



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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March 15, 2023

Charter School Board
Allegiant Preparatory, Inc.
3125 Concord Ct., Suite B
Indianapolis, IN 46222

We have reviewed the audit report of Allegiant Preparatory, Inc. which was opined upon by Donovan CPAs, 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 Allegiant Preparatory, 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, Donovan CPAs prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Allegiant Preparatory, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

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

Tammy R. White, CPA
Deputy State Examiner

ALLEGIANT PREPARATORY, INC.

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
Allegiant Preparatory, Inc.

Opinion

We have audited the financial statements of Allegiant Preparatory, Inc. (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, 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 referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 available to be issued.

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Auditors' 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 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 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 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
December 19, 2022

ALLEGIANT PREPARATORY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 462,774	\$ 300,847
Grants receivable	70,724	125,425
Prepaid expenses	<u>5,291</u>	<u>4,847</u>
<i>Total current assets</i>	<u>538,789</u>	<u>431,119</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	216,517	216,517
Leasehold improvements	72,623	42,923
Less: accumulated depreciation	<u>(200,496)</u>	<u>(136,163)</u>
<i>Property and equipment, net</i>	<u>88,644</u>	<u>123,277</u>
OTHER ASSETS		
Security deposit	<u>7,769</u>	<u>7,769</u>
TOTAL ASSETS	<u><u>\$ 635,202</u></u>	<u><u>\$ 562,165</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 20,776	\$ 19,593
Accounts payable and accrued expenses	<u>40,557</u>	<u>29,450</u>
<i>Total current liabilities</i>	<u>61,333</u>	<u>49,043</u>
LONG-TERM LIABILITIES		
Note payable, net of current portion	7,506	28,210
Deferred rent payable	<u>-</u>	<u>15,539</u>
<i>Total long-term liabilities</i>	<u>7,506</u>	<u>43,749</u>
<i>Total liabilities</i>	68,839	92,792
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>566,363</u>	<u>469,373</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 635,202</u></u>	<u><u>\$ 562,165</u></u>

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

ALLEGIANT PREPARATORY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State education support	\$ 894,761	\$ 892,956
Grant revenue	648,435	515,323
Contributions	657	96
Interest income	252	141
Other income	3,406	2,472
<i>Total revenue and support</i>	<u>1,547,511</u>	<u>1,410,988</u>
EXPENSES		
Program services	1,032,481	750,125
Management and general	418,040	432,600
<i>Total expenses</i>	<u>1,450,521</u>	<u>1,182,725</u>
CHANGE IN NET ASSETS FROM OPERATIONS	96,990	228,263
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	<u>-</u>	<u>2,176</u>
CHANGE IN NET ASSETS	96,990	230,439
NET ASSETS, BEGINNING OF YEAR	<u>469,373</u>	<u>238,934</u>
NET ASSETS, END OF YEAR	<u>\$ 566,363</u>	<u>\$ 469,373</u>

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

ALLEGIANT PREPARATORY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 383,252	\$ 208,539	\$ 591,791	\$ 328,912	\$ 218,712	\$ 547,624
Classroom and office supplies	208,013	1,887	209,900	48,144	5,310	53,454
Professional services	62,741	123,815	186,556	23,463	103,742	127,205
Employee benefits	82,992	41,055	124,047	68,299	48,104	116,403
Food costs	77,581	-	77,581	58,071	-	58,071
Depreciation	64,333	-	64,333	59,425	-	59,425
Occupancy	61,665	-	61,665	90,507	-	90,507
Information technology	58,867	-	58,867	37,792	-	37,792
Insurance	6,183	19,889	26,072	139	16,762	16,901
Advertising	-	15,106	15,106	-	30,276	30,276
Travel and meetings	9,489	-	9,489	16,133	-	16,133
Staff development	9,428	-	9,428	10,743	-	10,743
Equipment	1,488	2,647	4,135	5,081	4,183	9,264
Repairs and maintenance	3,929	-	3,929	-	-	-
Authorizer fees	-	3,877	3,877	-	3,736	3,736
Interest	2,455	-	2,455	3,416	-	3,416
Other	65	1,225	1,290	-	1,775	1,775
<i>Total functional expenses</i>	<u>\$ 1,032,481</u>	<u>\$ 418,040</u>	<u>\$ 1,450,521</u>	<u>\$ 750,125</u>	<u>\$ 432,600</u>	<u>\$ 1,182,725</u>

