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May 5, 2023

Charter School Board
Otwell Miller Academy, Inc.
9958 E. County Rd 150 N.
Otwell, IN 47564

We have reviewed the audit report of Otwell Miller Academy, 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 Otwell Miller Academy, 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 Otwell Miller Academy, 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 black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

OTWELL MILLER ACADEMY, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2022 and 2021



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Otwell Miller Academy, Inc.

Opinion

We have audited the financial statements of Otwell Miller Academy, 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 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 these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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
February 10, 2023

OTWELL MILLER ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 69,903	\$ 176,927
Grants receivable	<u>111,603</u>	<u>9,065</u>
<i>Total current assets</i>	<u>181,506</u>	<u>185,992</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	10,015	10,015
Textbooks	48,501	48,501
Vehicles	70,000	70,000
Leasehold improvements	28,386	28,386
Less: accumulated depreciation	<u>(107,329)</u>	<u>(84,916)</u>
<i>Property and equipment, net</i>	<u>49,573</u>	<u>71,986</u>
TOTAL ASSETS	<u><u>\$ 231,079</u></u>	<u><u>\$ 257,978</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of capital lease obligation	\$ -	\$ 15,600
Accounts payable and accrued expenses	<u>98,896</u>	<u>95,118</u>
<i>Total current liabilities</i>	98,896	110,718
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	<u>-</u>	<u>2,400</u>
<i>Total liabilities</i>	98,896	113,118
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>132,183</u>	<u>144,860</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 231,079</u></u>	<u><u>\$ 257,978</u></u>

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

OTWELL MILLER ACADEMY, 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	\$ 662,517	\$ 774,259
Grant revenue	482,770	242,624
Contributions	15,470	4,089
Student fees	8,578	9,619
Other income	192	1,493
	1,169,527	1,032,084
 <i>Total revenue and support</i>		
EXPENSES		
Program services	950,443	773,179
Management and general	231,761	229,586
	1,182,204	1,002,765
 <i>Total expenses</i>		
CHANGE IN NET ASSETS FROM OPERATIONS	(12,677)	29,319
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	-	20,052
CHANGE IN NET ASSETS	(12,677)	49,371
NET ASSETS, BEGINNING OF YEAR	144,860	95,489
NET ASSETS, END OF YEAR	\$ 132,183	\$ 144,860

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

OTWELL MILLER ACADEMY, 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	\$ 533,261	\$ 117,614	\$ 650,875	\$ 459,737	\$ 110,809	\$ 570,546
Professional services	59,710	71,134	130,844	5,206	83,383	88,589
Classroom, kitchen, and office supplies	89,906	3,369	93,275	42,746	253	42,999
Employee benefits	63,744	12,375	76,119	60,824	8,487	69,311
Food costs	73,834	-	73,834	65,941	-	65,941
Occupancy	64,960	-	64,960	59,868	-	59,868
Depreciation	22,413	-	22,413	20,887	-	20,887
Repairs and maintenance	21,725	-	21,725	37,533	-	37,533
Authorizer oversight fees	-	17,522	17,522	-	21,835	21,835
Information technology	11,454	-	11,454	5,130	-	5,130
Telephone	-	8,420	8,420	-	4,432	4,432
Insurance	4,663	1,327	5,990	3,222	387	3,609
Equipment	4,302	-	4,302	11,597	-	11,597
Other	471	-	471	488	-	488
<i>Total functional expenses</i>	<u>\$ 950,443</u>	<u>\$ 231,761</u>	<u>\$ 1,182,204</u>	<u>\$ 773,179</u>	<u>\$ 229,586</u>	<u>\$ 1,002,765</u>

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

OTWELL MILLER ACADEMY, 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	\$ (12,677)	\$ 49,371
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Paycheck Protection Program loan forgiveness income	-	(20,052)
Depreciation	22,413	20,887
Change in certain assets and liabilities:		
Grants receivable	(102,538)	7,945
Accounts payable and accrued expenses	<u>3,778</u>	<u>25,109</u>
<i>Net cash provided by (used in) operating activities</i>	(89,024)	83,260
INVESTING ACTIVITY		
Purchases of property and equipment	-	(28,386)
FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(18,000)</u>	<u>(14,300)</u>
NET CHANGE IN CASH	(107,024)	40,574
CASH, BEGINNING OF YEAR	<u>176,927</u>	<u>136,353</u>
CASH, END OF YEAR	<u>\$ 69,903</u>	<u>\$ 176,927</u>

