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AN EQUAL OPPORTUNITY EMPLOYER

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February 7, 2023

Charter School Board
Paramount Schools of Excellence, Inc.
3020 Nowland Avenue
Indianapolis, IN 46201

We have reviewed the audit report of Paramount Schools of Excellence, Inc. which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Paramount Schools of Excellence, Inc. 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, Blue & Co., LLC 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 Paramount Schools of Excellence, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner



FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2022 AND 2021

CPAs / ADVISORS



PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

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JUNE 30, 2022 AND 2021

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Paramount Schools of Excellence, Inc. (Paramount), a nonprofit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paramount as of June 30, 2022 and 2021, and the changes 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Paramount and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that 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 Paramount's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit 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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 the 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 Paramount'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Paramount'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 audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 18 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, November 28, 2022, on our consideration of Paramount'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 Paramount'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 Paramount's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
November 28, 2022

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets		
Cash	\$ 7,874,969	\$ 4,117,677
Grant receivables, net	1,097,547	851,898
Prepaid expenses	4,530	16,225
Total current assets	8,977,046	4,985,800
Investments		
Undesignated	-0-	535,837
Deferred compensation	449,274	450,000
Total investments	449,274	985,837
Property and equipment		
Land and improvements	1,569,001	999,001
Building and improvements	22,602,295	20,264,124
Equipment	2,520,641	2,430,026
Software and educational materials	608,131	608,131
Construction in process	803,427	-0-
	28,103,495	24,301,282
Accumulated depreciation	(4,904,955)	(4,090,118)
Property and equipment, net	23,198,540	20,211,164
Total assets	<u>\$ 32,624,860</u>	<u>\$ 26,182,801</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 301,032	\$ 328,681
Accrued salaries, wages and related liabilities	1,106,475	1,218,187
Refundable advances	1,556,228	1,042,837
Current portion of long-term debt	228,106	194,483
Total current liabilities	3,191,841	2,784,188
Long-term debt, less current portion	13,377,430	13,674,637
Deferred compensation	38,798	-0-
Total liabilities	16,608,069	16,458,825
Net assets		
Undesignated	15,567,517	9,273,976
Designated	449,274	450,000
Total net assets without donor restrictions	16,016,791	9,723,976
Total liabilities and net assets	<u>\$ 32,624,860</u>	<u>\$ 26,182,801</u>

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Revenues and support		
State support	\$ 13,167,188	\$ 10,673,327
Federal support	6,978,695	4,815,554
Contributions of cash and other financial assets	1,108,465	1,042,610
Contribution of nonfinancial assets	2,450,000	-0-
Other revenues and support	174,955	133,414
Forgiveness of PPP note payable	-0-	1,002,015
Investment return, net	2,139	1,137
Total revenues and support	<u>23,881,442</u>	<u>17,668,057</u>
Program and supporting service expenses		
Salaries and wages	8,478,051	6,976,040
Employee benefits	2,169,753	1,809,498
Professional services	1,530,444	1,161,981
Advertising	143,356	80,023
Depreciation	814,837	592,373
Occupancy	1,271,973	894,067
Supplies and miscellaneous equipment	2,070,136	2,017,104
Insurance	100,667	81,119
Interest	470,025	267,362
Other	539,385	346,732
Total program and supporting service expenses	<u>17,588,627</u>	<u>14,226,299</u>
Change in net assets without donor restrictions	6,292,815	3,441,758
Net assets		
Beginning of year	<u>9,723,976</u>	<u>6,282,218</u>
End of year	<u>\$ 16,016,791</u>	<u>\$ 9,723,976</u>

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Operating activities		
Change in net assets	\$ 6,292,815	\$ 3,441,758
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	814,837	592,373
Amortization of debt issuance costs	6,739	11,060
Amortization of debt premium	(75,840)	-0-
Loss on defeasance of debt	-0-	50,851
Forgiveness of PPP note payable	-0-	(1,002,015)
Contribution of nonfinancial assets	(2,450,000)	-0-
Changes in operating assets and liabilities		
Grant receivables	(245,649)	(544,899)
Prepaid expenses	11,695	15,325
Accounts payable and accrued expenses	(27,649)	(250,624)
Accrued salaries, wages and other liabilities	(111,712)	281,040
Refundable advances	513,391	458,209
Deferred compensation	38,798	-0-
Net cash flows from operating activities	4,767,425	3,053,078
Investing activities		
Property and equipment additions	(1,352,213)	(6,700,243)
Proceeds from sale of investments	535,837	-0-
Purchase of investments	-0-	(450,241)
Change in deferred compensation investments	726	-0-
Net cash flows from investing activities	(815,650)	(7,150,484)
Financing activities		
Payments on long-term debt	(194,483)	(13,783,639)
Proceeds from issuance of debt	-0-	17,490,771
Proceeds from debt premium	-0-	2,275,189
Payments for debt issuance costs	-0-	(202,180)
Payments on capital lease obligations	-0-	(43,702)
Net cash flows from financing activities	(194,483)	5,736,439
Change in cash	3,757,292	1,639,033
Cash		
Beginning of year	4,117,677	2,478,644
End of year	\$ 7,874,969	\$ 4,117,677
Supplemental cash flows information		
Cash paid for interest, net of capitalized interest of \$-0- in 2022 and \$61,924 in 2021	\$ 463,286	\$ 205,451
Property and equipment included in accounts payable	\$ -0-	\$ 110,000
Noncash investing - contribution of nonfinancial assets	\$ 2,450,000	\$ -0-
Noncash financing - forgiveness of PPP note payable	\$ -0-	\$ 1,002,015

