



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. (the “School”) as of and for the years ended June 30, 2021 and 2020 and have issued our report thereon dated October 1, 2021. Professional standards require that we advise you of the following matters relating to our audits.

Our Responsibility in Relation to the Financial Statement Audits

As communicated in our engagement letter dated June 15, 2021, 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 audits of the financial statements do not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audits 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 audits, we considered the internal control of the School 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.

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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 the School is included in Note 1 to the financial statements. Effective July 1, 2020, the School adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 replaced most existing revenue recognition guidance under accounting principles generally accepted in the United States of America and requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. There was no material impact on the way the School reports revenue.

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. The most sensitive accounting estimate affecting the financial statements is:

Valuation of In-kind Services

The School recorded in-kind contributions and offsetting expenses from Indianapolis Public Schools (“IPS”), a related party, totaling \$3,315,041 and \$3,246,291 during the years ended June 30, 2021 and 2020, respectively. These in-kind transactions represent approximately 43% of total revenue and support for both years ended June 30, 2021 and 2020, and 43% and 44% of total expenses for the years ended June 30, 2021 and 2020, respectively. The values of these in-kind services are calculated by IPS 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 also 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. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. 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 assisted with recording the entry to recognize in-kind contributions from Indianapolis Public Schools. No audit adjustments were identified as a result of our procedures.

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 the School'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 in a separate letter dated October 1, 2021.

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 the School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, 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 the School's auditors.

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.

Approval of Cash Disbursements

The School has a process in place to review and approve cash disbursements prior to payments being made, however, documentation to support this approval was not able to be provided during the audit. We recommend the School begin maintaining documentation supporting the approval or sign-off of cash disbursements.

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

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are slightly slanted and connected, with a prominent loop on the 'D'.

Indianapolis, Indiana
October 1, 2021