



Donovan CPAs

The Board of Directors
Edison School of the Arts, Inc.

We have audited the financial statements of Edison School of the Arts, Inc. as of and for the year ended June 30, 2018 and have issued our report thereon dated December 18, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 14, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Edison School of the Arts, Inc. solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

www.cpadonovan.com

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

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Edison School of the Arts, Inc. is included in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We consider the following to be a significant accounting estimate:

Valuation of In-kind Services

The School has recorded in-kind contributions and offsetting expenses from Indianapolis Public Schools, a related party, totaling \$2,848,200 during the year ended June 30, 2018. These in-kind transactions represent approximately 44% of total revenue and support and 47% of total expenses for the year ended June 30, 2018. The values of these in-kind services are calculated by Indianapolis Public Schools using significant estimates and judgments and are recorded by management of the School as presented.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There were no such uncorrected misstatements. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

We identified one audit entry to reverse the revenue recorded for the Walton and Fairbanks grants of \$325,000 and \$12,500, respectively, and present these grant amounts as refundable advances. This entry resulted in a reduction of net assets of \$337,500. The grants are cost reimbursement grants and the underlying costs were not expended as of June 30, 2018.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Edison School of the Arts, Inc.'s financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which were provided my management in a separate letter dated December 18, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Edison School of the Arts, Inc., we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Edison School of the Arts, Inc.'s auditors.

Below are two items we want to bring to the attention of the Board of Directors:

Emphasis of Matter Paragraph

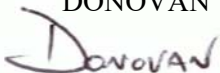
Given the significance of the valuation of the in-kind contributions and expenses, both in terms of dollar amounts as well as the significance of the estimates and judgments involved in arriving at those amounts, we have included an emphasis of matter paragraph in our independent auditors' report drawing the reader's attention to the disclosures in Note 3. Our opinion is not modified with respect to this matter.

Journal Entry Control Suggestion

We noted the School has no formal process for approving general journal entries. We recommend implementing a system of review of journal entries independent of the journal entry creation function. This review process would assist in early identification of errors in financial reporting.

This report is intended solely for the information and use of the Board of Directors and management of Edison School of the Arts, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

DONOVAN



Indianapolis, Indiana
December 18, 2018