



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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December 13, 2022

Charter School Board
Timothy L. Johnson Academy, Inc.
4625 Werling Drive
Fort Wayne, IN 46806

We have reviewed the audit report of Timothy L. Johnson Academy, Inc. which was opined upon by Hodges Accounting & Advisory Services, LLC, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Timothy L. Johnson Academy, Inc. as of June 30, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Hodges Accounting & Advisory Services, LLC prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Timothy L. Johnson Academy, Inc. was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

This report is filed in our office as a matter of public record.

Handwritten signature of Tammy R. White in cursive script.

Tammy R. White, CPA
Deputy State Examiner

TIMOTHY L. JOHNSON ACADEMY, INC.

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

TIMOTHY L. JOHNSON ACADEMY, INC.

Table of Contents

June 30, 2021

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-12



Independent Auditor's Report

To the Board of Directors of
Timothy L. Johnson Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Timothy L. Johnson Academy, Inc. (a nonprofit organization), 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.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Timothy L. Johnson Academy, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hodges Accounting & Advisory Services

Hodges Accounting & Advisory Services, LLC

Taylor, Michigan
November 18, 2022

TIMOTHY L. JOHNSON ACADEMY, INC
STATEMENT OF FINANCIAL POSITION

ASSETS

	<u>June 30, 2021</u>
Current Assets	
Cash	\$ 553,818
Grants receivable	104,265
Due from other charter school	9,572
Deposits	<u>5,452</u>
Total current assets	<u>673,107</u>
Property and Equipment	
Textbooks	30,737
Structures and improvements	525,224
Vehicles and equipment	429,109
Less accumulated depreciation	<u>(521,207)</u>
Property and equipment, net	<u>463,863</u>
Other Assets	
Cash restricted, escrow account	<u>50,001</u>
Total other assets	<u>50,001</u>
Total assets	<u><u>\$ 1,186,971</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 127,001
Accrued expenses	<u>78,350</u>
Total current liabilities	<u>205,351</u>
Total liabilities	<u>205,351</u>
Net Assets	
Without donor restrictions:	
Undesignated	930,778
Board-designated net assets	<u>50,001</u>
Total without donor restrictions	<u>980,779</u>
With donor restrictions	<u>841</u>
Total net assets	<u>981,620</u>
Total liabilities and net assets	<u><u>\$ 1,186,971</u></u>

The accompanying notes are an integral part of the financial statements.

TIMOTHY L. JOHNSON ACADEMY, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

CHANGES IN NET ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gain and other support			
State tuition support	\$ 3,103,500	\$ -	\$ 3,103,500
State grants and other support	405,907	-	405,907
Federal grant revenue	719,004	-	719,004
Other	1,782	-	1,782
	<hr/>	<hr/>	<hr/>
Total revenues, gain and other support	4,230,193	-	4,230,193
	<hr/>	<hr/>	<hr/>
Expenses			
Program services:			
Educational instruction	1,603,309	-	1,603,309
Educational support	348,668	-	348,668
Food service	301,449	-	301,449
Community services	78,823	-	78,823
Supporting services:			
Support services	1,050,744	-	1,050,744
Operations and maintenance	423,615	-	423,615
Transportation	281,546	-	281,546
Depreciation	58,876	-	58,876
	<hr/>	<hr/>	<hr/>
Total Expenses	4,147,030	-	4,147,030
	<hr/>	<hr/>	<hr/>
Non-operating revenue (expense)			
Net assets released from restrictions	1,909	(1,909)	-
	<hr/>	<hr/>	<hr/>
Net assets restricted			
Formative Assessment Grant	-	841	841
	<hr/>	<hr/>	<hr/>
Change in Net Assets	85,072	(1,068)	84,004
	<hr/>	<hr/>	<hr/>
Net Assets - Beginning of Year	895,707	1,909	897,616
	<hr/>	<hr/>	<hr/>
Net Assets - End of Year	\$ 980,779	\$ 841	\$ 981,620
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

