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July 19, 2023

Charter School Board
Smith Academy for Excellence, Inc.
725 W Washington Blvd
Fort Wayne, IN 46802

We have reviewed the audit report of Smith Academy for Excellence, Inc. which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Smith Academy for Excellence, 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, CliftonLarsonAllen LLP prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

SMITH ACADEMY FOR EXCELLENCE, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022



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**SMITH ACADEMY FOR EXCELLENCE, INC.
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YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Smith Academy for Excellence, Inc.
Fort Wayne, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Smith Academy for Excellence, Inc. (the Academy), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy'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 Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Indianapolis, Indiana
March 22, 2023

SMITH ACADEMY FOR EXCELLENCE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash	\$ 402,244
Accounts Receivable:	
Grants Receivable	83,135
Contributions Receivable, Net	97,435
Prepaid Expenses	5,500
Total Current Assets	588,314

PROPERTY AND EQUIPMENT

Land	34,000
Construction in Progress	95,542
Buildings and Improvements	38,800
Furniture and Fixtures	238,702
Less: Accumulated Depreciation	(224,100)
Property and Equipment, Net	182,944

OTHER ASSETS

Cash Restricted Dissolution	30,000
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Total Assets	\$ 801,258
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 52,529
Deferred Revenue	6,435
Total Current Liabilities	58,964

NET ASSETS

Without Donor Restrictions	499,602
Board-Designated Net Assets	30,000
Total Without Donor Restrictions	529,602
With Donor Restrictions	212,692
Total Net Assets	742,294

Total Liabilities and Net Assets	\$ 801,258
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See accompanying Notes to Financial Statements.

SMITH ACADEMY FOR EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
State Education Support	\$ 684,469	\$ -	\$ 684,469
Grant Revenue	449,332	-	449,332
Student Fees	1,554	-	1,554
Contribution Income	3,704	157,384	161,088
In-Kind Contributions	1,500	-	1,500
Gain on Disposal of Property and Equipment	2,276	-	2,276
Net Assets Released from Restriction	6,693	(6,693)	-
Total Revenue and Support	1,149,528	150,691	1,300,219
EXPENSES			
Program Services:			
Educational Instruction	388,951	-	388,951
Educational Support	18,333	-	18,333
Food Service	65,114	-	65,114
Total Program Services	472,398	-	472,398
Supporting Services:			
Support Services	266,258	-	266,258
Central Services	21,753	-	21,753
Community Services	105,933	-	105,933
Operation and Maintenance	27,334	-	27,334
Transportation	32,922	-	32,922
Rent	66,000	-	66,000
Depreciation	9,304	-	9,304
Total Supporting Services	529,504	-	529,504
Total Expenses	1,001,902	-	1,001,902
CHANGE IN NET ASSETS	147,626	150,691	298,317
Net Assets - Beginning of Year	381,976	62,001	443,977
NET ASSETS - END OF YEAR	\$ 529,602	\$ 212,692	\$ 742,294

See accompanying Notes to Financial Statements.

SMITH ACADEMY FOR EXCELLENCE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 298,317
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Depreciation	9,304
Gain on Disposal of Property and Equipment	(2,276)
Changes in Operating Assets and Liabilities:	
Accounts Receivable	4,851
Grants Receivable	(64,609)
Contributions Receivable	(97,435)
Prepaid Expenses	(5,500)
Accounts Payable and Accrued Expenses	1,635
Deferred Revenue	6,435
Other Accrued Liabilities	7,693
Net Cash Provided by Operating Activities	<u>158,415</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Equipment	3,000
Purchases of Property and Equipment	<u>(72,872)</u>
Net Cash Used by Operating Activities	<u>(69,872)</u>
NET CHANGE IN CASH	88,543
Cash - Beginning of Year	<u>343,701</u>
CASH - END OF YEAR	<u>\$ 432,244</u>

See accompanying Notes to Financial Statements.

SMITH ACADEMY FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Smith Academy for Excellence, Inc. (the Academy) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The Academy operates a public charter school established under Indiana Code 20-24 and is sponsored by Grace College. During the 2021-2022 school year, The Academy served approximately 76 students in grades four to twelve. The Academy has entered into a management agreement The Leona Group, LLC, a limited liability company organized in the state of Michigan, to provide educational programming, personnel functions, building operations, and business administration services.

Basis of Accounting

The financial statements of the Academy have been prepared on the accrual basis in accordance with generally accepted accounting principles as applied to nonprofit organizations.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the Academy 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 portion of the Academy's revenue is the product of cost reimbursement grants. Therefore, the Academy recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2022, the Academy had \$6,435 of conditional grants that had not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees and other income is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Amounts received prior to the service being performed are reported as deferred revenue in the statement of financial position. As of June 30, 2022 and 2021, the Academy did not have any such deferred revenue.