See accompanying notes to the financial statements.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Paramount Schools of Excellence, Inc. (Paramount) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. Paramount operates public charter schools established under Indiana Code 20-24 and is sponsored by the Mayor's Office of the City of Indianapolis. Paramount provides educational instruction to students in grades kindergarten through eighth grade. Paramount operated in three locations throughout central Indiana and one virtual environment during 2022.

Basis of Accounting

Paramount prepares its financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues when they are earned and measurable in the accounting period when services are provided, and the recognition of expenses in the period in which they occur.

Use of Estimates

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

Cash

Paramount maintains its cash in accounts, which at times, may exceed federally insured limits. Paramount has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Grant Receivables

Grant receivables are amounts due from federal, state or local government agencies or other organizations. Amounts are recognized as receivable when Paramount has incurred expenditures in compliance with specific contract or grant provisions or amounts billed for incurred expenditures or services and not yet paid. The government agencies or other organizations are billed in the period in which expenditures are incurred. Grant receivables are reported at the net realizable amount due from the government agencies or other organizations.

Grant receivables are recognized at the net amount Paramount expects to collect based on established collection history. Paramount recognizes a separate allowance only when it determines there has been an unforeseeable change in the agencies' ability to pay subsequent to the delivery of goods and services resulting in an impairment loss. Such account balances are charged off against the allowance after all means of collection have been exhausted and the potential recovery is considered remote. Paramount did not record an allowance for doubtful accounts as of June 30, 2022 and 2021.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Prepaid Expenses

Prepaid expenses relate to advance payments on products or services that will be used for future programs or activities.

Investments

Investments consist of cash, mutual funds at fair value and certificates of deposit at contract value. During a portion of 2021, the certificates of deposit of approximately \$536,000 served as collateral for a long-term debt agreement. This debt agreement was refinanced during 2021, the restriction was removed. The certificates of deposit were undesignated as of June 30, 2021 and ultimately redeemed during 2022. Paramount designated \$449,000 and \$450,000 of mutual funds and cash for deferred compensation employee benefit plans as of June 30, 2022 and 2021, respectively.

Property, Equipment and Depreciation

Property and equipment are recorded at cost, or if donated, at fair market value at date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance repairs and minor renewals are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from 3-40 years, and is computed on using the straight-line method. Depreciation expense was approximately \$815,000 and \$592,000 for 2022 and 2021, respectively. Paramount did not have any property and equipment commitments as of June 30, 2022.

Debt Issuance Costs and Premiums

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The costs incurred in issuing the debt are classified with long-term debt, as a deduction, and are amortized over the term of the respective debt. Debt issuance premiums represent the difference between the original face value amount and the premium price paid for a long-term debt instrument. The premium incurred in issuing the debt are classified with long-term debt, as an addition, and are amortized as a reduction of interest expense over the term of the respective debt.

Net Assets

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

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use. As of June 30, 2022 and 2021, approximately \$449,000 and \$450,000, respectively of net assets were designated for deferred compensation plans.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes. There were no net assets with donor restrictions as of June 30, 2022 and 2021.

Public Support

Paramount's revenue is primarily derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by Paramount as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Amounts received are recognized as revenue when Paramount has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Refundable advances were approximately \$1,556,000 and \$1,043,000 as of June 30, 2022 and 2021, respectively. Amounts received after incurring qualifying expenditures are reported as grant receivables in the statements of financial position. Grant receivables were \$1,098,000 and \$852,000 as of June 30, 2022 and 2021, respectively.

Paramount receives state funds that have been designated for charter schools from the Indiana Department of Education (IDOE). The State of Indiana uses a formula based on the number of students enrolled in the school during the year to determine the amount of funds Paramount receives. Paramount also receives federal support through a variety of programs administered by the IDOE and United States Department of Agriculture.