TIMOTHY L. JOHNSON ACADEMY, INC.
STATEMENT OF CASH FLOWS

	<u>June 30, 2021</u>
Cash Flows from Operating Activities	
Change in net assets	\$ 84,004
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	58,876
(Increase) decrease in operating assets:	
Accounts & grants receivable	(46,532)
Prepaid expenses	5,693
Increase (decrease) in operating liabilities:	
Accounts payable	23,762
Accrued expenses	994
	<hr/>
Net cash provided by operating activities	126,797
	<hr/>
Cash Flows from Investing Activities	
Interest earned on deposits	13
Purchase of property and equipment	(165,626)
	<hr/>
Net cash used by investing activities	(165,613)
	<hr/>
Net Increase in Cash	(38,816)
Cash, Beginning of Year	592,634
	<hr/>
Cash, End of Year	\$ 553,818
	<hr/> <hr/>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ -

The accompanying notes are an integral part of the financial statements.

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2021

Note 1. Summary of Significant Accounting Policies

Organization

Timothy L. Johnson Academy, Inc. (the “Academy”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The Academy operates a public charter Academy established under Indiana Code 20-24 and is sponsored by Trine University. The Academy has entered into a service agreement with Phalen Leadership Academies, a nonprofit organization, to provide educational programming, personnel functions, building operations, and business administration services.

Basis of Accounting

The financial statements of the Academy have been prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) as applied to nonprofit organizations.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Academy 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 Academy; and

Net assets with donor restrictions – which represent resources restricted by donors for specific time or purpose.

As of June 30, 2021, the Academy had net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions were available for activities permitted by grant agreements and donor stipulations.

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2021
(continued)

Revenue Recognition

Effective July 1, 2020, the Academy 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 revenues and cash flows arising from contracts with customers. The amendments in this update are required to be applied retrospectively to each prior period presented or with the cumulative effect being recognized at the date of initial application. The Academy has applied the provisions of this ASU to the June 30, 2021 financial statements. There was no material impact on the financial statements.

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

A portion of the Academy’s revenue is the product of cost reimbursement grants. Accordingly, the Academy recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

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. As of June 30, 2021, there were no cash equivalents.

Grants Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The Academy believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Income Taxes

Timothy L. Johnson Academy, 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 Academy would be subject to tax on

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2021
(continued)

income unrelated to its tax-exempt purpose. For the year ended June 30, 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional standards require the Academy 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 Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending June 30, 2018, 2019, and 2020 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of property and equipment that materially increase value, or extend useful lives are capitalized at cost. Contributed property and equipment are capitalized at fair value of the property and equipment at the time of donation. Routine maintenance and repairs and minor replacement costs are expensed as incurred.

Minimum cost thresholds for the Academy’s asset classes are as follows:

		<u>Group Purchase</u>
Leasehold Improvements	\$25,000	
Site Improvements	25,000	
Computers	5,000	\$12,500
Equipment & Furniture	5,000	12,500
School Buses	5,000	
Educational Media & Textbooks	5,000	

Depreciation on all assets is provided using the straight-line method over the following useful lives:

Leasehold Improvements	3-15 years
Site Improvements	15 years
Computers	3 years
Equipment & Furniture	3-6 years
School Buses	8 years
Educational Media & Textbooks	5 years

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2021
(continued)

Depreciation expense was \$58,876 for the year ended June 30, 2021.

Subsequent Events

The Academy evaluated subsequent events through November 18, 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.

Note 2. Receivables

Accounts receivable as of June 30, 2021 represent amounts due in the form of grants receivable for state education support from the Department of Education and other receivables as follows:

Title I	\$ 59,235
Title II	1,629
Title IV	2,072
IDEA	6,876
CARES	18,044
CSP Innovation	16,409
Other Charter School	9,572
	<u>\$ 113,837</u>

Note 3. Leases

On July 28, 2015 the Academy's Board of Directors entered into a lease agreement with Community Action of Northeast Indiana, Inc. to provide a portion of the Academy's building for the purpose of providing Head Start services. The term of the lease began on August 1, 2015 and was extended to June 30, 2021.