SMITH ACADEMY FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Academy receives income from contributions and grants that support certain Academy activities. Such revenue received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. The Academy reports gifts of cash and other assets and grants 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 time restriction ends or purposes' restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restriction. As of June 30, 2022, the Academy had \$97,435 of unconditional promises to give from one donor, net of present value discount, due in annual installments of \$50,000 during the next two fiscal years ending June 30, 2023 and 2024, respectively. The Academy believes no allowance for doubtful accounts is deemed necessary given communication with the donor and payments made through June 30, 2022.

Gifts of land, buildings, equipment, and other long-lived assets are reported as without donor restriction revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as with donor restriction revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restriction are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at fair value determined using the discounted present value of estimated future cash flows technique. Conditional gifts, which are conditioned upon certain performance requirements and/or incurrence of qualifying expenses, are not recognized until the conditions on which they depend are substantially met. As of June 30, 2022, the Academy had no such conditional funding received and deferred. As of June 30, 2022, the Academy had \$1,000,000 of conditional gifts that had not yet been received.

In-Kind Contributions

In addition to receiving cash contributions, the Academy receives in-kind contributions. The Academy records the value of donated goods or services when there is an objective basis available to measure their value. The valued donated stocks, materials, and equipment are reflected as contributions at their estimated values at date of receipt, based upon market values provided by the donors. All in-kind contributions are treated as noncash transactions for the purpose of the statements of cash flows. The Academy received \$1,500 of donated goods during the year ended June 30, 2022.

SMITH ACADEMY FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents

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

Grants Receivable

Grants receivable relate primarily to activities funded under federal programs. The Academy believes that 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. Contributed property and equipment are capitalized at fair value at the time of donation. Routine maintenance and repairs, and minor replacement costs are charged to expense as incurred.

The Academy's minimum cost thresholds for capitalization are as follows:

		<u>Group Purchase</u>
Leasehold Improvements	\$25,000	
Site Improvements	25,000	
Furniture and Fixtures	5,000	\$12,500
Computers	5,000	12,500
School Buses	5,000	
Educational Media & Textbooks	5,000	

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	3-15 Years
Site Improvements	15 Years
Furniture and Fixtures	3 to 6 Years
Computers	3 Years
School Buses	8 Years
Educational Media and Textbooks	5 Years

Long-Lived Asset Impairment

The Academy evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022.

SMITH ACADEMY FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

The Academy 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 Academy would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2022, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the Academy 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 Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2017 are open to audit for both federal and state purposes.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SMITH ACADEMY FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principles

In September 2020, FASB issued Accounting Standards (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendment to this ASU requires Not-for-Profits to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) include a disclosure of the disaggregation of the amount of contributed nonfinancial assets recognized by category that depicts the type of contributed nonfinancial assets.

Recently Issued Accounting Pronouncements

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This update increases the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Management is evaluating the impact of this standard on the Academy.

Subsequent Events

The Academy evaluated subsequent events through March 22, 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 consolidated financial statements or related disclosures would be required.

Subsequent to year-end, in October 2022 the Academy received a grant of \$500,000 from a local foundation for their building expansion.

NOTE 2 GRANTS RECEIVABLES

Grants receivables as of June 30, 2022 represents amounts due from the following sources:

Grants Receivable:	
Alternative Education	\$ 36,000
Breakfast Reimbursement	1,500
Lunch Reimbursement	4,115
Snack Reimbursement	770
Title I	14,760
IDEA	4,114
Esser II	21,063
Esser III	813
Total	\$ 83,135

SMITH ACADEMY FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2022:

Building Expansion	\$ 208,084
RMSM	2,558
Rev. Rutledge	1,050
Guntle Memorial Fund	1,000
	<u>\$ 212,692</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors. During the year ended June 30, 2022, \$6,693 of net assets were released from restriction due to the satisfaction of their purpose restriction.

NOTE 4 LEASES

The Academy leases its Academy facilities. In June 2020, the Academy executed a one-year lease with St. John Evangelical Lutheran Church, an Indiana Nonprofit corporation. Under the lease, the Academy is responsible for its share of real estate taxes, maintenance, insurance, and utilities. On May 25, 2021, the Academy signed a lease agreement which extended the lease expiration date to June 30, 2023 and increased the lease expense to \$66,000 per year. Lease expense under this lease agreement was \$66,000 for the year ended June 30, 2022. Future minimum lease payments under this agreement are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	<u>\$ 66,000</u>

NOTE 5 COMMITMENTS

The Academy has executed a management agreement with the Leona Group, LLC. Under this agreement, The Leona Group provides management, administrative, and educational programming services for the Academy. The agreement remains in effect so long as the Academy maintains its charter, but may be terminated by either party with appropriate advance notice. Under this agreement, the Academy has agreed to pay The Leona Group a fee equal to 8% of revenue, as defined, for such services payable in monthly installments. Aggregate payments to The Leona Group under this agreement were \$60,818 for the year ended June 30, 2022.