Paramount derives a significant portion of its revenue from state and federal funding programs (approximately 84% and 88% in 2022 and 2021, respectively). The receipt of future revenues by Paramount is subject to among other factors, state and federal policies affecting education, economic conditions, and other conditions which are impossible to predict.

Contributions received, including unconditional promises to give, are recognized when received. Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. If a restriction is fulfilled in the same reporting period in which the contribution is received, the contribution is reported as net assets without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, applicable net assets with restriction are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from donor restrictions.

Paramount also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions. Receipt of funds for conditional contributions are recorded as a refundable advance in the statement of financial position until conditions are satisfied. Once satisfied, the refundable advance is released into contribution revenue. Materials, property, equipment and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair market values on the date received.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Paramount. Volunteers also provide program services throughout the year that are not recognized as contributions in the financial statements unless the recognition criteria are met. These services include volunteering at events and clerical work. Donated services were not significant in 2022 and 2021.

Advertising

Paramount uses advertising to promote its programs among the audiences it serves. The cost of advertising is expensed as incurred. Advertising expense totaled approximately \$143,000 and \$80,000 during 2022 and 2021, respectively, and is included within program and supporting service expenses within the statements of activities and changes in net assets.

Income Taxes

Paramount is a not-for-profit corporation as defined by Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes. As such, Paramount is generally exempt from income taxes. However, Paramount is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Paramount and recognize a tax liability if Paramount has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Paramount, and has concluded that as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Paramount is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Paramount filed its federal and state income tax returns for periods through June 30, 2021. The income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Going Concern Evaluation

Management evaluated whether there were conditions or events that raised substantial doubt about Paramount's ability to continue as a going concern for a period of one year from the date the financial statements were available to be issued.

Subsequent Events

Paramount evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is November 28, 2022.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Upcoming Accounting Standards Update

In February 2016, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This standard, which Paramount is not required to adopt until its year ending June 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position. Paramount is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.

2. CHANGE IN ACCOUNTING PRINCIPLE – CONTRIBUTED NONFINANCIAL ASSETS

The FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind" received by not-for-profit organizations, including information on how those assets are used and how they are valued. The adoption of this ASU resulted in Paramount presenting contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets. The ASU was effective July 1, 2021 and did not have a significant impact on the prior period financial statements.

During 2022, Paramount received a contributed nonfinancial asset of property and equipment recorded at fair value as of the date of donation of \$2,450,000. The valuation and inputs used to determine fair value of the property and equipment were based on a certified real estate appraisal of the property and equipment using the cost approach. The property and equipment do not have any donor restrictions and will be utilized to provide educational instruction to students consistent with Paramount's exempt purpose.

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Paramount has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2022.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by Paramount are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.
- *Deferred compensation*: Valued based on the fair market value of the related deferred compensation assets.

The table sets forth by level, within the hierarchy, Paramount's assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds - equities	\$ 216,056	\$ 216,056	\$ -0-	\$ -0-
Mutual funds - fixed income	227,288	227,288	-0-	-0-
	443,344	\$ 443,344	\$ -0-	\$ -0-
Cash	5,930			
Total assets	\$ 449,274			
Liabilities				
Deferred compensation	\$ 38,798	\$ -0-	\$ 38,798	\$ -0-

There were no assets and liabilities measured at fair value on a recurring basis as of June 30, 2021.

4. LONG-TERM DEBT

In June 2021, Paramount entered into a loan agreement with Equitable Facilities Fund, Inc. (EFF) for approximately \$11,521,000 with fixed interest at 5.00%. The loan was issued at a premium of \$2,275,000 to be amortized over the term loan agreement. The loan matures in August 2051 and requires monthly principal and interest payments. The loan is secured by a pledge of Paramount's revenues and property with a net book value of \$18,519,000 and \$18,344,000 as of June 30, 2022 and 2021, respectively. The loan cannot be paid in advance without penalty prior to June 2031. The proceeds from the EFF loan were used to retire Indiana Finance Authority (IFA) Educational Facilities Revenue Bonds, Series 2015 (Series 2015 Bonds) and the Schola Building Fund, LLC construction loan (Schola Loan) in June 2021. The retirement of the Series 2015 Bonds and Schola Loan resulted in a loss of \$51,000.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

In December 2015, the Indiana Common School Fund and the State Board of Education issued a \$500,000 loan to Paramount. This agreement requires semi-annual principal payments to be made as reductions of Paramount's distributive share of the State Tuition Support. The interest rate is fixed at 1% for duration of the agreement. The loan payable matures in July 2026.