Note 4. Management Services Agreement

The Academy has executed a management agreement with Phalen Leadership Academy, Inc. ("Phalen"), whereby Phalen provides management, administrative, and educational programming services. This agreement remains in effect so long as the Academy maintains its charter, but may be terminated by either party with appropriate advance notice. Under terms of the agreement, the Academy has agreed to pay an amount equal to 10% of revenues, as defined, for

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2021
(continued)

such services. Aggregate payments to Phalen under this agreement were \$381,334 for the year ended June 30, 2021. The service agreement between the Academy and Phalen Leadership Academy, Inc. is for five years and will expire on June 30, 2022.

Note 5. Oversight Sponsoring Organization

The Academy operates under a charter granted by Trine University. As the sponsoring organization, Trine University exercises certain oversight responsibilities. Under this charter, the Academy has agreed to pay to Trine University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$90,965 for the year ended June 30, 2021. The Academy has also agreed to under this charter, and established an escrow account of no less than \$50,000 to pay for legal, wind down of operations and audit expenses that would be associated with a dissolution should it occur.

Note 6. Retirement Plan

The Academy participates in a Section 403(b) retirement plan sponsored by Phalen Leadership Academies for the benefit of its employees. Under the plan, the Academy will match 100% of employee contributions not to exceed 6% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2021. The Academy had a \$20,246 retirement plan expense for the year ended June 30, 2021.

Note 7. Risks and Uncertainties

The Academy provides educational instruction services to families residing in Allen 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 Academy. Additionally, the Academy is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the Academy.

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2021, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits maintained at PNC Bank exceed the \$250,000 FDIC insurance limit.

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2021
(continued)

Note 8. Liquidity

Under ASU 2016-4, the Academy is required to disclose the assets it has available at June 30, 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The Academy's financial assets include cash and grants receivable.

Financial assets, June 30, 2021	\$ 658,083
Less those unavailable for general expenditures within one year, due to:	
Board Designation	(50,001)
Restrictions by donor with time or purpose	<u>(841)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 607,241</u>

The Academy receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Academy 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 Academy's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 9. Related Parties

A board member of the Academy is the CEO of the Boys and Girls Club of Fort Wayne, Inc. The board member abstains from voting on any items pertaining to the Academy's contract for services with the Boys and Girls Club of Fort Wayne, Inc. On July 22, 2015 the Academy's Board of Directors entered into a contract with the Boys and Girls Club of Fort Wayne, Inc. to operate a Boys and Girls Club site in the Academy's building. The Academy has agreed to pay the Boys and Girls Club of Fort Wayne for expenses associated with providing afterschool services for students of the Academy. The Academy incurred expenses of \$78,823 for the Boys and Girls Club of Fort Wayne for the year ended June 30, 2021.

TIMOTHY L. JOHNSON ACADEMY, INC.
Notes to Financial Statements
June 30, 2021
(continued)

Note 10. Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the year ended June 30, 2021.

	Program Services					
	Educational Instruction	Education Support	Food Services	Community Services	Supporting Services	Total
Salaries and employee benefits	\$ 1,509,936	\$ 45,317	\$ 32,217	\$ -	\$ 885,054	\$ 2,472,524
Professional services	11,475	75,855	-	78,823	32,138	198,291
Academic services	-	-	-	-	381,334	381,334
Authorizer oversight fee	-	-	-	-	90,966	90,966
Food costs	-	-	267,349	-	-	267,349
Transportation service	-	-	-	-	80,621	80,621
Equipment expense and rental	-	38,108	-	-	5,787	43,895
Operation and maintenance	-	-	-	-	119,933	119,933
Classroom, kitchen, and office supplies	81,898	189,388	1,542	-	58,350	331,178
Occupancy	-	-	-	-	17,567	17,567
Insurance	-	-	-	-	55,741	55,741
Depreciation	-	-	-	-	58,876	58,876
Other	-	-	341	-	28,414	28,755
Total expenses	\$ 1,603,309	\$ 348,668	\$ 301,449	\$ 78,823	\$ 1,814,781	\$ 4,147,030