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May 10, 2023

Charter School Board
Circle City Preparatory, Inc.
4002 N Franklin Rd
Indianapolis, IN 46226

We have reviewed the audit report of Circle City 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 Circle City 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 Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Circle City Preparatory, Inc., was prepared in accordance with the 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

CIRCLE CITY PREPARATORY, 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
Circle City Preparatory, Inc.

Opinion

We have audited the financial statements of Circle City 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 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") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that 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 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 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 and *Government Auditing Standards*, 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

Our audits were 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 GAAS. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023 on our consideration of the School’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 the School’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 the School’s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana
January 10, 2023

CIRCLE CITY PREPARATORY, INC.**STATEMENTS OF FINANCIAL POSITION****June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 769,266	\$ 423,768
Grants receivable	385,831	228,006
Prepaid expenses	<u>9,000</u>	<u>45,000</u>
<i>Total current assets</i>	1,164,097	696,774
PROPERTY AND EQUIPMENT, NET	3,833,577	3,275,239
OTHER ASSETS		
Cash - restricted	<u>971,475</u>	<u>1,469,719</u>
TOTAL ASSETS	<u>\$ 5,969,149</u>	<u>\$ 5,441,732</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 55,000	\$ 45,000
Accounts payable and accrued expenses	327,915	112,008
Tenant security deposit	<u>-</u>	<u>30,000</u>
<i>Total current liabilities</i>	<u>382,915</u>	<u>187,008</u>
LONG-TERM LIABILITIES		
CIES debt service reserve fund liability	297,500	297,500
Bonds payable, net of current portion	4,680,000	4,735,000
Less: unamortized bond issuance costs	<u>(427,078)</u>	<u>(443,114)</u>
<i>Long-term liabilities, net of unamortized bond issuance costs</i>	<u>4,550,422</u>	<u>4,589,386</u>
<i>Total liabilities</i>	4,933,337	4,776,394
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>1,035,812</u>	<u>665,338</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,969,149</u>	<u>\$ 5,441,732</u>

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

CIRCLE CITY 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	\$ 2,149,438	\$ 1,770,455
Grant revenue	1,890,846	923,468
Contributions	465,180	26,222
Rental income	-	59,161
Other income	69,279	39,424
	<u>4,574,743</u>	<u>2,818,730</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	3,099,212	2,057,422
Management and general	1,105,057	737,584
	<u>4,204,269</u>	<u>2,795,006</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS FROM OPERATIONS	370,474	23,724
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	<u>-</u>	<u>8,677</u>
CHANGE IN NET ASSETS	370,474	32,401
NET ASSETS, BEGINNING OF YEAR	<u>665,338</u>	<u>632,937</u>
NET ASSETS, END OF YEAR	<u>\$ 1,035,812</u>	<u>\$ 665,338</u>

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

CIRCLE CITY 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	\$ 1,018,551	\$ 690,585	\$ 1,709,136	\$ 800,561	\$ 453,161	\$ 1,253,722
Employee benefits	187,697	192,751	380,448	102,556	95,044	197,600
Professional services	275,825	77,643	353,468	90,521	53,869	144,390
Interest	276,004	-	276,004	124,280	-	124,280
Repairs and maintenance	229,257	-	229,257	142,703	-	142,703
Classroom, kitchen, and office supplies	151,486	69,265	220,751	172,122	42,536	214,658
Food service	209,558	-	209,558	91,102	-	91,102
Depreciation	172,661	-	172,661	72,024	-	72,024
Equipment	150,701	-	150,701	94,473	-	94,473
Curriculum	150,087	-	150,087	98,262	-	98,262
Information technology services	86,650	13,243	99,893	28,325	11,521	39,846
Occupancy	80,907	-	80,907	167,782	-	167,782
Staff development	64,782	-	64,782	31,690	-	31,690
Insurance	34,336	-	34,336	38,351	-	38,351
Advertising	-	26,108	26,108	-	46,831	46,831
Travel	10,710	242	10,952	2,670	-	2,670
Authorizer oversight fee	-	9,457	9,457	-	7,153	7,153
Other	-	25,763	25,763	-	27,469	27,469
<i>Total functional expenses</i>	<u>\$ 3,099,212</u>	<u>\$ 1,105,057</u>	<u>\$ 4,204,269</u>	<u>\$ 2,057,422</u>	<u>\$ 737,584</u>	<u>\$ 2,795,006</u>