Paramount has agreed to certain covenants, which, among other things, limit additional indebtedness and guarantees and require Paramount to maintain specific financial ratios. Management believed Paramount was in compliance with the covenants as of June 30, 2022 and 2021.

In April 2020, Paramount received a low interest loan of approximately \$1,002,000 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP loan was unsecured, bore interest at 1% and funds advanced were subject to forgiveness, if certain criteria were met, with the remaining balance repayable within two years of disbursement. The PPP loan was forgivable to the extent that Paramount incurred and spent the funds on qualified expenditures, which included payroll, employee health insurance, rent, utilities, and interest costs during the covered period as defined by the PPP guidance. In addition, Paramount was required to maintain specific employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. Paramount accounted for the PPP loan as debt and recognized any forgiveness when it was legally forgiven by the SBA which occurred in April 2021. Paramount recognized approximately \$1,002,000 as forgiveness of PPP note payable in revenues and support in the 2021 statement of activities and changes in net assets.

Long-term debt as of June 30, 2022 and 2021 is summarized as follows:

	2022	2021
Loan payable to Equitable Facilities Fund, Inc., maturing in August 2051, fixed interest rate of 5.00%, principal payments due in monthly installments ranging from \$3,000 to \$62,000 plus interest, secured by pledge of revenues and property with net book value of approximately \$18,519,000 and \$18,344,000 as of June 30, 2022 and 2021, respectively.	\$ 11,376,628	\$ 11,521,111
Loan payable to Indiana Common School Fund and the State Board of Education, maturing in July 2026, fixed interest rate of 1.0%, semi-annual principal and interest payments ranging from \$25,000 to \$30,000 plus interest, secured by property with a net book value of approximately \$225,000 and \$275,000 as of June 30, 2022 and 2021, respectively.	225,000	275,000
Unamortized debt issuance costs	11,601,628	11,796,111
Unamortized debt premium	(195,441)	(202,180)
Current portion	2,199,349	2,275,189
	(228,106)	(194,483)
	\$ 13,377,430	\$ 13,674,637

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Aggregate future maturities are as follows:

Year Ending June 30,	
2023	\$ 228,106
2024	237,218
2025	246,796
2026	256,865
2027	242,449
Thereafter	<u>10,390,194</u>
	<u>\$ 11,601,628</u>

5. RETIREMENT PLANS

403(b) Plan

Paramount's eligible faculty and administrative staff are participants in a 403(b) tax deferred annuity retirement plan (the Plan). Paramount may make a discretionary matching contribution on participant deferrals and may make a discretionary profit sharing contribution to the Plan. Paramount's contribution to the Plan, net of forfeitures, was approximately \$173,000 and \$136,000 during 2022 and 2021, respectively.

Other Benefit Plans

During 2021, Paramount established additional benefits plans which were effective on July 1, 2021 for certain eligible employees. Under these plans, Paramount made contributions with eligible employees vesting over periods ranging from 5 to 10 years. Paramount funded approximately \$505,000 to the deferred compensation plans. The assets of the plans have incurred investment losses of \$56,000 during 2022. Paramount expensed \$95,000, net of forfeitures, of vested payments to the plans within employee benefits expense on the statements of activities and changes in net assets in 2022. Paramount recorded deferred compensation investment assets of \$449,000 and a corresponding liability of \$39,000 based on the participant vesting of the plans. These amounts are net of investment losses of \$56,000 for 2022.

Indiana Public Retirement System

Paramount elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund and the Indiana Teachers' Retirement Fund (TRF), with the merger of the funds being effective July 1, 2011.

TRF is a defined benefit pension plan. TRF is also a cost-sharing multiple employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The plan is recorded as a multiple employer plan, which was established by the State of Indiana. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate. Indiana Code (IC 5-10.2) governs, through the INPRS Board, most requirements of the system, and give Paramount authority to contribute to the plan. The retirement benefit consists of the

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus interest credited to the member's account. Paramount's required contribution rate is 7.5%. Paramount may elect to make additional contributions on behalf of the member.

Retirement plan contributions for TRF were approximately \$11,000 and \$12,000 for 2022 and 2021, respectively. The plan is not governed by the Employee Income Retirement Income Security Act of 1974 and is not required to file a Federal Form 5500, Annual Return/Report of Employee Benefit Plan. There were no surcharges imposed and there is no expiration date of the plan included in state statutes. Upon withdrawing from TRF, Paramount, would be obligated for its proportionate share of the plan's unfunded vested benefits. Paramount has no intention of withdrawing from the plan. A complete copy of the annual report for the year ended June 30, 2021 can be obtained at www.in.gov/inprs.

