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STATE BOARD OF ACCOUNTS
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July 18, 2023

Charter School Board
Lighthouse Academies of Indiana, Inc.
d/b/a Victory College Prep.
1780 Sloan Avenue
Indianapolis, IN 46203

We have reviewed the audit report of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. 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 Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. 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 guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep., 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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.

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
Lighthouse Academies of Indiana, Inc.
d/b/a Victory College Prep.

Opinion

We have audited the financial statements of Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. (“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 (deficiency), 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 audits.
- 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 audits 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 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 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 letters are cursive and slightly slanted to the right.

Indianapolis, Indiana
December 21, 2022

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,379,977	\$ 2,568,518
Grants receivable	1,027,699	1,264,572
Prepaid expenses	<u>95,430</u>	<u>32,907</u>
<i>Total current assets</i>	<u>6,503,106</u>	<u>3,865,997</u>
PROPERTY AND EQUIPMENT, NET	<u>8,484,911</u>	<u>8,275,564</u>
OTHER ASSETS		
Cash - restricted for debt service	959,875	959,875
Cash - restricted for property repairs and replacement	<u>87,957</u>	<u>15,367</u>
<i>Total other assets</i>	<u>1,047,832</u>	<u>975,242</u>
TOTAL ASSETS	<u>\$ 16,035,849</u>	<u>\$ 13,116,803</u>
LIABILITIES AND NET ASSETS (DEFICIENCY)		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 175,000	\$ 150,000
Accounts payable and accrued expenses	<u>992,088</u>	<u>851,383</u>
<i>Total current liabilities</i>	<u>1,167,088</u>	<u>1,001,383</u>
LONG-TERM LIABILITIES		
CSFP debt service reserve fund liability	809,875	809,875
Bonds payable, net of current portion	13,510,000	13,685,000
Less: unamortized bond issuance costs	<u>(735,834)</u>	<u>(757,799)</u>
<i>Total long-term liabilities, net of unamortized bond issuance costs</i>	<u>13,584,041</u>	<u>13,737,076</u>
TOTAL LIABILITIES	<u>14,751,129</u>	<u>14,738,459</u>
NET ASSETS (DEFICIENCY), WITHOUT DONOR RESTRICTIONS		
Board-designated	1,000,000	-
Undesignated	<u>284,720</u>	<u>(1,621,656)</u>
<i>Total net assets</i>	<u>1,284,720</u>	<u>(1,621,656)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>\$ 16,035,849</u>	<u>\$ 13,116,803</u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State education support	\$ 7,778,931	\$ 7,591,062
Grant revenue	7,898,330	4,421,837
Contributions	10,107	20,425
Rent	80,000	244,381
Student fees	116,880	90,082
Interest	4,325	-
Other	43,265	43,628
	<u>15,931,838</u>	<u>12,411,415</u>
 EXPENSES		
Program services	11,603,345	10,157,490
Management and general	1,422,117	1,091,554
	<u>13,025,462</u>	<u>11,249,044</u>
<i>Total revenue and support</i>		
 CHANGE IN NET ASSETS FROM OPERATIONS	<u>2,906,376</u>	<u>1,162,371</u>
 OTHER INCOME AND EXPENSE		
Paycheck Protection Program loan forgiveness income	-	90,200
Premium on extinguishment of Series 2016 bond debt	-	(1,602,000)
Loss on sale of property	-	(1,996,774)
Loss on retirement of Series 2016 bond issuance costs	-	(219,270)
	<u>-</u>	<u>(3,727,844)</u>
<i>Total other income and expense</i>		
 CHANGE IN NET ASSETS	<u>2,906,376</u>	<u>(2,565,473)</u>
 NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	<u>(1,621,656)</u>	<u>943,817</u>
 NET ASSETS (DEFICIENCY), END OF YEAR	<u>\$ 1,284,720</u>	<u>\$ (1,621,656)</u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
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	\$ 6,128,542	\$ 761,838	\$ 6,890,380	\$ 4,904,215	\$ 552,231	\$ 5,456,446
Employee benefits	1,037,581	275,753	1,313,334	986,853	164,304	1,151,157
Transportation service	1,057,425	-	1,057,425	780,228	-	780,228
Occupancy	674,286	-	674,286	717,068	-	717,068
Interest	620,507	-	620,507	864,551	-	864,551
Classroom, kitchen, and office supplies	562,028	38,001	600,029	611,437	42,848	654,285
Depreciation	564,885	-	564,885	594,376	-	594,376
Food service	440,832	-	440,832	263,380	-	263,380
Other professional services	239,121	153,985	393,106	220,631	146,655	367,286
Staff development and recruitment	107,740	70,417	178,157	130,168	47,796	177,964
Authorizer fees	-	55,724	55,724	-	54,720	54,720
Property and textbook rental	42,967	-	42,967	28,750	-	28,750
Other	127,431	66,399	193,830	55,833	83,000	138,833
<i>Total functional expenses</i>	<u>\$ 11,603,345</u>	<u>\$ 1,422,117</u>	<u>\$ 13,025,462</u>	<u>\$ 10,157,490</u>	<u>\$ 1,091,554</u>	<u>\$ 11,249,044</u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.**d/b/a VICTORY COLLEGE PREP.****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	\$ 2,906,376	\$ (2,565,473)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	564,885	594,376
Amortization of bond issuance costs	21,965	10,983
Paycheck Protection Program loan forgiveness income	-	(90,200)
Premium on extinguishment of Series 2016 bond debt	-	1,602,000
Loss on sale of property	-	1,996,774
Loss on retirement of Series 2016 bond issuance costs	-	219,270
Changes in certain assets and liabilities:		
Grants receivable	236,873	(658,777)
Other receivables	-	91,022
Prepaid expenses	(62,523)	(32,639)
Accounts payable and accrued expenses	140,705	167,581
Security deposit	-	(10,000)
<i>Net cash provided by operating activities</i>	<u>3,808,281</u>	<u>1,324,917</u>
INVESTING ACTIVITIES		
Cash proceeds on sale of property	-	3,250,000
Premium on extinguishment of Series 2016 bond debt	-	(1,602,000)
Purchases of property and equipment	<u>(774,232)</u>	<u>(630,207)</u>
<i>Net cash provided by (used in) investing activities</i>	<u>(774,232)</u>	<u>1,017,793</u>
FINANCING ACTIVITIES		
Proceeds from CSFP to establish debt service reserve fund	-	809,875
Principal repayment of Series 2016 bonds payable	-	(16,285,000)
Proceeds from Series 2021 bonds payable	-	13,066,218
Principal repayment of note payable	-	(13,126)
Principal repayment of Series 2021 bonds payable	<u>(150,000)</u>	<u>-</u>
<i>Net cash used in financing activities</i>	<u>(150,000)</u>	<u>(2,422,033)</u>
NET CHANGE IN CASH	2,884,049	(79,323)
CASH, BEGINNING OF YEAR	<u>3,543,760</u>	<u>3,623,083</u>
CASH, END OF YEAR	<u>\$ 6,427,809</u>	<u>\$ 3,543,760</u>

