



# Donovan CPAs

June 25, 2020

Dear Valued Client,

Welcome to the start of another year! We are excited to work with your school this fall to complete the 2019-2020 audit. Attached is the engagement letter for the upcoming audit. Please print and sign a copy of the engagement letter and return it to your primary contact at Donovan.

As you are well aware, charter schools in Indiana are subject to increasing oversight in an effort to ensure financial propriety of federal and state funds. As your auditors, we act in partnership with your school, your authorizer, the Indiana Department of Education, and the Indiana State Board of Accounts to help meet this objective. The 2019-2020 audit will look different than past audits due primarily to new testing required by the Indiana State Board of Accounts impacting testing of student enrollment numbers, or ADM.

We have spent considerable time internally understanding the updated audit requirements and have made every effort to find efficiencies and keep your audit costs as reasonable as possible while still complying with the expanded testing requirements. The fees reflected in the attached engagement letter include the cost of the additional testing mandated by the Indiana State Board of Accounts. These additional tests impact all CPA firms conducting audits of Indiana charter schools.

We are excited to continue to serve the Indiana charter school community and will ensure the objectives of all stakeholders are met. The fee increases reflected in the attached engagement letter represent our sincere attempt to balance the needs of all parties involved, especially your school.

Please feel free to contact us with any questions or concerns you may have.

Rex E. Miller, CPA  
Partner  
rmiller @cpadonovan.com  
(317) 794-3991

Benjamin A. (BJ) Lippert, CPA  
Partner  
blippert@cpadonovan.com  
(317) 794-3983

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[www.cpadonovan.com](http://www.cpadonovan.com)

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300



# Donovan CPAs

June 25, 2020

The Board of Directors  
pilotED Schools, Inc.

Dear Board Members:

You have requested that we audit the financial statements of pilotED Schools, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. We are pleased to confirm our acceptance and our understanding of the audit engagement by means of this letter. Our audits will be conducted with the objective of our expressing an opinion on the financial statements.

We will also prepare the Internal Revenue Service Form 990, Indiana Department of Revenue Form NP-20, and Marion County property tax Exemption Form 136 and Form 104 for pilotED Schools, Inc. for the year ended June 30, 2020.

## **Auditor Responsibilities**

We will conduct our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 our auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

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. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we may request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS.

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In making our risk assessments, we will consider internal controls relevant to the preparation and fair presentation of your organization's 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 your organization's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

### **State Board of Accounts – Private Examiner Auditing and Reporting Requirements**

We acknowledge the oversight responsibilities of the State Board of Accounts for the audits of charter school. We will follow the minimum audit requirements and required compliance testing as presented in the *“Guidelines for the Audit of Charter Schools Performed by Private Examiners”* and the requirements of Directive 2015-2 (a copy of which is attached).

The State Examiner will be notified immediately if there is a misappropriation of funds that is suspected to be the result of malfeasance, misfeasance, or nonfeasance discovered during the course of the private examiner's work.

The State Examiner will be notified immediately if the books and records are not in a sufficiently satisfactory condition for performing the audit or if a modified opinion is being contemplated.

The State Board of Accounts will receive a draft copy of the audit report for review at least 5 days prior to finalization of the audit report, as well as any separate communication to the entity's management, such as a management letter or governance communication letter.

The State Board of Accounts will also be provided the names, email addresses, and postal addresses of the governing board president, chief financial officer, and chief executive officer of the entity and the entity's private examiner contact.

Upon approval of the draft report and finalization of the audit report, a copy of the audit report will be provided to the State Board of Accounts in an unlocked pdf or Microsoft Word file. These files will be provided within 10 business days of the report being issued by the private examiner.

The State Board of Accounts will be notified of the date, time, and location the results of the audit will be discussed with entity officials (exit conference) at least 5 business days prior to the meeting by email.

All documentation used to support the audit report as well as any separate communication to the entity's management will be available for review by the State Board of Accounts at the State Examiner's discretion.

All correspondence will be via the following email address: [charterschools@sboa.in.gov](mailto:charterschools@sboa.in.gov).

### **Management Responsibilities**

As part of our engagement, we may advise you about appropriate accounting principles and their application; however, management acknowledges and understands that the final responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP remains with you. As such, management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected

misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Other management responsibilities include maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

By your signature below, you also acknowledge that you are responsible 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. This responsibility includes having appropriate programs and controls in place to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the organization that involves management, employees who have significant roles in internal control, and others where fraud could have a material impact on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the organization received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the organization complies with applicable laws and regulations. You agree that management will confirm its understanding of its responsibilities as defined in this letter to us in a management representation letter.

You further acknowledge and understand that management is responsible for providing us with access to all information management is aware of that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters; for the accuracy and completeness of the information that is provided to us; and for informing us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements. This responsibility also includes providing us with any additional information that we may request from management for the purpose of the audit; as well as allowing us unrestricted access to individuals within the organization from whom we may determine it necessary to obtain audit evidence, including access to your designated employees who will type all confirmations we request.

### **Written Report**

We expect to issue a written report upon completion of our audit of pilotED Schools, Inc.'s financial statements. Our report will be addressed to the Board of Directors of pilotED Schools, Inc. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add emphasis-of-matter or other-matter paragraphs, decline to express an opinion, or withdraw from the engagement.

### **Audit Administration and Fees**

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Our fees are based on anticipated time to complete the engagement at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered as work progresses and are payable on presentation.