6. RISKS AND UNCERTAINTIES

Paramount provides education instruction services to families residing in Marion and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area. The majority of revenues relate to legislation enacted by the State of Indiana. Changes in state legislation could significantly affect Paramount. Additionally, Paramount is subject to monitoring and audit by state agencies. Those examinations may result in additional liabilities to be imposed on Paramount.

7. COMMITMENTS AND CONTINGENCIES

Operating Leases

Paramount leases certain equipment and space for classrooms and administrative purposes under operating leases expiring at various times through July 2032. Total lease expense for 2022 and 2021 was approximately \$344,000 and \$543,000, respectively, and has been included in occupancy expense in the statements of activities and changes in net assets. Future minimum lease payments for operating leases are as follows:

Year Ending June 30,		
2023	\$	815,477
2024		803,282
2025		777,478
2026		754,994
2027		754,994
Thereafter		1,898,327
	\$	<u>5,804,552</u>

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Litigation

Paramount may be involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the future financial position, results of operations or cash flows of Paramount.

8. LIQUIDITY AND AVAILABILITY OF RESOURCES

Paramount's financial assets available within one year of the June 30, 2022 and 2021 statements of financial position for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash	\$ 7,874,969	\$ 4,117,677
Undesignated investments	-0-	535,837
Grant receivables, net	<u>1,097,547</u>	<u>851,898</u>
Total financial assets	<u>\$ 8,972,516</u>	<u>\$ 5,505,412</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Grant receivables are subject to implied time restrictions but are expected to be collected within one year. Paramount has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

9. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program and supporting services have been summarized on a natural basis in the statements of activities and changes in net assets and have been summarized on a functional basis below. Certain costs have been allocated among education services and management and general categories based on an estimate of time spent by Paramount's personnel. These expenses include salaries and wages and employee benefits. Other expenses require allocation on a reasonable basis that is consistently applied based on the ratio of salaries and wages and employee benefits charged to the category to total salaries and wages and employee benefits. The other expenses that are allocated include professional services, advertising, depreciation, occupancy, supplies, insurance, interest, and other. Although the methods used were appropriate, alternative methods may provide different results. Fundraising costs were not significant in 2022 and 2021.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Paramount incurred the following education services as well as management and general expenses for 2022 and 2021:

	2022		
	Education Services	Management and General	Total Expenses
Salaries and wages	\$ 6,782,441	\$ 1,695,610	\$ 8,478,051
Employee benefits	1,735,802	433,951	2,169,753
Professional services	1,224,355	306,089	1,530,444
Advertising	114,685	28,671	143,356
Depreciation	651,870	162,967	814,837
Occupancy	1,017,578	254,395	1,271,973
Supplies	1,656,109	414,027	2,070,136
Insurance	80,534	20,133	100,667
Interest	376,020	94,005	470,025
Other	431,508	107,877	539,385
	<u>\$ 14,070,902</u>	<u>\$ 3,517,725</u>	<u>\$ 17,588,627</u>

	2021		
	Education Services	Management and General	Total Expenses
Salaries and wages	\$ 5,580,832	\$ 1,395,208	\$ 6,976,040
Employee benefits	1,447,598	361,900	1,809,498
Professional services	929,585	232,396	1,161,981
Advertising	64,018	16,005	80,023
Depreciation	473,898	118,475	592,373
Occupancy	715,254	178,813	894,067
Supplies	1,613,683	403,421	2,017,104
Insurance	64,895	16,224	81,119
Interest	213,890	53,472	267,362
Other	277,386	69,346	346,732
	<u>\$ 11,381,039</u>	<u>\$ 2,845,260</u>	<u>\$ 14,226,299</u>

SUPPLEMENTARY INFORMATION

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF FINANCIAL POSITION – LOCATION
JUNE 30, 2022

