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December 21, 2023

Charter School Board  
Southeast Neighborhood School of Excellence, Inc.  
Marion County, Indiana

We have reviewed the audit report of Southeast Neighborhood School of Excellence, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of Southeast Neighborhood School of Excellence, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the 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

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Southeast Neighborhood School of Excellence, Inc.

### **Opinion**

We audited the financial statements of Southeast Neighborhood School of Excellence, Inc. (the "School"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we 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 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, which raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are issued.

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## **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 including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS and *Government Auditing Standards* 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, 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 and *Government Auditing Standards*, 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School'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, which raise substantial doubt about the School'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 audits, significant audit findings, and certain internal control-related matters we identified during the audits.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we also issued our report dated December 11, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana  
December 11, 2023

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,793,478	\$ 2,428,626
Grants receivable	801,165	234,557
Prepaid expenses	66,174	74,215
<i>Total current assets</i>	<u>2,660,817</u>	<u>2,737,398</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	526,182	525,587
Building	6,700,992	6,681,901
Furniture and equipment	689,599	488,095
Textbooks and education materials	157,907	157,907
Computer software	31,263	31,263
Construction in progress	2,452,469	-
Less: accumulated depreciation	<u>(1,859,189)</u>	<u>(1,616,283)</u>
<i>Property and equipment, net</i>	<u>8,699,223</u>	<u>6,268,470</u>
<b>OPERATING LEASE RIGHT-OF-USE ASSET</b>	<u>62,948</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,422,988</u>	<u>\$ 9,005,868</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 481,654	\$ 472,486
Current portion of operating lease obligation	21,996	-
Current portion of finance lease obligation	17,114	-
Accounts payable and accrued expenses	1,169,764	412,073
Refundable advances	6,153	-
<i>Total current liabilities</i>	<u>1,696,681</u>	<u>884,559</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	957,900	1,439,565
Operating lease obligation, net of current portion	40,952	-
Finance lease obligation, net of current portion	35,782	-
<i>Total long-term liabilities</i>	<u>1,034,634</u>	<u>1,439,565</u>
<i>Total liabilities</i>	2,731,315	2,324,124
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>8,691,673</u>	<u>6,681,744</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,422,988</u>	<u>\$ 9,005,868</u>

See independent auditors' report and accompanying notes to the financial statements

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**

**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 4,977,956	\$ 5,121,093
Grant revenue	5,396,859	4,148,928
Contributions	29,070	30,210
Other	289	237
<i>Total revenue and support</i>	<u>10,404,174</u>	<u>9,300,468</u>
<b>EXPENSES</b>		
Program services	7,408,314	6,289,677
Management and general	985,931	1,032,007
<i>Total expenses</i>	<u>8,394,245</u>	<u>7,321,684</u>
<b>CHANGE IN NET ASSETS</b>	2,009,929	1,978,784
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>6,681,744</u>	<u>4,702,960</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 8,691,673</u>	<u>\$ 6,681,744</u>

See independent auditors' report and accompanying notes to the financial statements

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Years Ended June 30, 2023 and 2022**

	2023			2022		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 4,302,546	\$ 490,319	\$ 4,792,865	\$ 3,542,914	\$ 485,021	\$ 4,027,935
Employee benefits	1,060,406	116,546	1,176,952	913,020	115,500	1,028,520
Equipment	448,400	-	448,400	359,766	-	359,766
Professional services	187,486	251,816	439,302	132,533	225,615	358,148
Food costs	324,511	-	324,511	338,206	-	338,206
Student transportation	296,456	-	296,456	234,262	-	234,262
Depreciation	248,355	-	248,355	240,542	-	240,542
Occupancy	244,737	-	244,737	238,601	-	238,601
Classroom and office supplies	126,381	13,639	140,020	153,164	48,335	201,499
Staff development	124,889	27	124,916	65,928	1,103	67,031
Insurance	-	43,431	43,431	-	46,019	46,019
Interest	38,277	-	38,277	67,873	-	67,873
Advertising	-	35,861	35,861	-	35,937	35,937
Travel and meetings	44	303	347	-	37	37
Loss on disposal of property and equipment	-	-	-	-	32,821	32,821
Other	5,826	33,989	39,815	2,868	41,619	44,487
	<u>5,826</u>	<u>33,989</u>	<u>39,815</u>	<u>2,868</u>	<u>41,619</u>	<u>44,487</u>
<i>Total functional expenses</i>	<u>\$ 7,408,314</u>	<u>\$ 985,931</u>	<u>\$ 8,394,245</u>	<u>\$ 6,289,677</u>	<u>\$ 1,032,007</u>	<u>\$ 7,321,684</u>

See independent auditors' report and accompanying notes to the financial statements

