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June 2, 2023

Charter School Board  
Ace Preparatory, Inc.  
5326 Hillside Ave.  
Indianapolis, IN 46220

We have reviewed the audit report of Ace 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 Ace 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 Ace 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

**ACE 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  
ACE Preparatory, Inc.

### **Opinion**

We have audited the accompanying financial statements of ACE 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 financial statements referred to above present fairly, in all material respects, the financial position 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 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022 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 signature is written in a cursive style with a large, stylized initial "D".

Indianapolis, Indiana  
December 21, 2022

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

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 379,895	\$ 138,109
Grants receivable	244,058	110,154
Prepaid expenses	<u>16,752</u>	<u>11,079</u>
<i>Total current assets</i>	<u>640,705</u>	<u>259,342</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	133,670	133,670
Furniture and equipment	308,850	278,093
Less: accumulated depreciation	(335,239)	(281,903)
Operating lease right-of-use asset	<u>3,310,405</u>	<u>-</u>
<i>Property and equipment, net</i>	<u>3,417,686</u>	<u>129,860</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,058,391</u></u>	<u><u>\$ 389,202</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of operating lease liability	\$ 52,967	\$ -
Accounts payable and accrued expenses	83,351	76,030
Construction costs payable	155,800	-
Factoring payable	<u>-</u>	<u>154,000</u>
<i>Total current liabilities</i>	292,118	230,030
<b>LONG TERM LIABILITY</b>		
Operating lease liability, net of current portion	3,294,034	-
Due to landlord	<u>-</u>	<u>66,943</u>
<i>Total liabilities</i>	3,586,152	296,973
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>472,239</u>	<u>92,229</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,058,391</u></u>	<u><u>\$ 389,202</u></u>

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

**ACE 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>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 1,127,955	\$ 1,152,478
Grant revenue	1,302,994	507,717
Contributions	34,158	43,253
Interest income	85	45
Other income	88,326	7,573
	<u>2,553,518</u>	<u>1,711,066</u>
<i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	1,769,259	1,330,890
Management and general	404,249	322,856
	<u>2,173,508</u>	<u>1,653,746</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS</b>	380,010	57,320
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>92,229</u>	<u>34,909</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 472,239</u>	<u>\$ 92,229</u>

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

**ACE 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	\$ 1,039,439	\$ 93,582	\$ 1,133,021	\$ 811,027	\$ 105,370	\$ 916,397
Occupancy	309,757	-	309,757	251,007	-	251,007
Professional services	59,734	140,892	200,626	27,183	84,720	111,903
Employee benefits	80,416	68,129	148,545	60,899	62,469	123,368
Food costs	105,814	-	105,814	30,512	-	30,512
Depreciation	53,336	-	53,336	80,719	-	80,719
Classroom and office supplies	33,427	13,234	46,661	16,883	4,466	21,349
Insurance	-	39,454	39,454	-	14,923	14,923
Textbooks and equipment	37,477	-	37,477	12,181	-	12,181
Information technology	24,853	-	24,853	25,319	-	25,319
Repairs and maintenance	18,541	-	18,541	15,160	-	15,160
Interest	-	13,777	13,777	-	20,854	20,854
Community relations	-	8,172	8,172	-	6,030	6,030
Field trips	6,465	-	6,465	-	-	-
Authorizer fees	-	5,398	5,398	-	5,241	5,241
Other	-	21,611	21,611	-	18,783	18,783
<i>Total functional expenses</i>	<u>\$ 1,769,259</u>	<u>\$ 404,249</u>	<u>\$ 2,173,508</u>	<u>\$ 1,330,890</u>	<u>\$ 322,856</u>	<u>\$ 1,653,746</u>