	Brookside	Cottage Home	Englewood	Online Academy	Navigation	Eliminations	Total
ASSETS							
Current assets							
Cash	\$ 1,434,731	\$ 350,190	\$ 495,904	\$ 1,038,821	\$ 4,555,323	\$ -0-	\$ 7,874,969
Grant receivables, net	384,469	149,780	104,439	419,382	43,491	(4,014)	1,097,547
Prepaid expenses	3,249	-0-	-0-	-0-	1,281	-0-	4,530
Total current assets	1,822,449	499,970	600,343	1,458,203	4,600,095	(4,014)	8,977,046
Investments - deferred compensation	449,274	-0-	-0-	-0-	-0-	-0-	449,274
Property and equipment							
Land and improvements	999,001	-0-	-0-	-0-	570,000	-0-	1,569,001
Building and improvements	10,061,584	10,443,481	156,574	15,963	1,924,693	-0-	22,602,295
Equipment	1,825,080	555,775	91,051	-0-	48,735	-0-	2,520,641
Software and educational materials	522,010	47,568	38,553	-0-	-0-	-0-	608,131
Construction in process	-0-	-0-	-0-	-0-	803,427	-0-	803,427
	13,407,675	11,046,824	286,178	15,963	3,346,855	-0-	28,103,495
Accumulated depreciation	(4,168,491)	(600,878)	(114,340)	(333)	(20,913)	-0-	(4,904,955)
Property and equipment, net	9,239,184	10,445,946	171,838	15,630	3,325,942	-0-	23,198,540
Total assets	\$ 11,510,907	\$ 10,945,916	\$ 772,181	\$ 1,473,833	\$ 7,926,037	\$ (4,014)	\$ 32,624,860
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	\$ 2,019	\$ 132,042	\$ -0-	\$ 1,451	\$ 169,534	\$ (4,014)	\$ 301,032
Accrued salaries, wages and related liabilities	448,995	234,340	168,565	94,248	160,327	-0-	1,106,475
Refundable advances	1,294,167	262,061	-0-	-0-	-0-	-0-	1,556,228
Current portion of long-term debt	153,625	74,481	-0-	-0-	-0-	-0-	228,106
Total current liabilities	1,898,806	702,924	168,565	95,699	329,861	(4,014)	3,191,841
Long-term debt, less current portion	7,699,781	5,677,649	-0-	-0-	-0-	-0-	13,377,430
Deferred compensation	38,798	-0-	-0-	-0-	-0-	-0-	38,798
Total liabilities	9,637,385	6,380,573	168,565	95,699	329,861	(4,014)	16,608,069
Net assets							
Undesignated	1,424,248	4,565,343	603,616	1,378,134	7,596,176	-0-	15,567,517
Designated	449,274	-0-	-0-	-0-	-0-	-0-	449,274
Total net assets without donor restrictions	1,873,522	4,565,343	603,616	1,378,134	7,596,176	-0-	16,016,791
Total liabilities and net assets	\$ 11,510,907	\$ 10,945,916	\$ 772,181	\$ 1,473,833	\$ 7,926,037	\$ (4,014)	\$ 32,624,860

See report of independent auditors on pages 1 through 3.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – LOCATION
YEAR ENDED JUNE 30, 2022

	Brookside	Cottage Home	Englewood	Online Academy	Navigation	Eliminations	Total
Revenues and support							
State support	\$ 6,780,959	\$ 2,010,516	\$ 1,804,963	\$ 2,570,750	\$ -0-	\$ -0-	\$ 13,167,188
Federal support	4,145,024	982,273	1,027,709	823,689	-0-	-0-	6,978,695
Contributions of cash and other financial assets	522,204	9,272	7,584	471,250	98,155	-0-	1,108,465
Contribution of nonfinancial assets	-0-	-0-	-0-	-0-	2,450,000	-0-	2,450,000
Other revenues and support	89,557	31,014	2,695	21,714	29,975	-0-	174,955
Investment return, net	402	277	253	244	963	-0-	2,139
Total revenues and support	11,538,146	3,033,352	2,843,204	3,887,647	2,579,093	-0-	23,881,442
Program and supporting service expenses							
Salaries and wages	3,694,622	1,528,285	1,241,444	938,326	1,075,374	-0-	8,478,051
Employee benefits	794,336	420,370	433,627	211,676	309,744	-0-	2,169,753
Professional services	507,144	335,953	194,657	104,506	388,184	-0-	1,530,444
Advertising	14,648	574	692	15,864	111,578	-0-	143,356
Depreciation	368,801	382,723	42,067	333	20,913	-0-	814,837
Occupancy	297,532	140,025	420,541	65,448	348,427	-0-	1,271,973
Supplies and miscellaneous equipment	825,209	239,010	236,073	493,843	276,001	-0-	2,070,136
Insurance	45,059	18,402	11,749	10,640	14,817	-0-	100,667
Interest	308,472	161,553	-0-	-0-	-0-	-0-	470,025
Other	168,205	167,453	51,517	74,763	77,447	-0-	539,385
Total program and supporting service expenses	7,024,028	3,394,348	2,632,367	1,915,399	2,622,485	-0-	17,588,627
Revenues and support over (under) expenses	4,514,118	(360,996)	210,837	1,972,248	(43,392)	-0-	6,292,815
Transfers	(7,214,854)	(9,899)	179,738	(594,553)	7,639,568	-0-	-0-
Change in net assets without donor restrictions	(2,700,736)	(370,895)	390,575	1,377,695	7,596,176	-0-	6,292,815
Net assets							
Beginning of year	4,574,258	4,936,238	213,041	439	-0-	-0-	9,723,976
End of year	\$ 1,873,522	\$ 4,565,343	\$ 603,616	\$ 1,378,134	\$ 7,596,176	\$ -0-	\$ 16,016,791