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

ALLEGIANT PREPARATORY, INC.
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	\$ 96,990	\$ 230,439
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness income	-	(2,176)
Depreciation	64,333	59,425
Change in certain assets and liabilities:		
Grants receivable	54,701	(6,661)
Prepaid expenses	(444)	(4,847)
Accounts payable and accrued expenses	11,107	(52,562)
Deferred rent payable	<u>(15,539)</u>	<u>(5,826)</u>
<i>Net cash provided by operating activities</i>	<u>211,148</u>	<u>217,792</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(29,700)</u>	<u>(47,996)</u>
FINANCING ACTIVITIES		
Principal payments on note payable	(19,521)	(18,568)
Repayment of amount due to landlord	<u>-</u>	<u>(3,683)</u>
<i>Net cash used in financing activities</i>	<u>(19,521)</u>	<u>(22,251)</u>
NET CHANGE IN CASH	161,927	147,545
CASH, BEGINNING OF YEAR	<u>300,847</u>	<u>153,302</u>
CASH, END OF YEAR	<u>\$ 462,774</u>	<u>\$ 300,847</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 2,455	\$ 3,416

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

ALLEGIANT PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Allegiant Preparatory, Inc. (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by the Indiana Charter School Board (“ICSB”). The School served approximately 115 students in kindergarten through fourth grade during the 2021-2022 school year (approximately 105 students in kindergarten through third grade during the 2020-2021 school year).

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 (“U.S. GAAP”), which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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

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

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

Furniture and equipment are depreciated using the straight-line method over the respective asset’s estimated useful life (ranging from 3-5 years). Leasehold improvements are depreciated using the straight-line method over the remaining life of the lease.

Taxes on Income – The School 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.

ALLEGIANT PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. 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 December 19, 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 obligations.

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.

NOTE 3 - NOTE PAYABLE

The School has a note payable to IFF bearing interest at 5.875%, with monthly payments of principal and interest totaling \$1,831, maturing November 2023. The outstanding balance of the note payable was \$28,282 and \$47,803 as of June 30, 2022 and 2021, respectively.

Principal maturities of notes payable are as follows for the years ending June 30:

2023	\$	20,776
2024		7,506
	\$	<u>28,282</u>

ALLEGIANT PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 4 - PAYCHECK PROTECTION PROGRAM

On May 15, 2020, the School qualified and received a loan totaling \$50,000 from CRF Small Business Loan Company, LLC pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The proceeds from PPP notes payable could be used for costs related to payroll, employee healthcare, rent, and utilities. Under the terms of the PPP, the loan funds would be forgiven if they were used for qualifying expenses as described in the CARES Act. The School evaluated the expenses to which these funds were applied and determined the loan requirements were met and therefore would be forgiven for the allowable expenses incurred. Allowable expenses incurred totaled \$2,176 during the year ended June 30, 2021. An additional \$47,824 in allowable expenses were incurred prior to July 1, 2020. The School elected to recognize the funds as a contribution in accordance with FASB ASC 958-605 by reflecting the amount of funds expended during the year as PPP loan forgiveness income. The School was notified during the year ended June 30, 2021 that the entire balance of the PPP loan was forgiven in full.

NOTE 5 - RETIREMENT PLAN

The School offers a 403(b) defined contribution retirement plan. All employees are eligible for benefits under the 403(b) plan. To receive matching contributions, employees must be at least 21 years old, have a minimum of 1,000 hours of service, and be employed on the last day of the plan year. The School may make discretionary contributions.

Total contributions by the School to the 403(b) plan were \$15,128 and \$4,314 during the years ended June 30, 2022 and 2021, respectively.

NOTE 6 - COMMITMENTS

The School operates under a charter granted by ICSB. As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to ICSB an administrative fee equal to 0.5% of state education support revenue. Payments under this charter agreement were \$3,877 and \$3,736 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 2023 and is renewable thereafter by mutual consent.

The charter agreement requires the School to establish an escrow of no less than \$30,000 should a dissolution occur. As of June 30, 2022 and 2021, this account has been established and is included in the balance of cash on the statements of financial position.

NOTE 7 - LEASES

The School leases its school building from an unrelated party. The lease included a free rent period, along with an escalation over the term of the lease, which ended June 30, 2022. In accordance with U.S. GAAP, the School was required to record rent expense using the straight-line method over the term of the lease. The difference between recorded rent expense and the actual cash outflow was presented on the statements of financial position as deferred rent payable. The School extended the building lease agreement to June 2023, with an option to extend an additional two years.

ALLEGIANT PREPARATORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 7 - LEASES, Continued

Total lease expense was \$61,665 and \$70,677 for the years ended June 30, 2022 and 2021, respectively.

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides education instruction services to families primarily residing in Marion County, 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.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at National Bank of Indianapolis are insured up to the FDIC insurance limit of \$250,000. As of June 30, 2022 and 2021 and regularly throughout the years then ended, funds held at National Bank of Indianapolis exceeded FDIC insurance limits.

NOTE 9 - LIQUIDITY

Financial assets include cash and grants receivable. Financial assets at June 30, 2022 and 2021 total \$533,498 and \$426,272, respectively, all of which are available to meet cash needs for general expenditures within a year, with the exception of the \$30,000 cash escrow account (Note 6).

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. 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.

ALLEGIANT PREPARATORY, INC.

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 Allegiant Preparatory, 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*.