Our fees will be as follows:

Audit of the financial statements for the year ending June 30, 2020	\$ 14,775
Preparation and filing of Forms 990 and NP-20	2,625
Preparation and filing of property tax Exemption Form 136	525
Preparation and filing of property tax Form 104	525
	<hr/>
	18,450
Less: Network of Quality Education member discount	(1,845)
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Total cost, less NQE member discount	<u>\$ 16,605</u>

**The fees above are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. Fees assume that all documentation requested in our preliminary audit request list are complete and provided prior to the first day of audit fieldwork. If additional time is necessary due to incomplete and/or inaccurate schedules or other unexpected circumstances, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.**

Benjamin A. Lippert, CPA is the engagement partner for the services specified in this letter. His responsibilities include supervising Donovan, P.C.'s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

With respect to any nonattest services we perform (such as preparing the financial statements and informational returns), pilotED Schools, Inc.'s management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Services with regard to consultation and technical assistance matters and any additional services not described in this engagement letter will be billed in addition to the costs mentioned above.

### **Other Matters**

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The audit documentation for this engagement is the property of Donovan, P.C. and constitutes confidential information. However, we may be requested to make certain audit documentation available to grantor agencies, the Indiana State Board of Accounts, federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Donovan, P.C.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

At the conclusion of our audit engagement, we will communicate to the Board of Directors the following significant findings from the audit:

- Our view about the qualitative aspects of the entity’s significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management’s consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign where indicated and return it to us.

Respectfully,



DONOVAN

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RESPONSE:

This letter correctly sets forth our understanding.

**pilotED Schools, Inc.**

Acknowledged and agreed on behalf of **pilotED Schools, Inc.** by:

Board of Directors Member Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

## AMENDED STATE EXAMINER DIRECTIVE 2015-2

Date: April 7, 2016

Subject: Engagement of Private Examiners

Authority: Ind. Code §§ 5-11-1-7, 10, 24; Ind. Code Chs. 25-2.1-3, 4, 5; Ind. Code § 25-2.1-12-3

Application: This Directive applies to all audited entities subject to examination under Ind. Code Ch. 5-11-1.

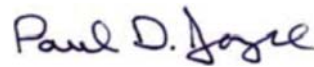
From: Paul D. Joyce, CPA, State Examiner

Indiana Code Ch. 5-11-1 contains several provisions regarding the engagement of a private examiner. First, the State Examiner may allow the engagement of a private examiner to the extent the State Examiner determines necessary to satisfy the requirements of Ind. Code Art. 5-11. Ind. Code § 5-11-1-7(b). Second, a private examiner is subject to the direction of the State Examiner while performing examinations under Ind. Code Art. 5-11. *Id.* Third, if the State Examiner authorizes the engagement of a private examiner to perform an examination under Ind. Code Art. 5-11, the examination and report must comply with the uniform compliance guidelines established by the State Board of Account under Ind. Code § 5-11-1-24(a). Ind. Code § 5-11-1-24(d). Fourth, if an audited entity subject to examination under Ind. Code Ch. 5-11-1 engages a private examiner, the contract with the private examiner must require the examination and report to comply with the uniform compliance guidelines established by the State Board of Accounts. *Id.* Finally, if proposals for performing a private examination of an audited entity are required, an entity may not request such proposals unless the request has been submitted to and approved by the State Board of Accounts first. Ind. Code § 5-11-1-24(e). In addition, uniform compliance guidelines require that contracts agreed upon between an audited entity and a private examiner be submitted to and approved by the State Board of Accounts. *See* Ind. Code § 5-11-1-24(d); *Guidelines for Audits of County and City Hospitals by Independent Certified Public Accounting Firms* at pg. 4; *Guidelines for the Audits of Charter Schools Performed by Private Examiners* at pg. 3; *Guidelines for Audit of State and Local Governments by Authorized Independent Public Accountants* at pg. 4; and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance From Governmental Sources* at pg. F-1.

A private examiner engaged under Ind. Code § 5-11-1-7 must hold (1) a valid certificate for a certified public accountant (CPA) or public accountant issued or renewed under Ind. Code Chs. 25-2.1-3 or 4, and (2) a permit issued under Ind. Code Ch. 25-2.1-5 in order to provide applicable reports on financial or attested statements of an audited entity. Individuals and firms not holding a valid CPA or public accountant certificate and permit are prohibited from issuing a report conventionally used by licensees with respect to: (1) a review of financial statements and (2) a compilation of financial statements. Ind. Code § 25-2.1-12-3.

In summary, before engaging a private examiner, an audited entity must: (1) obtain the prior approval of the State Examiner, (2) submit any required requests for proposals to the State Board of Accounts for approval prior to issuing the requests, (3) ensure the contract with the private examiner requires the examination and report to comply with the uniform compliance guidelines established by the State Board of Accounts, (4) submit the agreed upon contract for approval by the State Board of Accounts, and (5) ensure that the private examiner has the required certificate and permit issued under Ind. Code Chs. 25-2.1-3, 4, and/or 5. Failure to follow the steps outlined above will prevent the accountant from being considered a private examiner engaged under Ind. Code § 5-11-1-7.

This Directive may be amended from time to time and may be rescinded at any time in writing by the State Examiner or a Deputy State Examiner.



Paul D. Joyce, CPA  
State Examiner