See report of independent auditors on pages 1 through 3.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF FINANCIAL POSITION – LOCATION
JUNE 30, 2021

	Brookside	Cottage Home	Englewood	Online Academy	Eliminations	Total
ASSETS						
Current assets						
Cash	\$ 3,852,865	\$ 128,432	\$ 136,380	\$ -0-	\$ -0-	\$ 4,117,677
Grant receivables, net	459,539	250,205	153,084	439	(11,369)	851,898
Prepaid expenses	16,225	-0-	-0-	-0-	-0-	16,225
Total current assets	4,328,629	378,637	289,464	439	(11,369)	4,985,800
Investments						
Undesignated	535,837	-0-	-0-	-0-	-0-	535,837
Designated - deferred compensation	450,000	-0-	-0-	-0-	-0-	450,000
Total investments	985,837	-0-	-0-	-0-	-0-	985,837
Property and equipment						
Land and improvements	999,001	-0-	-0-	-0-	-0-	999,001
Building and improvements	9,695,993	10,427,519	140,612	-0-	-0-	20,264,124
Equipment	1,783,200	555,775	91,051	-0-	-0-	2,430,026
Software and educational materials	522,010	47,568	38,553	-0-	-0-	608,131
	13,000,204	11,030,862	270,216	-0-	-0-	24,301,282
Accumulated depreciation	(3,799,690)	(218,155)	(72,273)	-0-	-0-	(4,090,118)
Property and equipment, net	9,200,514	10,812,707	197,943	-0-	-0-	20,211,164
Total assets	\$ 14,514,980	\$ 11,191,344	\$ 487,407	\$ 439	\$ (11,369)	\$ 26,182,801
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	\$ 328,681	\$ -0-	\$ 11,369	\$ -0-	\$ (11,369)	\$ 328,681
Accrued salaries, wages and related liabilities	723,263	234,581	260,343	-0-	-0-	1,218,187
Refundable advances	819,483	220,700	2,654	-0-	-0-	1,042,837
Current portion of long-term debt	113,154	81,329	-0-	-0-	-0-	194,483
Total current liabilities	1,984,581	536,610	274,366	-0-	(11,369)	2,784,188
Long-term debt, less current portion	7,956,141	5,718,496	-0-	-0-	-0-	13,674,637
Total liabilities	9,940,722	6,255,106	274,366	-0-	(11,369)	16,458,825
Net assets						
Undesignated	4,124,258	4,936,238	213,041	439	-0-	9,273,976
Designated	450,000	-0-	-0-	-0-	-0-	450,000
Total net assets without donor restrictions	4,574,258	4,936,238	213,041	439	-0-	9,723,976
Total liabilities and net assets	\$ 14,514,980	\$ 11,191,344	\$ 487,407	\$ 439	\$ (11,369)	\$ 26,182,801

See report of independent auditors on pages 1 through 3.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS – LOCATION
YEAR ENDED JUNE 30, 2021

	Brookside	Cottage Home	Englewood	Online Academy	Eliminations	Total
Revenues and support						
State support	\$ 6,990,489	\$ 2,010,981	\$ 1,671,857	\$ -0-	\$ -0-	\$ 10,673,327
Federal support	2,446,391	1,431,520	937,204	439	-0-	4,815,554
Contributions of cash and other financial assets	292,603	7	-0-	750,000	-0-	1,042,610
Other revenues and support	65,282	57,124	11,008	-0-	-0-	133,414
Forgiveness of PPP note payable	1,002,015	-0-	-0-	-0-	-0-	1,002,015
Investment return, net	1,101	19	17	-0-	-0-	1,137
Total revenues and support	10,797,881	3,499,651	2,620,086	750,439	-0-	17,668,057
Program and supporting service expenses						
Salaries and wages	3,794,009	1,939,243	1,242,788	-0-	-0-	6,976,040
Employee benefits	1,045,322	370,220	357,605	36,351	-0-	1,809,498
Professional services	488,493	415,579	235,995	21,914	-0-	1,161,981
Advertising	76,294	1,533	1,203	993	-0-	80,023
Depreciation	415,400	135,413	41,560	-0-	-0-	592,373
Occupancy	237,500	101,352	555,165	50	-0-	894,067
Supplies and miscellaneous equipment	817,275	518,223	484,208	197,398	-0-	2,017,104
Insurance	45,750	20,163	15,206	-0-	-0-	81,119
Interest	267,362	-0-	-0-	-0-	-0-	267,362
Other	169,263	161,531	15,842	96	-0-	346,732
Total program and supporting service expenses	7,356,668	3,663,257	2,949,572	256,802	-0-	14,226,299
Revenues and support over (under) expenses	3,441,213	(163,606)	(329,486)	493,637	-0-	3,441,758
Transfers	(6,720,194)	6,016,939	1,196,453	(493,198)	-0-	-0-
Change in net assets without donor restrictions	(3,278,981)	5,853,333	866,967	439	-0-	3,441,758
Net assets (deficit)						
Beginning of year	7,853,239	(917,095)	(653,926)	-0-	-0-	6,282,218
End of year	\$ 4,574,258	\$ 4,936,238	\$ 213,041	\$ 439	\$ -0-	\$ 9,723,976

