



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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May 9, 2023

Charter School Board
Lawrence County Independent Schools, Ltd
223 Old Farm Rd
Bedford, IN 47421

We have reviewed the audit report of Lawrence County Independent Schools, Ltd 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 Lawrence County Independent Schools, Ltd 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 Indiana 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

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Year Ended June 30, 2022



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Lawrence County Independent Schools, Ltd

Opinion

We have audited the accompanying financial statements of Lawrence County Independent Schools, Ltd (the "School"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit 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 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 the School's ability to continue as a going concern for one year after the date that 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 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 audit.

DONOVAN



Indianapolis, Indiana
January 23, 2023

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

CURRENT ASSETS

Cash	\$ 258,416
Grants receivable	175,379
Prepaid expenses	<u>55,157</u>
<i>Total current assets</i>	<u>488,952</u>

PROPERTY AND EQUIPMENT

Building and improvements	1,582,800
Less: accumulated depreciation	<u>(26,630)</u>
<i>Property and equipment, net</i>	<u>1,556,170</u>

TOTAL ASSETS

\$ 2,045,122

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of notes payable	\$ 36,686
Accounts payable and accrued expenses	<u>335,128</u>
<i>Total current liabilities</i>	<u>371,814</u>

LONG-TERM LIABILITIES

Notes payable, net of current portion	779,878
Less: unamortized debt issuance costs	<u>(16,524)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>763,354</u>
<i>Total liabilities</i>	1,135,168

NET ASSETS, WITHOUT DONOR RESTRICTIONS

909,954

TOTAL LIABILITIES AND NET ASSETS

\$ 2,045,122

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

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2022

REVENUE AND SUPPORT	
State education support	\$ 2,654,205
Grant revenue	598,404
Fundraising	14,158
Contributions	6,655
Student fees	590
Other income	<u>4,350</u>
<i>Total revenue and support</i>	<u>3,278,362</u>
 EXPENSES	
Program services	2,871,151
Management and general	<u>369,609</u>
<i>Total expenses</i>	<u>3,240,760</u>
 CHANGE IN NET ASSETS	 37,602
 NET ASSETS, BEGINNING OF YEAR	 <u>872,352</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 909,954</u></u>

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

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,465,906	\$ 207,943	\$ 1,673,849
Employee benefits	298,897	9,988	308,885
Classroom and office supplies	194,421	15,071	209,492
Equipment	200,765	-	200,765
Professional services	122,723	68,003	190,726
Transportation	190,518	-	190,518
Occupancy	119,272	788	120,060
Food costs	93,933	-	93,933
Repairs and maintenance	74,855	-	74,855
Authorizer fees	-	62,318	62,318
Interest	32,383	-	32,383
Insurance	29,751	-	29,751
Depreciation	26,630	-	26,630
Staff development and recruitment	11,280	-	11,280
Information technology	3,001	-	3,001
Travel	470	1,681	2,151
Other	6,346	3,817	10,163
	<u>6,346</u>	<u>3,817</u>	<u>10,163</u>
<i>Total functional expenses</i>	<u>\$ 2,871,151</u>	<u>\$ 369,609</u>	<u>\$ 3,240,760</u>

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

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

OPERATING ACTIVITIES

Change in net assets	\$ 37,602
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	26,630
Amortization of debt issuance costs included in interest expense	376
Changes in certain assets and liabilities:	
Grants receivable	(175,379)
Prepaid expenses	(55,157)
Accounts payable and accrued expenses	<u>335,128</u>
<i>Net cash provided by operating activities</i>	<u>169,200</u>

INVESTING ACTIVITIES

Purchases of property and equipment	<u>(632,800)</u>
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FINANCING ACTIVITIES

Proceeds from notes payable	1,259,852
Principal payments on notes payable	(655,388)
Debt issuance costs	<u>(16,900)</u>
<i>Net cash provided by financing activities</i>	<u>587,564</u>

NET CHANGE IN CASH 123,964

CASH, BEGINNING OF YEAR 134,452

CASH, END OF YEAR \$ 258,416

SUPPLEMENTAL INFORMATION

Cash paid for interest	\$ 32,007
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See independent auditors' report and accompanying notes to the financial statements

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Lawrence County Independent Schools, Ltd (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a public charter school on July 1, 2021 under Indiana Code 20-24 and is sponsored by Education One, LLC through Trine University ("Education One"). The School served approximately 300 students in grades kindergarten through eighth during the 2021-2022 school year.