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

CIRCLE CITY 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	\$ 370,474	\$ 32,401
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Paycheck Protection Program loan forgiveness income	-	(8,677)
Depreciation	172,661	72,024
Amortization of bond issuance costs included in interest expense	16,036	6,442
Changes in certain assets and liabilities:		
Grants receivable	(157,825)	(55,468)
Prepaid expenses	36,000	(45,000)
Security deposit	(30,000)	10,000
Accounts payable and accrued expenses	215,907	(44,582)
Refundable advance - other	-	(9,251)
<i>Net cash provided by (used in) operating activities</i>	<u>623,253</u>	<u>(42,111)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(730,999)</u>	<u>(254,764)</u>
FINANCING ACTIVITIES		
Proceeds to establish debt service reserve fund	-	297,500
Proceeds from bond payable	-	1,348,144
Principal repayment on note payable	-	(57,239)
Principal repayment on bond payable	<u>(45,000)</u>	<u>-</u>
<i>Net cash provided by (used in) financing activities</i>	<u>(45,000)</u>	<u>1,588,405</u>
NET CHANGE IN CASH	(152,746)	1,291,530
CASH, BEGINNING OF YEAR	<u>1,893,487</u>	<u>601,957</u>
CASH, END OF YEAR	<u>\$ 1,740,741</u>	<u>\$ 1,893,487</u>
CASH, END OF YEAR		
Cash - unrestricted	\$ 769,266	\$ 423,768
Cash - restricted	<u>971,475</u>	<u>1,469,719</u>
<i>Total cash, end of year</i>	<u>\$ 1,740,741</u>	<u>\$ 1,893,487</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 261,018	\$ 92,475
Building and land purchased through bonds payable	-	3,012,300
Bond issuance costs financed through bonds payable	-	449,556

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Circle City 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 charter remains in effect until June 30, 2029 and is renewable thereafter by mutual consent. During the 2021-2022 school year, the School served approximately 265 students in kindergarten through fifth grade. During the 2020-2021 school year, the School served approximately 220 students in kindergarten through fourth grade. The School plans to grow one grade level per year until it serves kindergarten through eighth grade.

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.

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.

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

Grants Receivable – Grants receivable relate primarily to activities funded under federal 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 are 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:

Building and improvements	30 years
Furniture and equipment	5 years

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Bond Issuance Costs – During January 2021, the School incurred costs associated with securing financing under Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2021A (“Series 2021A Bonds”) and Revenue Bonds, Series 2021B (“Series 2021B Bonds”). Total bond issuance costs incurred with the 2021 transaction were \$449,556. Amortization is provided on the straight-line basis over the original 35-year term of the Series 2021 Bonds and totaled \$16,036 and \$6,442 for the years ended June 30, 2022 and 2021, respectively. Unamortized bond issuance costs were \$427,078 and \$443,114 as of June 30, 2022 and 2021, respectively.

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. Amortization expense is included in interest expense.

Advertising Costs – The School’s accounting policy pertaining to advertising is to expense costs as incurred. The School incurred \$26,108 and \$46,831 in advertising costs for the years ended June 30, 2022 and 2021, respectively.

Taxes on Income – The School has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions. The tax years ended after June 30, 2018 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through January 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.

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

NOTE 2 - REVENUE RECOGNITION

Revenue Recognition Policy – 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 grant is considered satisfaction of the performance obligations.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets during the year in which they are awarded. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

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

NOTE 3 - RESTRICTED CASH

Cash - restricted for project fund is reserved for improvements to the building.

Cash - restricted for debt service fund is reserved for the payment of principal and interest on the bonds in the event that no other funding is available to meet payment requirements. Included is \$297,500 provided by Center for Innovation Education Solutions, Inc. (“CIES”) as a credit enhancement. Upon full repayment or other termination of the bond debt, the School is obligated to repay the amount of the credit enhancement and has therefore recorded a long-term liability to reflect the obligation, which is reflected as a CIES debt service reserve fund liability on the statements of financial position.

Cash - restricted for bond fund is reserved for the payment of interest and principal.

Cash - restricted for property repairs and replacement was established with the bond proceeds and represents resources available for repairing and replacing facilities.

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

NOTE 3 - RESTRICTED CASH, Continued

Restricted cash is comprised of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Project fund	\$ 595,033	\$ 1,114,774
Debt service fund	297,500	297,500
Bond fund	51,934	48,445
Property repairs and replacement	<u>27,008</u>	<u>9,000</u>
	<u>\$ 971,475</u>	<u>\$ 1,469,719</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 237,700	\$ 237,700
Building and improvements	3,594,951	3,103,027
Furniture and equipment	<u>271,708</u>	<u>32,633</u>
	4,104,359	3,373,360
Less: accumulated depreciation	<u>(270,782)</u>	<u>(98,121)</u>
	<u>\$ 3,833,577</u>	<u>\$ 3,275,239</u>

NOTE 5 - BONDS PAYABLE

In January 2021, the School executed a transaction to purchase the building and furnishings that it previously leased. The building was purchased via Series 2021 Bonds, which have original amounts totaling \$4,780,000, with annual principal payments paid on the first of December each year. Interest payments are made semi-annually at 5% in accordance with the bond agreement. The bonds are secured by land, building, and improvements.

The bond agreement contains certain covenants, including:

- submission of audited financial statements within 150 days after the end of the fiscal year;
- a minimum 45 days' cash on hand as of each June 30;
- a minimum debt service coverage ratio of 1.15 to 1.00, measured annually, and;
- enrollment of at least 235 students, tested annually each October.