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

OTWELL MILLER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Effective March 2017, the not-for-profit entity, Friends of Otwell Elementary, Ltd. (“Friends”), formed and incorporated a subsidiary, Otwell Miller Academy, Inc. (the “School”). The School is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School, sponsored by Grace College, serves students in kindergarten through fifth grade. The School served approximately 100 students during the 2021-2022 school year (110 in 2020-2021). The accompanying financial statements include only the activity of the subsidiary, Otwell Miller Academy, Inc.

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

- net assets without donor restrictions - which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions - which represent resources restricted by donors for specific time or purpose.

As of June 30, 2022 and 2021, the School had only net assets without donor restrictions.

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

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents 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 and minor replacement costs and equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Furniture and equipment	3 to 5 years
Textbooks	10 years
Vehicles	5 years
Leasehold improvements	15 years

OTWELL MILLER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – For tax filing purposes, the School’s activity is reported on the tax returns of Friends of Otwell Elementary, Ltd. Friends received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, it would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, the School had no unrelated business income and thus no accounting for federal and state income taxes was required to be included in the accompanying financial statements of the School.

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 February 10, 2023, 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

State Education Support – 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.

Grant Revenue – 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 purchase obligation.

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

Student Fees – Student fees are recognized in the year in which the services are rendered.

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

OTWELL MILLER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 3 - PAYCHECK PROTECTION PROGRAM

On April 28, 2020, the School was granted a loan totaling \$107,200 from Old National Bank pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act. Under the terms of the PPP, the loan funds would be forgiven if they are 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 \$20,052 during the year ended June 30, 2021. An additional \$87,148 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 as PPP loan forgiveness income during the years in which the loan requirements were met. The School received notification on March 22, 2021 the loan has been forgiven in full.

NOTE 4 - LEASES

The School entered into a financing agreement for two school buses. Total payments were \$70,000 over a period of 54 months. The lease did not explicitly state an interest rate. Management determined the imputed interest on this agreement was insignificant and therefore recorded the asset and related initial liability at \$70,000. The lease was accounted for as a capital lease obligation with a cost of \$70,000. As of June 30, 2022 and 2021, accumulated depreciation relating to these assets was \$50,000 and \$40,000, respectively. As of June 30, 2022, the lease was paid off.

The School leases a building under an operating lease with Friends, a related party. The lease is renewed annually in August. Base rent expense is \$3,500 per month. In addition, the School pays a share of the monthly expenses incurred by Friends.

NOTE 5 - RETIREMENT PLAN

The School provides retirement benefits covering teaching faculty. Retirement benefits are provided by the Indiana State Teachers’ Retirement Fund (“TRF”), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System (“INPRS”) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plan, the School contributes 7.5% of compensation for electing teaching faculty to TRF. Should the School elect to withdraw from TRF, the School could be subject to a withdrawal fee. The School’s contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2022, TRF was approximately 92% funded. Retirement plan expense was \$20,291 and \$21,758 for the years ended June 30, 2022 and 2021, respectively.

OTWELL MILLER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 6 - COMMITMENTS

The School operates under a charter granted by Grace College. As the sponsoring organization, Grace College exercises certain oversight responsibilities. Under this charter, the School has agreed to pay Grace College an annual administrative fee not to exceed 3% of state tuition support received. Expense under this charter agreement was \$17,522 and \$21,835 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2024 and is renewable thereafter by mutual consent.

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

NOTE 7 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to persons primarily residing in Otwell, Indiana and greater Pike County, 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 Old National Bank are insured up to the FDIC insurance limit.

NOTE 8 - LIQUIDITY

Financial assets held by the School include cash and grants receivable totaling \$181,506 and \$185,992 as of June 30, 2022 and 2021, respectively, all of which were available to meet cash needs for general expenditures within one year with the exception of \$30,000 in the dissolution 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.

OTWELL MILLER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 9 - 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.

OTWELL MILLER ACADEMY, 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 Otwell Miller Academy, 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*.