See report of independent auditors on pages 1 through 3.



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**REPORT OF INDEPENDENT AUDITORS 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
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Report on the Financial Statements

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 Paramount Schools of Excellence, Inc. (Paramount), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paramount'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 Paramount's internal control. Accordingly, we do not express an opinion on the effectiveness of Paramount'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 Paramount'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.

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paramount'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 Paramount's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paramount's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
November 28, 2022



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
 AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL
 AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
 Paramount Schools of Excellence, Inc.
 Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Paramount Schools of Excellence, Inc.'s (Paramount) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Paramount's major federal programs for the year ended June 30, 2022. Paramount's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Paramount complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Paramount and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Paramount's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Paramount's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Paramount's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Paramount's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Paramount's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Paramount's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Paramount's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Board of Directors
Paramount Schools of Excellence, Inc.
Indianapolis, Indiana

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Paramount as of and for the year ended June 30, 2022 and have issued our report thereon dated November 28, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
November 28, 2022

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Grant ID Number(s)	Expenditures
Major programs			
U.S. Department of Agriculture (USDA) through Indiana Department of Education (IDOE) Child Nutrition Cluster			
School Breakfast Program	10.553	Not Available	\$ 247,445
National School Lunch Program	10.555	Not Available	640,880
Total for cluster			<u>888,325</u>
U.S. Department of Education (DOE) through IDOE			
Title I Grants to Local Educational Agencies	84.010	S010A210014	997,228
COVID-19 - Education Stabilization Fund	84.425	S425D200013	3,717,228
Total major programs			<u>5,602,781</u>
Non-major programs			
DOE - through IDOE			
Special Education Cluster			
Special Education - Grants to States	84.027	H027X210084	374,558
Expanding Opportunity through Quality Charter Schools Program	84.282	U282A210017	873,745
Supporting Effective Instruction State Grants	84.367	S367A210013	110,090
Student Support and Academic Enrichment Program	84.424	S424A210015	17,521
Total non-major programs			<u>1,375,914</u>
Total federal expenditures			<u>\$ 6,978,695</u>
Total DOE through IDOE			\$ 6,090,370
Total USDA through IDOE			888,325
Total federal expenditures			<u>\$ 6,978,695</u>

See Report of Independent Auditors on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance* on page 26.

See notes to schedule of expenditures of federal awards.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Paramount for the year ended June 30, 2022, and is presented on the accrual basis of accounting. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the *Uniform Guidance*). Therefore, some of the amounts presented in this SEFA may differ from amounts presented in or used in the preparation of the basic financial statements. The basic financial statement classifications may include other financial activity for reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Paramount has elected not to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

3. AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

Paramount did not pass through any federal awards to subrecipients during 2022. In addition, there were no federal awards expended in the form of non-cash assistance and there were no loan guarantees outstanding or extended during 2022.

4. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During 2022, Paramount did not receive donated personal protective equipment from federal sources.

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

Section I – Summary of Audit Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es) noted? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? yes none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es) noted? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

Assistance Listing Numbers 10.553 & 10.555 - Child Nutrition Cluster

Assistance Listing Number 84.010 - Title I Grants to Local Educational Agencies

Assistance Listing Number 84.425 - COVID-19 - Education Stabilization Fund

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Findings Related to Financial Statements Reported in Accordance With Government Auditing Standards:

No matters reported

Section III - Findings and Questioned Costs Relating to Federal Awards:

No matters reported

Section IV - Summary Schedule of Prior Audit Findings:

No matters reported

PARAMOUNT SCHOOLS OF EXCELLENCE, INC.

OTHER REPORT
JUNE 30, 2022

The report presented herein was prepared in addition to another official report prepared for Paramount Schools of Excellence, Inc. as listed below:

Supplemental Audit Report of Paramount Schools of Excellence, 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*.