The School met all of the covenants as of June 30, 2022 with exception of submission of audited financial statements within 150 days after the end of the fiscal year. A waiver was received on this requirement.

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

NOTE 5 - BONDS PAYABLE, Continued

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

2023	\$	55,000
2024		60,000
2025		60,000
2026		65,000
2027		65,000
Thereafter		<u>4,430,000</u>
	\$	<u>4,735,000</u>

NOTE 6 - LEASE

The School leases certain equipment under operating leases. Total lease expense was \$61,816 and \$34,816 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments for all operating leases with initial non-cancellable lease terms in excess of one year are as follows for the years ending June 30:

2023	\$	54,663
2024		45,333
2025		36,003
2026		19,714

NOTE 7 - RENT INCOME

Upon the purchase of the building, the School acquired a tenant lease with \$10,000 monthly payments. The lease also resulted in a security deposit of \$30,000, which was transferred to the School. The lease expired on June 30, 2021 and was not renewed. Rent income under this agreement totaled \$59,161 during the year ended June 30, 2021.

NOTE 8 - COMMITMENT

The School operates under a charter granted by the ICSB. As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay ICSB an annual administrative fee equal to .5% of state tuition payments received. Payments under the charter agreement were \$9,457 and \$7,153 for the years ended June 30, 2022 and 2021, respectively.

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, this account has been established.

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

NOTE 9 - RETIREMENT PLAN

The School provides retirement benefits covering substantially all full-time employees. Employees are eligible to participate in a School-sponsored Section 403(b) plan. Under this plan, the School may, at its discretion, match full time employee contributions up to 3% of compensation, as defined in the plan document. The School contributed \$37,141 and \$20,160 to the plan for the years ended June 30, 2022 and 2021, respectively.

NOTE 10 - RISKS AND UNCERTAINTIES

The School provides educational instruction to students 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 The National Bank of Indianapolis and are insured up to the FDIC insurance limit. Cash balances at the end of the year and periodically throughout the year exceeded the FDIC insured limit.

NOTE 11 - LIQUIDITY

Financial assets available to meet cash needs for general expenditures include unrestricted cash and grants receivable, and excludes all restricted cash balances. Financial assets available to meet cash needs for general expenditures within one year totaled \$1,155,097 and \$651,774 as of June 30, 2022 and 2021, respectively, with the exception of the \$30,000 escrow account required by ICSB (Note 8).

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 12 - FUNCTIONAL EXPENSE REPORTING

The costs of providing 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.

SUPPLEMENTARY INFORMATION

CIRCLE CITY PREPARATORY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

<u>Federal Grantor Agency/ Pass-Through Entity/ Cluster Title/Program Title/ Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 63,464
National School Lunch Program	10.555		168,680
SNP Emergency Funds	10.555		<u>13,827</u>
<i>Total U.S. Department of Agriculture</i>			<u>245,971</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Education Agencies	84.010	S010A200014	50,876
Title I, Part A; Grants to Local Education Agencies	84.010	S010A210014	149,852
Title I: School Improvement Grants	84.377A		8,776
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A210013	15,433
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A200013	13,145
Title IV, Part A; Student Support and Academic Enrichment	84.424A	S424A210015	11,483
Charter School Program - Quality Counts	84.282A		98,556
Keys to Quality: Charter School Facilities Incentive Grant	84.282D		124,157
Special Education Cluster			
Special Education - Grants to States	84.027	22611-614-PN01	47,666
Special Education - Grants to States	84.027	22619-614-PN01	2,631
Special Education - Grants to States	84.027X	22611-614-ARP	15,272
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief	84.425D	S425D210013	311,912
Elementary and Secondary School Emergency Relief	84.425D	S425U200013	<u>455,865</u>
<i>Total U.S. Department of Education</i>			<u>1,305,624</u>
<i>Total federal awards expended</i>			<u>\$ 1,551,595</u>

See independent auditors' report and accompanying notes to this schedule

CIRCLE CITY PREPARATORY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Circle City Preparatory, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the 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”). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule 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.

NOTE 3 - INDIRECT COST RATE

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



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INDEPENDENT AUDITORS' REPORT 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

The Board of Directors
Circle City Preparatory, Inc.

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 Circle City Preparatory, Inc. (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, and have issued our report thereon dated January 10, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 the entity'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.

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Compliance and Other Matters

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

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized initial "D".

Indianapolis, Indiana
January 10, 2023



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors
Circle City Preparatory, Inc.

Report on Compliance for Each Major Federal Program

We have audited Circle City Preparatory, Inc.'s (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal programs based on our audit of the types of compliance requirements referred to above. 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of 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.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

DONOVAN



Indianapolis, Indiana
January 10, 2023

**CIRCLE CITY PREPARATORY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Education Stabilization Fund: Elementary and Secondary School Emergency Relief Fund

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

CIRCLE CITY PREPARATORY, INC.
OTHER REPORT
For the Year Ended June 30, 2022

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

Supplemental Audit Report of Circle City 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*.