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
STATEMENTS OF CASH FLOWS, Continued
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH, END OF YEAR		
Cash - unrestricted	\$ 5,379,977	\$ 2,568,518
Cash - restricted for debt service	959,875	959,875
Cash - restricted for property repairs and replacement	<u>87,957</u>	<u>15,367</u>
<i>Total cash, end of year</i>	<u>\$ 6,427,809</u>	<u>\$ 3,543,760</u>
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 598,542	\$ 958,201
Bond issuance costs financed through bonds payable	-	768,782

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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("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 Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2026 and is renewable thereafter by mutual consent. The School served approximately 950 students in grades kindergarten through twelve during the 2021-2022 school year (approximately 960 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 (deficiency) without donor restrictions.

Board-Designated Net Assets – The Board of Directors has designated a portion of the School's net assets for the purpose of having funds to cover bonds payable when they come due. The intention is to continue to add to this amount each year until the bonds mature (Note 6).

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

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents 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.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, minor replacement costs, and small equipment purchases with a unit cost of less than \$5,000 and a useful life of five years or less 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:

Buildings and improvements	30 years
Furniture and equipment	5 years
Vehicle	5 years

Bond Issuance Costs – During December 2016, the School incurred costs associated with securing financing under Indiana Finance Authority Educational Facilities Revenue Bonds (“Series 2016 Bonds”). Total bond issuance costs incurred with the 2016 transaction were \$250,595. Amortization was provided on a straight-line basis over the original 28-year term of the Series 2016 Bonds. In January 2021, the School retired the Series 2016 Bonds, and recorded a loss on retirement of Series 2016 Bonds issuance costs for the entire unamortized amount.