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,009,929	\$ 1,978,784
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	248,355	240,542
Loss on disposal of property and equipment	-	32,821
Changes in certain assets and liabilities:		
Grants receivable	(566,608)	483,240
Prepaid expenses	8,041	(43,471)
Accounts payable and accrued expenses	434,888	21,251
Refundable advances	6,153	-
<i>Net cash provided by operating activities</i>	<u>2,140,758</u>	<u>2,713,167</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(2,300,278)</u>	<u>(779,105)</u>
<b>FINANCING ACTIVITIES</b>		
Principal repayments on notes payable	(472,497)	(1,111,925)
Principal repayments on finance lease obligation	<u>(3,131)</u>	<u>-</u>
<i>Net cash used in financing activities</i>	<u>(475,628)</u>	<u>(1,111,925)</u>
<b>NET CHANGE IN CASH</b>	(635,148)	822,137
<b>CASH, BEGINNING OF YEAR</b>	<u>2,428,626</u>	<u>1,606,489</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 1,793,478</u></u>	<u><u>\$ 2,428,626</u></u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 38,277	\$ 67,873
Purchases of property and equipment financed through accounts payable	322,803	-
Purchases of property and equipment financed through finance lease obligation	56,027	-

See independent auditors' report and accompanying notes to the financial statements

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2023 and 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Southeast Neighborhood School of Excellence, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates as a public charter school under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. The School served approximately 580 students in grades kindergarten through eighth during the 2022-2023 school year (620 students during the 2021-2022 school year).

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2023 and 2022, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2023 and 2022.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes 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 which 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 small equipment purchases with a unit cost of less than \$1,000 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:

Building	40 years
Furniture and equipment	3 years
Textbooks and education materials	4 years
Computer software	3 years

Construction in Progress – The School is in the process of expanding and renovating its current facility. Costs incurred during this project are capitalized and included in the account at cost. No depreciation expense is recorded on construction in progress until the underlying assets are placed into service.

# SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – The School received a determination from the U.S. Treasury Department stating 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, 2023 and 2022, 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 not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability 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 examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2019 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 11, 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 financial statements or related disclosures would be required.

### NOTE 2 - REVENUE RECOGNITION

Revenue Recognition Policy – Revenues primarily 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 areas. Funding from the State of Indiana is based on enrollment and is 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 significant portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognized revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets during the year in which they are awarded. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting 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 restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and change in net assets as net assets released from restrictions.

Student fees are recognized in the year in which the services are rendered.

Disaggregation of Revenue – Revenue is disaggregated on the statements of activities and change in net assets.

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2023 and 2022**

**NOTE 3 - NOTES PAYABLE**

Notes payable consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Common School Loan payable to State Board of Education, payable in semi-annual installments of \$151,828 including interest at 1% per annum through July 2026, secured by School facilities.	\$ 1,062,798	\$ 1,366,454
Mortgage note payable to Old National Bank, payable in monthly installments of \$16,150 including interest at 5.25% per annum through October 2027, secured by School facilities.	<u>376,756</u>	<u>545,597</u>
	1,439,554	1,912,051
Less: current portion	<u>(481,654)</u>	<u>(472,486)</u>
Long-term portion	\$ <u>957,900</u>	\$ <u>1,439,565</u>

Principal maturities of notes payable are as follows for the years ending June 30:

2024	\$	303,656
2025		303,656
2026		303,656
2027		<u>151,830</u>
	\$	<u>1,062,798</u>

The mortgage note payable to Old National Bank was repaid in full in July 2023. Accordingly, the principal maturities pertaining to this note payable have been removed from the principal maturities schedule above. Only the portion due per the maturity schedule during the fiscal year ending June 30, 2024 is reflected in the current portion of notes payable on the statements of financial position.

**NOTE 4 - LEASES**

Lease Accounting Standard – Effective July 1, 2022, the School adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 replaced previous lease guidance under U.S. GAAP and aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statements of financial position and disclosing key information about leasing arrangements. The School elected to apply the transition alternative allowed under ASU 2018-11. Under this election, the entity recognizes a cumulative effect adjustment to the opening balance of net assets as of the adoption date. Management determined no cumulative effect adjustment to net assets was necessary, since there is no difference in rent expense under the new standard. The School applied the provisions of ASU 2016-02 as of the adoption date.

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2023 and 2022**

**NOTE 4 - LEASES, Continued**

Operating Lease – The School leases certain equipment under a non-cancellable operating lease agreement. Payments under this lease totaled \$34,249 for the year ended June 30, 2023 and are included in operating expenses for the year then ended. The School recorded a right-of-use asset and corresponding operating lease obligation for the underlying assets in this agreement.

Finance Lease – In May 2023, the School entered into a non-cancellable lease agreement for laptops. The agreement includes a \$1 purchase option at the end of the 36-month term, which the School plans to exercise. Accordingly, this leases has been accounted for as a finance lease. The School capitalized a total of \$56,027 in furniture and equipment related to this agreement.

Imputed Interest – Both the operating and finance leases were discounted at rates equal to the prime rate at lease commencement plus 1.25%, the School’s incremental borrowing rate. Interest rates under the operating and finance leases are equal to 4.5% and 9.25%, respectively.