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

**ACE PREPARATORY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 380,010	\$ 57,320
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,336	80,719
Non-cash expense of operating lease right-of-use asset	36,596	-
Change in certain assets and liabilities:		
Grants receivable	(133,904)	(79,674)
Prepaid expenses	(5,673)	1,516
Accounts payable and accrued expenses	7,321	(5,883)
Due to landlord	<u>(66,943)</u>	<u>-</u>
<i>Net cash provided by operating activities</i>	<u>270,743</u>	<u>53,998</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(30,757)</u>	<u>(17,867)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from landlord for construction costs	155,800	-
Proceeds from (repayments on) receivables factoring, net	<u>(154,000)</u>	<u>87,200</u>
<i>Net cash provided by financing activities</i>	1,800	87,200
<b>NET CHANGE IN CASH</b>	241,786	123,331
<b>CASH, BEGINNING OF YEAR</b>	<u>138,109</u>	<u>14,778</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 379,895</u></u>	<u><u>\$ 138,109</u></u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 13,777	\$ 20,854

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – ACE 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 under Indiana Code 20-24 and is sponsored by the Indiana Charter School Board ("ICSB"). During the 2021-2022 school year, the School served approximately 150 students in kindergarten through fifth grade (165 students 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. At June 30, 2022, cash includes \$155,800 of funds received from the landlord to be used to remodel the cafeteria. The work was performed after year-end.

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 \$1,000 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. The estimated useful lives generally are as follows:

Leasehold improvements	5 years
Furniture and equipment	3 to 5 years

**ACE PREPARATORY, 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 – The School 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, 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. 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 21, 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 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.

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.

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

**NOTE 3 - LEASE**

Lease Accounting Standard – Effective December 2021, the School adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 replaced previous lease guidance under U.S. GAAP and aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statement of financial position and disclosing key information about leasing arrangements. The School has elected to apply the transition alternative allowed under ASU 2018-11. Under this election, the entity recognizes a cumulative effect adjustment to the opening balance of net assets as of the adoption date. Management determined no cumulative effect adjustment to net assets was necessary. The entity has applied the provisions of ASU 2016-02 as of the adoption date.

The School leased its facility from an unrelated party with monthly lease payments of \$20,000 through November 2021. Any amount over \$15,000 paid by the School was deposited into an account with the landlord to be used by the School for 1) capital improvements and 2) to offset the potential purchase of the property. In addition, the landlord could pay for certain maintenance and improvements beyond the amount the School had on deposit with the landlord. As of June 30, 2021, the School’s liability to the landlord totaled \$66,943, as the landlord had funded maintenance and improvements above the deposit account. During the year ended June 30, 2022, the liability was settled between the School and the landlord. Rent expense totaled \$100,000 and \$240,000 for the years ended June 30, 2022 and 2021, respectively.

During December 2021, the School and landlord entered into a long-term lease through June 30, 2042. The School determined the lease falls under ASU 2016-02 and as such recorded an asset and liability presented on the statement of financial position as an operating lease right-of-use asset and operating lease liability. The lease requires payments over the life of the lease increasing from payments of \$17,708 to \$27,700 per month. Rent expense is reported on a straight-line basis of \$22,936 per month. Rent expense under this lease totaled \$160,554 for the year ended June 30, 2022.

Future minimum payments under non-cancellable operating leases are as follows for the years ending June 30:

2023	\$	225,558
2024		232,733
2025		237,388
2026		242,135
2027		246,978
Thereafter		4,356,514
Total payments		<u>5,541,306</u>
Less: imputed interest at 5.25%		(2,230,901)
Add: straight-lining rent liability		<u>36,596</u>
Total operating lease liability		3,347,001
Less: current portion		<u>(52,967)</u>
Long-term portion	\$	<u><u>3,294,034</u></u>

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

**NOTE 4 - FACTORING PAYABLE**

The School has a Receivables Purchase Agreement (“RPA”) with Charter School Capital, Inc. (“CSC”) to sell, transfer, and otherwise convey to CSC without recourse all of the School’s rights, title, and interest in, to, and under certain basic grant and other receivables. Under the terms of the RPA, the School’s sale limit during the term of the RPA is a maximum of \$231,000 at any one time outstanding. The cost of factoring was approximately \$13,500 and \$19,500 for the years ended June 30, 2022 and 2021, respectively, and is included in interest expense. Outstanding receivables owed to CSC as of June 30, 2021 were \$154,000. There were no outstanding receivables owed to CSC as of June 30, 2022.