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.

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

- net assets without donor restrictions, which includes 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, the School had only net assets without donor restrictions.

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

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 over \$5,000 that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small 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 (building and improvements over 40 years).

Debt Issuance Costs – The School incurred costs associated with securing financing for the remodeling of the school facility and to purchase necessary equipment. Total debt issuance costs incurred were \$16,900. Amortization was provided on a straight-line basis over the 15-year term of the related note payable and totaled \$376 for the year ended June 30, 2022. Unamortized bond issuance costs were \$16,524 as of June 30, 2022. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – The School has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2022, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions. 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 January 23, 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

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 paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A 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 under the grants is considered satisfaction of the performance obligation.

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

Student fees, including textbook rentals, are recognized in the year in which the services are rendered.

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

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 - PRIOR PERIOD FINANCIAL ACTIVITY

Prior to the year ended June 30, 2022, (the School's first year of operations), the School received funding through notes payable and contributions in anticipation of opening the School. The School also received a school building for \$1 with a value of \$950,000. The School's statement of financial position as of July 1, 2021 was as follows:

Cash	\$	134,452
Building		<u>950,000</u>
<i>Total assets</i>	\$	<u><u>1,084,452</u></u>
Notes payable	\$	212,100
Net assets		<u>872,352</u>
<i>Total liabilities and net assets</i>	\$	<u><u>1,084,452</u></u>

NOTE 4 - NOTES PAYABLE

The notes payable consisted of the following as of June 30, 2022:

Note payable to IFF, payable in monthly installments of \$6,666, including interest at 5.5% per annum, secured by substantially all assets of the School	\$	804,064
Note payable at no interest to a founding Board member, no stated repayment terms		<u>12,500</u>
		816,564
Less: current portion		<u>(36,686)</u>
Long-term portion	\$	<u><u>779,878</u></u>

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

2023	\$	36,686
2024		38,756
2025		40,942
2026		43,251
2027		45,691
Thereafter		<u>611,238</u>
	\$	<u><u>816,564</u></u>

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 5 - LEASE

The School leases 360 computers for use by students under an operating lease arrangement. Total lease payments under this agreement are \$92,629, of which \$42,353 was paid and expensed during the year ended June 30, 2022. Payments of \$25,138 are due each of the years ending June 30, 2023 and 2024 under this agreement.

NOTE 6 - RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans 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. The School contributed 6% of compensation for eligible teaching personnel to TRF during the year ended June 30, 2022. Should the School elect to withdraw from TRF, it 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, 2021 (the latest year reported), TRF was approximately 100% funded.

Total contributions to INPRS for TRF was \$69,503 during the year ended June 30, 2022.

School employees also have the option to participate in a 403(b) plan administered by an outside party. The School contributes 100% up to 3% of employee contributions to the 403(b) plan. For the year ended June 30, 2022, the School contributed \$65,553 of employer contributions.

NOTE 7 - COMMITMENT

The School operates under a charter agreement with Education One. As the sponsoring organization, Education One exercises certain oversight responsibilities. This charter agreement remains in effect until June 30, 2026 and is renewable thereafter by mutual consent. Education One assesses a fee in an amount equal to no more than 3% of the basic tuition amount received by the School. The fees were \$62,318 for the year ended June 30, 2022. In addition, the charter agreement required the School to establish an escrow account of \$50,000 should a dissolution occur, which has not been established as of June 30, 2022.

LAWRENCE COUNTY INDEPENDENT SCHOOLS, LTD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 8 - RISKS AND UNCERTAINTIES

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

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

Bank deposits are maintained at Old National Bank and are insured up to the FDIC insurance limit. As of June 30, 2022, and at times during the year, cash balances exceeded the FDIC insured limit.

NOTE 9 - LIQUIDITY

Financial assets held by the School include cash and grants receivable totaling \$433,795 as of June 30, 2022. Financial assets are entirely available to meet cash needs for general expenditures within one year.

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

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statement 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.