Simultaneously with the retirement of the Series 2016 Bonds, the School incurred costs associated with securing financing under Indiana Finance Authority Educational Facilities Refunding Revenue Bonds (“Series 2021 Bonds”). Total bond issuance costs incurred with the 2021 transaction were \$768,782. Amortization is provided on a straight-line basis over the 35-year term of the Series 2021 Bonds. Amortization expense was \$- and \$- during the years ended June 30, 2022 and 2021, respectively, and is included in interest expense.

As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, bond issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

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

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 examined this issue and 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.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events – The School evaluated subsequent events through December 31, 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 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 is 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 and these are recorded in accordance with the terms of the underlying agreements. Rent is recognized monthly as the performance obligation of providing facilities for use by the lessee is satisfied. Student fees are recognized in the year in which the services are rendered.

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

NOTE 3 - SALE OF BUILDING

In January 2021, the School sold a building and furnishings associated with the former Lighthouse Academies of Indiana, Inc. East location to another charter school that had been leasing the building from the School. The sale was executed through the Series 2021 Bonds transaction described in Note 6. Proceeds from the sale of the building and furnishings were \$3,250,000, which resulted in a loss on sale of property of \$1,996,774. This loss was financed through the Series 2021 Bonds.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 4 - RESTRICTED CASH

Cash - restricted for debt service is reserved for the payment of principal and interest on the bonds in the event other funding is unavailable to meet payment requirements. Included in *cash - restricted for debt service* is \$809,875 provided by Charter School Financing Partnership, LLC 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 CSFP debt service reserve fund liability on the statements of financial position.

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

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 130,000	\$ 130,000
Buildings and improvements	9,469,955	8,893,698
Furniture and equipment	1,678,550	1,480,575
Vehicle	36,668	36,668
	11,315,173	10,540,941
Less: accumulated depreciation	(2,830,262)	(2,265,377)
	\$ 8,484,911	\$ 8,275,564

NOTE 6 - BONDS PAYABLE

Prior to the establishment of Victory College Prep., Lighthouse Academies of Indiana, Inc. purchased facilities on the South and the East sides of Indianapolis, Indiana with proceeds from Series 2016 Bonds with original amounts totaling \$16,770,000. Principal was payable in annual installments that increased from \$235,000 to \$1,320,000, beginning in December 2018 and maturing in December 2044. Interest payments were made semi-annually at rates ranging from 6.25% to 7.25% in accordance with the bond agreements. The bonds were secured by land, buildings, and improvements.

Victory College Prep. assumed the Series 2016 Bonds when it took over operations of the former Lighthouse Academies of Indianapolis, Inc. South location. The operations of the former Lighthouse Academies of Indianapolis, Inc. East location ceased, and the building and its furnishings were leased to two separate charter schools.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 6 - BONDS PAYABLE, Continued

In January 2021, the School executed a transaction to sell the building and furnishings associated with the former Lighthouse Academies of Indiana, Inc. East location, retire the Series 2016 Bonds, and establish the Series 2021 Bonds. The School incurred a 10% call premium totaling \$1,602,000 to retire the Series 2016 Bonds. This call premium was financed through the Series 2021 Bonds.

The Series 2021 Bonds have original amounts totaling \$13,835,000 with principal payments that increase from \$150,000 to \$775,000 and maturing in December 2055. Interest payments are made semi-annually at 4.5% in accordance with the bond agreements. The bonds are secured by land, building, and improvements.

The bond agreement contains certain covenants requiring:

- 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 890 students, tested annually each October.

The School met all the covenants as of June 30, 2022 with the exception of timely submission of audited financial statements for which the School was granted an extension.

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

2023	\$	175,000
2024		180,000
2025		190,000
2026		200,000
2027		205,000
Thereafter		<u>12,735,000</u>
	\$	<u>13,685,000</u>

NOTE 7 - CARES ACT FUNDING

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes the Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from PPP notes payable could be used for costs related to payroll, employee healthcare, rent, and utilities. On April 10, 2020, the School was granted a loan from JPMorgan Chase Bank, N.A. in the amount of \$425,835, pursuant to the PPP under Division A, Title I of the CARES Act. Under the terms of the PPP, the loan proceeds would be forgiven if they are used for qualifying expenses as described in the CARES Act.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 7 - CARES ACT FUNDING, Continued

The School evaluated the expenses to which these funds were applied and determined the loan requirements were met and therefore would be forgiven for the allowable expenses incurred. Allowable expenses incurred totaled \$90,200 during the year ended June 30, 2021. An additional \$335,635 in allowable expenses were incurred prior to July 1, 2020. The School elected to recognize the funds as a contribution in accordance with FASB ASC 958-605 by reflecting the amount of funds expended during the year as PPP loan forgiveness income. On March 16, 2021, the School received notification of forgiveness of the full amount of the loan.

