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STATE OF INDIANA

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December 29, 2015

Charter School Board
Options Charter School – Carmel, Inc.
530 West Carmel Drive
Carmel, IN 46034

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Options Charter School – Carmel, Inc., as of June 30, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Financial Statements

June 30, 2015 and 2014

Fitzgerald Isaac LLC
Certified Public Accountants

OPTIONS CHARTER SCHOOL - CARMEL, INC.

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Fitzgerald Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Options Charter School – Carmel, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Options Charter School – Carmel, Inc.**, which comprise of statements of financial position as of June 30, 2015 and 2014, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Options Charter School – Carmel, Inc.** as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
October 2, 2015

OPTIONS CHARTER SCHOOL - CARMEL, INC.

Statements of Financial Position

Assets	June 30 2015	June 30 2014
Current assets:		
Cash	$ 351,221	92,076
Accounts receivable:		
Grants	2,340	-
Other	-	862
Total current assets	353,561	92,938
Property and equipment:		
Leasehold improvements	75,473	49,121
Furniture and equipment	479,531	467,816
Less: accumulated depreciation	(504,268)	(494,433)
Property and equipment, net	50,736	22,504
	$ 404,297	115,442
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 89,451	78,529
Due to Options Charter School - Noblesville	16,904	16,904
Total current liabilities	106,355	95,433
Unrestricted net assets	297,942	20,009
	$ 404,297	115,442

See accompanying notes to financial statements.

OPTIONS CHARTER SCHOOL - CARMEL, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2015	2014
State education support	$ 1,328,060	1,140,693
Grant revenue	167,433	91,284
Student fees	6,284	8,281
Contributions	15,810	7,997
Other income	260	149
Total revenue and support	1,517,847	1,248,404
Expenses		
Program services	691,936	721,170
Management and general	547,978	429,349
Total expenses	1,239,914	1,150,519
Change in net assets	277,933	97,885
Net assets (deficiency), beginning of year	20,009	(77,876)
Net assets, end of year	$ 297,942	20,009

See accompanying notes to financial statements.

OPTIONS CHARTER SCHOOL - CARMEL, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2015	2014
Change in net assets	$ 277,933	97,885
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	9,836	22,580
Change in:		
Accounts receivable	(1,478)	7,261
Prepaid expense	-	13,308
Accounts payable and accrued expenses	10,922	(11,928)
Refundable advances	-	(5,304)
Net cash provided by operating activities	297,213	123,802
Investing Activities		
Acquisition of property and equipment	(38,068)	(16,566)
Net cash used by investing activities	(38,068)	(16,566)
Financing Activities		
Proceeds from note payable, net of repayments	-	(28,500)
Net cash used by financing activities	-	(28,500)
Net increase in cash	259,145	78,736
Cash, beginning of year	92,076	13,340
Cash, end of year	$ 351,221	92,076
Supplemental disclosures:		
Cash payments for interest expense	$ -	1,289

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

General

Options Charter School – Carmel, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School serves students in grades nine to twelve by providing an alternative to the traditional high school program.

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 generally 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 educational services are rendered.

A 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.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Options Charter School – Carmel, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax exempt purpose. For the years ended June 30, 2015 and 2014, 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 that there are no material contingent tax liabilities or questionable tax positions. The tax years ending after 2011 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of these 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 equipment purchases with a unit cost of less than $500 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............................	40 years
Furniture and equipment	3 to 7 years

Subsequent Events

The School evaluated subsequent events through October 2, 2015, 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.

(2) Note Payable

The School has a $75,000 revolving line-of-credit with First Merchants Bank. Drawings against the line of credit bear interest at 2.5% above the lender's prime rate and are secured by all business assets. There was no balance outstanding under the line of credit as of June 30, 2015 or June 30, 2014.

(3) Leases

The School leases its facility and certain items of office equipment under operating leases. The facility lease requires monthly payments over a twelve year term and provides that the School pay for the costs of its improvements as well as its proportionate share of real estate taxes and operating expenses. The School also pays to Options Charter School – Noblesville, Inc. an amount of $1,725 per month relating to its share of rent on the administrative offices. Expense under operating leases was $206,872 and $228,218 for the years ended June 30, 2015 and 2014, respectively. Future minimum lease obligations are as follows:

Year Ending June 30:	
2016	$142,464
2017	146,801
2018	148,021
2019	149,398
2020	125,695
2021	130,673

(4) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was $24,667 and $22,685 for the years ended June 30, 2015 and 2014, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

(5) Related Parties

The School is related to Options Charter School – Noblesville, Inc. in that they have a common board of directors. The schools advance amounts to each other as needed to meet cash flow requirements. The net balance owing to Options Charter School – Noblesville, Inc. as of June 30, 2015 and 2014 was $16,904. The School is also contingently liable as a guarantor with respect to a $75,000 line-of-credit maintained by Options Charter School – Noblesville, Inc. At June 30, 2015 and 2014, there was no balance outstanding under the line-of-credit.

The School is also affiliated with Options in Education Foundation, Inc. (the "Foundation") in that the Foundation and the School have certain over-lapping board members and that the Foundation solicits support and assistance to benefit the School. In the years ended June 30, 2015 and 2014, the School received financial assistance from the Foundation in the amounts of $15,810 and $7,997, respectively.

(6) Retirement Plans

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 10.5% of compensation for electing teaching faculty to TRF and 11.2% of compensation for other electing employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2014 (the latest year reported), both TRF and PERF were more than 80% funded. A copy of the complete annual report for the year ended June 30, 2014 can be obtained at:

www.in.gov/inprs/files/2014INPRSCAFRBook_Web.pdf

Employees can also elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. The School contributes 10.5% of participant compensation to the 403(b) plan. Retirement plan expense was $77,307 and $67,352 for the years ended June 30, 2015 and 2014, respectively.

(7) Risks and Uncertainties

The School provides educational instruction services to families residing in Hamilton 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.

Financial instruments that potentially subject the School to concentration of credit risk consist principally of receivables from the State of Indiana. At June 30, 2015 and 2014, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits are maintained at First Merchants Bank and are insured up to the FDIC insurance limit.

(8) Functional Expense Reporting

The costs of providing educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and/or service for the years ended June 30, 2015 and 2014:

	2015	
	Program Services	Management and General
Salaries, wages and employee benefits	$409,179	412,864
Professional services	14,207	39,139
Authorizer oversight fee	-	24,667
Transportation	916	924
Equipment	12,470	-
Classroom and office supplies	15,820	15,963
Occupancy	213,287	28,398
Depreciation	8,680	1,156
Insurance	-	13,689
Other	17,377	11,178
	$691,936	547,978

(8) Functional Expense Reporting, Continued

	2014	
	Program Services	Management and General
Salaries, wages and employee benefits	$423,165	332,787
Professional services	8,467	10,542
Authorizer oversight fee	-	22,685
Transportation	610	480
Equipment	13,631	-
Classroom and office supplies	16,418	12,912
Occupancy	223,987	29,823
Depreciation	19,926	2,654
Interest	-	1,289
Insurance	-	9,439
Other	14,966	6,738
	$721,170	429,349

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Exit Conference

Year Ended June 30, 2015

The contents of this report were discussed on October 14, 2015 with Danny Marsh (Contracted Accountant), Sherrie Bly (Treasurer), Mike Gustin (President), and Andrew Ault (Board Member).