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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

January 24, 2023

Charter School Board
pilotED Schools of Indiana, Inc.
d/b/a Bethel Park Elementary
2710 Bethel Ave
Indianapolis, IN 46203

We have reviewed the audit report of pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary which was opined upon by Donovan, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary as of June 30, 2022 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary, 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

**pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY**

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2022 and 2021



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Independent Auditors' Report

The Board of Directors
pilotED Schools of Indiana, Inc.
d/b/a Bethel Park Elementary

Opinion

We have audited the accompanying financial statements of pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary (the "School"), which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities and change in net assets (deficit), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021 and the results of its operations, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are issued.

www.cpadonovan.com

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

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

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

DONOVAN



Indianapolis, Indiana
November 30, 2022

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 333,145	\$ 587,350
Grants receivable	121,575	277,306
Prepaid expenses	<u>9,374</u>	<u>6,281</u>
<i>Total current assets</i>	<u>464,094</u>	<u>870,937</u>
PROPERTY AND EQUIPMENT		
Building	3,112,113	3,058,575
Vehicles	85,863	85,863
Less: accumulated depreciation	<u>(839,112)</u>	<u>(617,439)</u>
<i>Property and equipment, net</i>	<u>2,358,864</u>	<u>2,526,999</u>
TOTAL ASSETS	<u><u>\$ 2,822,958</u></u>	<u><u>\$ 3,397,936</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of capital lease obligation	\$ 138,063	\$ 122,817
Accounts payable and accrued expenses	60,462	22,135
Refundable advances	<u>-</u>	<u>157,103</u>
<i>Total current liabilities</i>	198,525	302,055
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	<u>2,502,610</u>	<u>2,640,673</u>
<i>Total liabilities</i>	2,701,135	2,942,728
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>121,823</u>	<u>455,208</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,822,958</u></u>	<u><u>\$ 3,397,936</u></u>

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State education support	\$ 1,767,640	\$ 1,446,199
Grants	1,083,116	1,502,686
Contributions	11,927	23,315
Other	<u>7,063</u>	<u>5,434</u>
<i>Total revenue and support</i>	<u>2,869,746</u>	<u>2,977,634</u>
EXPENSES		
Program services	2,171,779	1,522,088
Management and general	<u>1,031,352</u>	<u>977,445</u>
<i>Total expenses</i>	<u>3,203,131</u>	<u>2,499,533</u>
CHANGE IN NET ASSETS (DEFICIT) FROM OPERATIONS	(333,385)	478,101
PAYCHECK PROTECTION PROGRAM		
NOTE PAYABLE FORGIVENESS INCOME	<u>-</u>	<u>185,657</u>
CHANGE IN NET ASSETS (DEFICIT)	(333,385)	663,758
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>455,208</u>	<u>(208,550)</u>
NET ASSETS, END OF YEAR	<u><u>\$ 121,823</u></u>	<u><u>\$ 455,208</u></u>

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 955,202	\$ 434,756	\$ 1,389,958	\$ 526,853	\$ 664,623	\$ 1,191,476
Professional services	97,569	363,634	461,203	62,540	110,380	172,920
Depreciation	221,673	-	221,673	209,629	-	209,629
Employee benefits	128,105	86,891	214,996	71,170	98,679	169,849
Food costs	181,891	-	181,891	98,668	-	98,668
Interest	148,385	-	148,385	154,690	-	154,690
Classroom and office supplies	73,336	52,248	125,584	78,431	707	79,138
Repairs and maintenance	94,813	-	94,813	97,084	-	97,084
Information technology	70,891	-	70,891	54,879	-	54,879
Occupancy	69,526	-	69,526	49,686	-	49,686
Equipment	58,008	10,725	68,733	29,566	12,744	42,310
Advertising	-	37,196	37,196	-	36,225	36,225
Insurance	-	28,514	28,514	-	26,192	26,192
Student transportation	27,836	-	27,836	-	-	-
Staff development and recruitment	21,484	-	21,484	46,021	-	46,021
Authorizer oversight fee	-	12,829	12,829	-	-	-
Travel and meetings	1,635	4,206	5,841	-	23,896	23,896
Other	21,425	353	21,778	42,871	3,999	46,870
<i>Total functional expenses</i>	<u>\$ 2,171,779</u>	<u>\$ 1,031,352</u>	<u>\$ 3,203,131</u>	<u>\$ 1,522,088</u>	<u>\$ 977,445</u>	<u>\$ 2,499,533</u>