SMITH ACADEMY FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 COMMITMENTS (CONTINUED)

The Academy operates under a charter granted by Grace College. As the sponsoring organization, Grace College exercises certain oversight responsibilities. Under this charter, the Academy has agreed to pay to Grace College an annual administrative fee equal to 3% of state tuition support received by the Academy. The charter, which was granted in 2021 remained in effect until June 30, 2019, which was renewed for five additional school years and remains in effect until June 30, 2024. Expense under this charter agreement was \$17,237 for the years ended June 30, 2022. The Academy, under this charter, has agreed to maintain an escrow account of no less than \$30,000 to pay for legal, wind down of operations, and audit expenses that would be associated with a dissolution shall it occur.

NOTE 6 RETIREMENT PLAN

The Academy participates in a Section 401(k) retirement plan sponsored by The Leona Group, LLC for the benefit of the employees. Under the plan, the Academy will match 100% of employee contributions not to exceed 6% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made during the year ended June 30, 2022. The Academy had \$13,096 retirement plan expense for the year ended June 30, 2022.

NOTE 7 RISKS AND UNCERTAINTIES

The Academy provides educational instruction services to families residing in Allen 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 Academy. Additionally, the Academy is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the Academy.

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022, substantially all of the grant receivable balance was due from the state of Indiana. In addition, deposits maintained at Citizens Bank and Chase Bank are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceed the FDIC insurance limit. To date, the Academy has not experienced losses in any of these accounts.

SMITH ACADEMY FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 RISKS AND UNCERTAINTIES (CONTINUED)

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the Academy, COVID-19 has impacted various parts of its operations and financial results, including an increased demand for virtual learning options and additional grant funding opportunities. Management believes the Academy is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 8 CONCENTRATIONS

During the year ended June 30, 2022, approximately 91% of total contribution income was received from one donor.

NOTE 9 LIQUIDITY

Under ASU 2016-14, the Academy is required to disclose the assets it has available to meet its cash needs for general expenditures within one year of the date of the consolidated statement of financial position. Financial assets for the Academy include cash, grants receivables, and contributions receivables as noted below at June 30, 2022:

Financial Assets	\$ 612,814
Less: Those Unavailable for General Expenditures Within One Year	
Restricted by Donor With Time or Purpose	(212,692)
Board Designated - Cash Restricted Dissolution	<u>(30,000)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 370,122</u></u>

From time to time, the Academy receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Academy 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 Academy'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.

SMITH ACADEMY FOR EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 RELATED PARTIES

A board member of the Academy is related to two employees of the Academy. The Board member abstains from voting and does not participate in any discussions regarding employment or discipline matters of the related employees as prescribed in the Academy's conflict of interest policy. Total paid to these employees was \$127,500 for the year ended June 30, 2022.

NOTE 11 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Management of the Academy 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. Following is a summary of expenses comprising each program and service for the year ended June 20, 2022.

	Educational Instruction	Education Support	Food Service Support	Supporting Services	Total
Salaries and Employee Benefits	\$ 356,327	\$ 17,667	\$ 13,701	\$ 294,048	\$ 681,743
Professional Services	-	666	3,332	31,812	35,810
Academic Services	-	-	-	60,818	60,818
Authorizer Oversight Fee	-	-	-	17,237	17,237
Food Costs	-	-	30,572	-	30,572
Transportation Service	-	-	-	1,406	1,406
Repairs and Maintenance	-	-	-	4,836	4,836
Classroom, Kitchen, and Office Supplies	32,494	-	17,283	12,635	62,412
Occupancy	-	-	-	17,324	17,324
Rent	-	-	-	66,000	66,000
Insurance	-	-	-	12,880	12,880
Depreciation	-	-	-	9,304	9,304
Other	130	-	226	1,204	1,560
Total Functional Expenses	<u>\$ 388,951</u>	<u>\$ 18,333</u>	<u>\$ 65,114</u>	<u>\$ 529,504</u>	<u>\$ 1,001,902</u>

**SMITH ACADEMY FOR EXCELLENCE, INC.
OTHER REPORT
JUNE 30, 2022**

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

Supplemental Audit Report of Smith Academy for Excellence, 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*.



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