Future minimum payments under non-cancellable operating and finance leases are as follows for the years ending June 30:

	<b><u>Operating Lease</u></b>	<b><u>Finance Lease</u></b>	
2024	\$ 24,378	\$ 21,294	
2025	24,378	21,294	
2026	<u>18,284</u>	<u>17,745</u>	
	67,040	60,333	
Less: imputed interest	<u>(4,092)</u>	<u>(7,437)</u>	
Total lease liability	62,948	52,896	
Less: current portion	<u>(21,996)</u>	<u>(17,114)</u>	
Long-term portion	<u>\$ 40,952</u>	<u>\$ 35,782</u>	

**NOTE 5 - 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. The School contributed 6% of compensation for eligible teaching personnel to TRF and 11.2% of compensation for other eligible employees to PERF during the year ended June 30, 2023 (5.5% and 11.2%, respectively, for the year ended June 30, 2022). Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee.

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2023 and 2022**

**NOTE 5 - RETIREMENT PLANS, Continued**

The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2022 (the latest year reported), TRF was over 92% funded and PERF was over 82% funded. Retirement plan expense under all plans was \$479,260 and \$392,710 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 6 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Marion 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 potentially subjecting the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2023 and 2022, the entire receivable balance was due from the State of Indiana. In addition, deposits maintained at Old National Bank are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceed the FDIC insurance limit.

**NOTE 7 - COMMITMENTS**

In November 2021, the School entered into an agreement with Patterson Horth, Inc. to expand and renovate its current building. The total contract sum stated in the agreement after all change orders is approximately \$2,900,000, to be billed to the School as the work progresses. At June 30, 2023, the School's remaining commitments on the contract totaled approximately \$600,000.

**NOTE 8 - LIQUIDITY**

The School's financial assets include cash and grants receivable totaling \$2,594,643 and \$2,663,183 as of June 30, 2023 and 2022, respectively, all of which are available to meet cash needs for general expenditures within a year.

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

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2023 and 2022**

**NOTE 9 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School 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.

SUPPLEMENTARY INFORMATION

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2023**

<b>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Awards Expended</b>
<u><b>U.S. DEPARTMENT OF AGRICULTURE</b></u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 102,904
National School Lunch Program	10.555		394,494
Summer Food Service Program for Children	10.559		1,077
Fresh Fruits and Vegetables Program	10.582		32,098
<i>Total U.S. Department of Agriculture</i>			<u>530,573</u>
<u><b>U.S. DEPARTMENT OF EDUCATION</b></u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Educational Agencies	84.010	18611-001-PN01	534,280
Title I, Part A; School Improvement Grants	84.010		142,795
Title II, Part A; Supporting Effective Instruction State Grants	84.367	7000-S367A220013	31,735
Title III, Part A; English Language Acquisition State Grants	84.365	S365A210014	11,698
Title III, Part A; English Language Acquisition State Grants	84.365	S365A220014	2,803
Title IV, Student Support and Academic Enrichment Program	84.424	S424A210015	5,157
Title IV, Student Support and Academic Enrichment Program	84.424	S424A220015	39,359
Special Education Cluster			
Special Education Grants to States	84.027A	22611-502-PN01	122,481
Special Education Preschool Grants	84.173A	23619-502-PN01	2,193
Special Education Preschool Grants	84.173X	22619-502-ARP	1,274
Special Education Grants to States	84.027X	22611-502-ARP	3,867
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	855,309
Elementary and Secondary School Emergency Relief Fund	84.425D	S425U200013	2,138,085
Charter School Facilities Incentive Program	84.282D		325
McKinney Vento Education of Homeless Children and Youth Funding	84.196A	S196A220015	18,985
<i>Total U.S. Department of Education</i>			<u>3,910,346</u>
<u><b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b></u>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		65,410
<i>Total federal awards expended</i>			<u>\$ 4,506,329</u>

See independent auditors' report and accompanying notes to this schedule

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2023**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Southeast Neighborhood School of Excellence, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Noncash assistance is reported in the period it is received by the School using values reported by the pass-through entity.

**NOTE 3 - INDIRECT COST RATE**

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



# Donovan CPAs

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Southeast Neighborhood School of Excellence, Inc.

We audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southeast Neighborhood School of Excellence, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2023, 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, and issued our report thereon dated December 11, 2023.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control which might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent 'D'.

Indianapolis, Indiana  
December 11, 2023



# Donovan CPAs

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors  
Southeast Neighborhood School of Excellence, Inc.

### **Report on Compliance for Each Major Federal Program**

We audited Southeast Neighborhood School of Excellence, Inc.'s (the "School") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* which could have a direct and material effect on the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and Uniform Guidance require us to plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above which could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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## Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above which could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

## Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements which could have a direct and material effect on each major federal program as a basis for designing auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance which might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN



Indianapolis, Indiana  
December 11, 2023

**SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2023**

**I. Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

Assistance Listing Number

Name of Federal Program or Cluster

84.425D

Education Stabilization Fund:  
Elementary and Secondary School  
Emergency Relief Fund

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**II. Financial Statement Findings**

No matters are reportable.

**III. Federal Award Findings and Questioned Costs**

No matters are reportable.