NOTE 8 - RENT INCOME

The School had an agreement to sublease portions of the building previously occupied by Indianapolis Lighthouse East to Circle City Preparatory, Inc. through June 30, 2021. In January 2021, Circle City Preparatory, Inc. purchased the building from the School, ending the lease. Rent income under this agreement totaled approximately \$160,000 for the year ended June 30, 2021.

The School entered into a separate lease-to-own equipment agreement with Geo Academies, Inc. The lease calls for quarterly payments of \$20,000, with possession of all equipment transferring to Geo Academies, Inc. upon termination of the agreement. Payments under this agreement are factored into the loss on sale of property reported on the statement of changes in net assets (deficiency) during the year ended June 30, 2021. Rent income under this agreement totaled \$80,000 for the year ended June 30, 2022.

NOTE 9 - RETIREMENT PLAN

The School offers a Section 401(k) plan to its employees. Under the plan, the School matches 100% of employee contributions up to 4% of compensation for the plan year. Additional contributions are allowed at the discretion of the School's Board of Directors. No discretionary contributions were made during the years ended June 30, 2022 or 2021. Retirement plan expense was \$243,366 and \$172,669 for the years ended June 30, 2022 and 2021, respectively.

NOTE 10 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Marion and surrounding counties of 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.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 10 - RISKS AND UNCERTAINTIES, Continued

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2022 and 2021, substantially all receivable balances were due from the State of Indiana. Cash deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and are insured up to the FDIC insurance limit of \$250,000. Funds held at these financial institutions exceeded the FDIC insurance limit as of and during the years ended June 30, 2022 and 2021.

NOTE 11 - COMMITMENTS

As the sponsoring organization, OEI exercises certain oversight responsibilities. OEI assesses a fee equal to 1% of the basic tuition support received by the School. The fees totaled \$55,724 and \$54,720 for the years ended June 30, 2022 and 2021, respectively.

NOTE 12 - LIQUIDITY

The School's financial assets include cash (excluding restricted cash that is not available for general operating activities) and grants receivable totaling \$6,407,676 and \$3,833,090 as of June 30, 2022 and 2021, respectively, all of which is available to meet cash needs for general expenditures within a 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 13 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets (deficiency). 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

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
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		\$ 181,972
National School Lunch Program	10.555		<u>509,073</u>
<i>Total U.S. Department of Agriculture</i>			<u>691,045</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	S010A210014	214,660
Title I, Part A; Grants to Local Education Agencies	84.010	S010A200014	757,320
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A210013	65,516
Title IV, Part A; Student Support and Academic Enrichment	84.424	S424A210015	68,858
Special Education Cluster			
Special Education Grants to States	84.027	22611-516-PN01	203,964
Individuals with Disabilities Education Act/ American Rescue Plan of 2021	84.027X	22611-516-ARP	60,057
Individuals with Disabilities Education Act/ American Rescue Plan of 2021	84.173X	22619-516-ARP	4,485
Keys to Quality: Charter School Facilities Incentive Grant	84.282D		384,186
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief	84.425D	S425D210013	2,116,281
Elementary and Secondary School Emergency Relief	84.425D	S425U210013	<u>1,101,357</u>
<i>Total U.S. Department of Education</i>			<u>4,976,684</u>
<i>Total federal awards expended</i>			<u>\$ 5,667,729</u>

See independent auditors' report and accompanying notes to this schedule

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
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 Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("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 (deficiency), 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
Lighthouse Academies of Indiana, Inc.
d/b/a Victory College Prep.

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 Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. ("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 (deficiency), 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, stylized 'D'.

Indianapolis, Indiana
December 21, 2021



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
Lighthouse Academies of Indiana, Inc.

Report on Compliance for Each Major Federal Program

We have audited Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep.'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
December 21, 2022

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
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
84.010	Title I, Part A

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

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

LIGHTHOUSE ACADEMIES OF INDIANA, INC.
d/b/a VICTORY COLLEGE PREP.
OTHER REPORT
For the Year Ended June 30, 2022

The reports presented herein were prepared in addition to another official report prepared for Lighthouse Academies of Indiana, Inc. d/b/a Victory College Prep. as listed below:

Supplemental Audit Report of Lighthouse Academies of Indiana, Inc.
d/b/a Victory College Prep.

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*.