	3,792,647	-	3,792,647
CHANGE IN NET ASSETS	306,330	-	306,330	1,257,361	(1,278,064)	(20,703)	(223,784)	-	(223,784)
Net Assets - Beginning of Year	326,006	-	326,006	(1,118,013)	1,283,683	165,670	-	-	-
NET ASSETS - END OF YEAR	<u>\$ 632,336</u>	<u>\$ -</u>	<u>\$ 632,336</u>	<u>\$ 139,348</u>	<u>\$ 5,619</u>	<u>\$ 144,967</u>	<u>\$ (223,784)</u>	<u>\$ -</u>	<u>\$ (223,784)</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	PLAVS			PLA48			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND CONTRIBUTED SUPPORT									
REVENUE									
Contributions and Donations	\$ 250,000	\$ -	\$ 250,000	159,867	\$ -	\$ 159,867	\$ 1,546,460	\$ -	\$ 1,546,460
Grant Revenue	682,646	-	682,646	2,674,092	-	2,674,092	16,838,167	-	16,838,167
Operator Revenue	-	-	-	-	-	-	12,206,721	-	12,206,721
In-Kind Contributions	-	-	-	1,062,217	-	1,062,217	3,789,905	-	3,789,905
Other Revenue	1,269	-	1,269	31,424	-	31,424	487,771	-	487,771
Total Revenue	933,915	-	933,915	3,927,600	-	3,927,600	34,869,024	-	34,869,024
Net Assets Released from Restrictions	-	-	-	-	-	-	1,278,064	(1,278,064)	-
Total Revenue and Support	933,915	-	933,915	3,927,600	-	3,927,600	36,147,088	(1,278,064)	34,869,024
EXPENSES									
Program Services	614,986	-	614,986	3,443,401	-	3,443,401	24,633,393	-	24,633,393
Supporting Services:									
General and Administrative	237,468	-	237,468	596,006	-	596,006	7,752,946	-	7,752,946
Total Expenses	852,454	-	852,454	4,039,407	-	4,039,407	32,386,339	-	32,386,339
CHANGE IN NET ASSETS	81,461	-	81,461	(111,807)	-	(111,807)	3,760,749	(1,278,064)	2,482,685
Net Assets - Beginning of Year	-	-	-	(16,382)	-	(16,382)	5,367,267	1,283,683	6,650,950
NET ASSETS - END OF YEAR	<u>\$ 81,461</u>	<u>\$ -</u>	<u>\$ 81,461</u>	<u>\$ (128,189)</u>	<u>\$ -</u>	<u>\$ (128,189)</u>	<u>\$ 9,128,016</u>	<u>\$ 5,619</u>	<u>\$ 9,133,635</u>

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	GVPLA			PLA 103			PLA93		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
	Academics	Management and General		Academics	Management and General		Academics	Management and General	
Salaries and Benefits	\$ 2,292,241	\$ 326,436	\$ 2,618,677	\$ 3,201,351	\$ 696,912	\$ 3,898,263	\$ 2,967,119	\$ 572,323	\$ 3,539,442
Professional Services	66,370	13,269	79,639	8,495	20,141	28,636	10,566	166,470	177,036
Information Technology	243,337	1,168,093	1,411,430	333,546	321,214	654,760	183,715	466,402	650,117
Legal and Accounting	-	32,435	32,435	-	22,541	22,541	-	22,417	22,417
Professional Development	38,786	12,955	51,741	27,705	8,570	36,275	6,633	14,866	21,499
Cleaning Services	-	-	-	747	-	747	1,668	-	1,668
Security Services	33,461	-	33,461	56,519	-	56,519	56,144	-	56,144
Utilities	105,160	25,107	130,267	94,854	-	94,854	42,793	-	42,793
Materials and Supplies	239,624	20,179	259,803	226,942	12,933	239,875	149,129	16,539	165,668
Nutritional Support	232,762	-	232,762	372,652	-	372,652	372,725	-	372,725
Sales, Marketing, and Community Relations	5,930	18,845	24,775	4,281	3,815	8,096	5,280	-	5,280
Program Transportation Services	116	-	116	133,462	-	133,462	325,131	-	325,131
Travel and Entertainment	-	804	804	-	-	-	-	-	-
Interest Expense	-	210,964	210,964	-	5,895	5,895	-	5,979	5,979
Rent and Facilities	-	-	-	969,802	-	969,802	971,643	-	971,643
Depreciation and Amortization	279,266	-	279,266	71,523	-	71,523	51,189	-	51,189
Insurance	-	79,455	79,455	-	73,654	73,654	-	73,654	73,654
Repairs and Maintenance	-	-	-	-	-	-	-	-	-
Miscellaneous	-	22,912	22,912	-	1,533	1,533	-	1,395	1,395
Total	\$ 3,537,053	\$ 1,931,454	\$ 5,468,507	\$ 5,501,879	\$ 1,167,208	\$ 6,669,087	\$ 5,143,735	\$ 1,340,045	\$ 6,483,780