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ (333,385)	\$ 663,758
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:		
Paycheck Protection Program note payable forgiveness income	-	(185,657)
Depreciation	221,673	209,629
Changes in certain assets and liabilities:		
Grants receivable	155,731	(257,306)
Prepaid expenses	(3,093)	(6,281)
Accounts payable and accrued expenses	38,327	10,980
Refundable advances	<u>(157,103)</u>	<u>(119,782)</u>
<i>Net cash provided by (used in) operating activities</i>	(77,850)	315,341
INVESTING ACTIVITIES		
Purchase of property and equipment	(53,538)	(85,863)
FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(122,817)</u>	<u>(108,613)</u>
NET CHANGE IN CASH	(254,205)	120,865
CASH, BEGINNING OF YEAR	<u>587,350</u>	<u>466,485</u>
CASH, END OF YEAR	<u>\$ 333,145</u>	<u>\$ 587,350</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 148,385	\$ 154,690

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. The School served approximately 215 students in kindergarten through fifth grade during the 2021-2022 school year. During the 2020-2021 school year, the School served approximately 180 students in kindergarten through fourth grade.

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

- net assets without donor restrictions, which include unrestricted resources 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, 2022 and 2021, the School had only net assets without donor restrictions.

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

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

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

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

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

Advertising – The School's accounting policy pertaining to advertising is to expense costs as incurred. The School incurred \$37,196 and \$36,225 in advertising costs during the years ended June 30, 2022 and 2021, respectively.

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – The School has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, 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, 2018 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 30, 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 - REVENUE RECOGNITION

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

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

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

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

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 3 - REFUNDABLE ADVANCES

The School received multiple grants during the year ended June 30, 2021, some of which must be spent in accordance with the submitted budgets with any funds not expended for the designated purposes returned. Accordingly, the revenue is recognized as approved expenditures are incurred. Refundable advances as of June 30, 2021 represented grants received from Walton Family Foundation and Opportunity 180. There were no refundable advances as of June 30, 2022.

NOTE 4 - CAPITAL LEASE OBLIGATION

The School leases its building under a capital lease obligation maturing June 30, 2033 with two five-year renewal options. At June 30, 2022 and 2021, the accumulated depreciation of the building was \$815,620 and \$611,715, respectively.

Following is a schedule of future minimum lease payments under the capital lease for the years ending June 30 and present value of the net minimum lease payments as of June 30, 2022:

2023		\$	279,338
2024			287,718
2025			296,350
2026			305,240
2027			314,397
Thereafter			<u>2,096,507</u>
			3,579,550
Less: amount representing interest			<u>(938,877)</u>
		\$	<u><u>2,640,673</u></u>

NOTE 5 - PAYCHECK PROTECTION PROGRAM

On April 24, 2020, the School was granted a loan from JPMorgan Chase Bank, N.A. in the amount of \$185,657 pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act. Under the terms of the PPP, the loan funds are to be forgiven if they are used for qualifying expenses as described in the CARES Act. The School received notification on February 17, 2021 that the note had been forgiven in full and reported the PPP note payable forgiveness income during the year ended June 30, 2021.

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 6 - COMMITMENTS

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. Beginning during the year ended June 30, 2022, OEI assesses a fee equal to 1% of the basic tuition support received by the School. Management fees of \$12,829 were paid to OEI during the year ended June 30, 2022. No management fees were paid during the year ended June 30, 2021.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2022, the escrow account had a balance of \$5,312.

The School has contracted with pilotED Foundation to provide implementation support, coaching, and capacity building in the areas of instructional systems, school operations, and school finance. pilotED Foundation and the School have separate and distinct Boards of Directors. Under the terms of the agreement, the School has agreed to pay \$12,500 per month for such services. Expense under this agreement was \$150,000 for the year ended June 30, 2022. This agreement expires June 30, 2023 and can be terminated by either party with 60 days advance, written notice.

NOTE 7 - RETIREMENT PLANS

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

Retirement plan expense under plan was \$18,305 and \$21,044 for the years ended June 30, 2022 and 2021, respectively.

NOTE 8 - RISKS AND UNCERTAINTIES

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

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

Cash deposits maintained at JP Morgan Chase Bank, N.A. are insured up to the FDIC insurance limit of \$250,000. As of and throughout the years ended June 30, 2022 and 2021, cash balances exceeded the FDIC insurance limit.

pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 9 - LIQUIDITY

The School's financial assets include cash and grants receivable. Financial assets at June 30, 2022 and 2021 totaled \$454,720 and \$864,656, respectively. With the exception of the required dissolution cash escrow account (Note 6), all financial assets were available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets (deficit). Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**pilotED SCHOOLS OF INDIANA, INC.
d/b/a BETHEL PARK ELEMENTARY
OTHER REPORT
For the Year Ended June 30, 2022**

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

Supplemental Audit Report of pilotED Schools of Indiana, Inc. d/b/a Bethel Park Elementary

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*.