**NOTE 5 - RETIREMENT PLAN**

The School has established a retirement plan that allows employees to make salary deferral contributions and provides that the School will make contributions at its discretion. For the years ended June 30, 2022 and 2021, the School contributed a 3% match of defined compensation to each contributing employee’s retirement account. Retirement plan expenses were \$17,348 and \$9,072 for 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. The charter agreement remains in effect until June 30, 2026 and is renewable thereafter by mutual consent. ICSB assesses a fee in an amount equal to no more than 3% of the total amount received by the School. The fees were \$5,398 and \$5,241 for the years ended June 30, 2022 and 2021, respectively. In addition, the charter agreement requires the School to establish an escrow account of \$30,000 should a dissolution occur, which has been established and is included in cash on the statements of financial position.

**NOTE 7 - RISKS AND UNCERTAINTIES**

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

The majority of revenues relate to legislation enacted by the State of Indiana 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.

Cash deposits maintained at The National Bank of Indianapolis are insured up to the FDIC insurance limit of \$250,000. As of and throughout the years ended June 30, 2022 and 2021, cash balances exceeded the FDIC insurance limit.

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

**NOTE 8 - LIQUIDITY**

The School's financial assets include cash and grants receivable. Following is a schedule of financial assets and the ability thereof to meet cash needs for general expenditures as of June 30:

	<u>2022</u>	<u>2021</u>
Financial assets	\$ 623,953	\$ 248,263
Less: receivables factored as of June 30 (Note 4)	-	(154,000)
Less: cash to be used for Cafeteria remodel (Note 1)	(155,800)	-
Less: cash escrow held for dissolution (Note 6)	<u>(30,000)</u>	<u>(30,000)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$ <u>438,153</u>	 \$ <u>64,263</u>

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 9 - 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

**ACE 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		\$ 32,762
National School Lunch Program	10.555		74,814
<i>Total U.S. Department of Agriculture</i>			<u>107,576</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A;			
Grants to Local Educational Agencies	84.010	S010A210014	54,756
	84.010	S010A200014	7,080
Title II, Part A;			
Supporting Effective Instruction State Grants	84.367		16,800
Title IV, Part A;			
Student Support and Academic Enrichment	84.424		5,105
Special Education Cluster			
Special Education - Grants to States	84.027A	21611-597-PN01	5,997
Special Education - Grants to States	84.027A	22611-597-PN01	28,113
Special Education - Preschool Grants	84.173A	20619-597-PN01	241
Special Education - Preschool Grants	84.173A	21619-597-PN01	448
Special Education - Preschool Grants	84.173A	22619-597-PN01	437
Special Education - ARP	84.027X	22611-597-ARP	9,120
Special Education - ARP	84.027X	22619-597-ARP	681
Charter School Program: Quality Counts	84.282A		573,866
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund			
	84.425D	S425D200013	11,745
	84.425D	S425D210013	45,955
	84.425D	S425U210013	271,099
<i>Total U.S. Department of Education</i>			<u>1,031,443</u>
<i>Total federal awards expended</i>			<u>\$ 1,139,019</u>

See independent auditors' report and accompanying notes to this schedule

**ACE 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 ACE 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, changes 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.



**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  
ACE 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 ACE 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 December 21, 2022.

**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.

## **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, prominent initial "D".

Indianapolis, Indiana  
December 21, 2022



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

The Board of Directors  
ACE Preparatory, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited ACE Preparatory, Inc.'s (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget Compliance Supplement* that could have a direct and material effect on each of 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 each of 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the 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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Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

## 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

A handwritten signature in dark ink that reads "DONOVAN". The letters are stylized and cursive.

Indianapolis, Indiana  
December 21, 2022

**ACE 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 federal 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>
84.282A	Charter School Program: Quality Counts

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**II. Financial Statement Findings**

No matters were reportable.

**III. Federal Award Findings and Questioned Costs**

No matters were reportable.

**ACE 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 ACE 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*.