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	CMO			JRPLA			JRP HS		
	Program Services	Supporting Services		Program Services	Supporting Services		Program Services	Supporting Services	
	Academics	Management and General	Total	Academics	Management and General	Total	Academics	Management and General	Total
Salaries and Benefits	\$ -	\$ -	\$ -	\$ 1,959,184	\$ 452,401	\$ 2,411,585	\$ 2,052,279	\$ 389,226	\$ 2,441,505
Professional Services	-	-	-	2,611	10,424	13,035	177,540	12,458	189,998
Information Technology	-	866,544	866,544	134,021	532,594	666,615	142,265	-	142,265
Legal and Accounting	-	-	-	-	11,329	11,329	-	18,553	18,553
Professional Development	-	-	-	553	12,321	12,874	64,867	6,343	71,210
Cleaning Services	-	-	-	-	-	-	-	-	-
Security Services	-	-	-	29,837	-	29,837	1,496	-	1,496
Utilities	-	-	-	77,997	1,086	79,083	90,281	-	90,281
Materials and Supplies	-	-	-	130,109	28,529	158,638	179,481	14,331	193,812
Nutritional Support	-	-	-	166,750	-	166,750	223,565	-	223,565
Sales, Marketing, and Community Relations	-	-	-	4,261	1,634	5,895	3,054	-	3,054
Program Transportation Services	-	-	-	176,236	-	176,236	118,890	-	118,890
Travel and Entertainment	-	-	-	-	366	366	-	-	-
Interest Expense	-	-	-	-	47,364	47,364	-	-	-
Rent and Facilities	-	-	-	193,767	-	193,767	230,797	-	230,797
Depreciation and Amortization	-	-	-	190,209	-	190,209	2,946	-	2,946
Insurance	-	-	-	-	27,889	27,889	-	45,765	45,765
Repairs and Maintenance	-	-	-	21,036	-	21,036	18,307	-	18,307
Miscellaneous	-	-	-	-	1,405	1,405	-	203	203
Total	\$ -	\$ 866,544	\$ 866,544	\$ 3,086,571	\$ 1,127,342	\$ 4,213,913	\$ 3,305,768	\$ 486,879	\$ 3,792,647

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY SCHOOL (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Total		Total
	Program Services	Supporting Services	
	Academics	Management and General	
Salaries and Benefits	\$ 14,564,277	\$ 2,909,534	\$ 17,473,811
Professional Services	321,391	236,515	557,906
Information Technology	1,588,989	3,653,558	5,242,547
Legal and Accounting	-	116,738	116,738
Professional Development	222,569	69,324	291,893
Cleaning Services	79,234	-	79,234
Security Services	203,841	-	203,841
Utilities	411,085	26,193	437,278
Materials and Supplies	1,125,150	108,747	1,233,897
Nutritional Support	1,621,668	-	1,621,668
Sales, Marketing, and Community Relations	44,284	24,294	68,578
Program Transportation Services	993,816	-	993,816
Travel and Entertainment	-	3,090	3,090
Interest Expense	-	270,202	270,202
Rent and Facilities	2,822,613	-	2,822,613
Depreciation and Amortization	595,133	-	595,133
Insurance	-	307,203	307,203
Repairs and Maintenance	39,343	-	39,343
Miscellaneous	-	27,548	27,548
Total	\$ 24,633,393	\$ 7,752,946	\$ 32,386,339



**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***

Board of Directors and Management
The Phalen Leadership Academy – Indiana, Inc.
Indianapolis, Indiana

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 The Phalen Leadership Academy – Indiana, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Phalen Leadership Academy – Indiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Phalen Leadership Academy – Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Phalen Leadership Academy – Indiana, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Phalen Leadership Academy – Indiana, Inc.'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Indianapolis, Indiana
March 15, 2022

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