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December 22, 2023

Charter School Board  
Higher Institute of Arts and Technology, Inc.  
Lake County, Indiana

We have reviewed the audit report of Higher Institute of Arts and Technology, 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 Higher Institute of Arts and Technology, 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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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  
Higher Institute of Arts and Technology, Inc.

### **Opinion**

We audited the financial statements of Higher Institute of Arts and Technology, 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 (deficit), 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 its 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 available to be 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 audit, 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 accompanying 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 auditing standards generally accepted in the United States of America. 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 have also issued our report dated November 30, 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 letters are cursive and slightly slanted to the right.

Indianapolis, Indiana  
November 30, 2023

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 385,205	\$ 575,165
Grants receivable	300,326	220,978
Prepaid expenses	<u>20,608</u>	<u>90,253</u>
<i>Total current assets</i>	<u>706,139</u>	<u>886,396</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	80,000	-
Building and improvements	328,000	-
Furniture and equipment	119,168	80,934
Textbooks	67,461	67,461
Leasehold improvements	-	443,988
Less: accumulated depreciation	<u>(149,260)</u>	<u>(566,760)</u>
<i>Property and equipment, net</i>	<u>445,369</u>	<u>25,623</u>
<b>OPERATING LEASE RIGHT-OF-USE ASSETS</b>	<u>55,169</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,206,677</u></u>	<u><u>\$ 912,019</u></u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 182,898	\$ 100,000
Current portion of lease obligations	13,477	-
Accounts payable and accrued expenses	<u>414,811</u>	<u>229,088</u>
<i>Total current liabilities</i>	<u>611,186</u>	<u>329,088</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	583,552	450,000
Lease obligations, net of current portion	<u>41,693</u>	<u>-</u>
<i>Total long-term liabilities</i>	<u>625,245</u>	<u>450,000</u>
<i>Total liabilities</i>	1,236,431	779,088
<b>NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS</b>	<u>(29,754)</u>	<u>132,931</u>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<u><u>\$ 1,206,677</u></u>	<u><u>\$ 912,019</u></u>

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

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)**  
**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 1,732,556	\$ 1,855,243
Grant revenue	1,665,534	1,456,108
Other income	4,297	8,021
	3,402,387	3,319,372
 <i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	2,867,344	2,369,361
Management and general	697,728	617,235
	3,565,072	2,986,596
 <i>Total expenses</i>		
<b>CHANGE IN NET ASSETS</b>	(162,685)	332,776
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	132,931	(199,845)
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	\$ (29,754)	\$ 132,931

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

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

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

	<u>2023</u>			<u>2022</u>		
	<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	\$ 1,192,147	\$ 198,151	\$ 1,390,298	\$ 965,849	\$ 148,042	\$ 1,113,891
Professional services	383,885	36,525	420,410	471,071	189,895	660,966
Food costs	296,448	-	296,448	210,190	-	210,190
Occupancy	262,023	-	262,023	202,133	-	202,133
Employee benefits	200,626	33,458	234,084	154,562	34,036	188,598
Classroom, kitchen, and office supplies	221,771	11,864	233,635	159,643	5,406	165,049
Management and academic services	-	373,133	373,133	-	223,818	223,818
Student transportation	173,485	-	173,485	104,406	-	104,406
Information technology	44,598	-	44,598	9,810	-	9,810
Insurance	25,657	-	25,657	18,887	-	18,887
Staff development	21,583	-	21,583	1,500	-	1,500
Depreciation	21,487	-	21,487	42,676	-	42,676
Authorizer oversight fee	-	12,846	12,846	-	8,279	8,279
Interest	5,500	6,800	12,300	6,250	-	6,250
Travel	12,167	111	12,278	3,190	103	3,293
Equipment	-	-	-	6,125	-	6,125
Advertising	-	-	-	-	1,486	1,486
Other	5,967	24,840	30,807	13,069	6,170	19,239
<i>Total functional expenses</i>	<u>\$ 2,867,344</u>	<u>\$ 697,728</u>	<u>\$ 3,565,072</u>	<u>\$ 2,369,361</u>	<u>\$ 617,235</u>	<u>\$ 2,986,596</u>

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

# HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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	\$ (162,685)	\$ 332,776
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,487	42,676
Loss on disposal of property and equipment	5,000	-
Change in certain assets and liabilities:		
Grants receivable	(79,348)	(119,645)
Prepaid expenses	69,645	(2,159)
Accounts payable and accrued expenses	185,723	58,295
	<hr/>	<hr/>
<i>Net cash provided by operating activities</i>	39,822	311,943
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(96,232)	-
<b>FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(133,550)	(100,000)
	<hr/>	<hr/>
<b>NET CHANGE IN CASH</b>	(189,960)	211,943
<b>CASH, BEGINNING OF YEAR</b>	575,165	363,222
	<hr/>	<hr/>
<b>CASH, END OF YEAR</b>	<u>\$ 385,205</u>	<u>\$ 575,165</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 12,300	\$ 6,250
Purchase of land, building, and improvements financed through note payable	350,000	-

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

# HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Higher Institute of Arts and Technology, 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 under Indiana Code 20-24 and is sponsored by the Indiana Charter School Board ("ICSB"). The School served approximately 220 students in grades kindergarten through eighth during both the 2021-2022 and the 2022-2023 school years.

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 and 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, 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 and cash equivalents consist of cash held in bank accounts and 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 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 and improvements	30 years
Furniture and equipment	3 to 5 years
Textbooks	5 years
Leasehold improvements	5 years

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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 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 not 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 November 30, 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 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 the educational services are rendered.

A significant 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. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

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

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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>
Note payable to Indiana State Board of Education, payable \$50,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, maturing in July 2027	\$ 450,000	\$ 550,000
Note payable to Roman Catholic Diocese of Gary, Indiana, payable \$8,070 monthly plus interest at 5.00% per annum, maturing in January 2027	316,450	-
	<u>766,450</u>	<u>550,000</u>
Less: current portion	<u>(182,898)</u>	<u>(100,000)</u>
Long-term portion	\$ <u>583,552</u>	\$ <u>450,000</u>

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

2024	\$ 182,898
2025	187,139
2026	191,597
2027	154,816
2028	<u>50,000</u>
	\$ <u>766,450</u>

**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.

Operating Lease – The School leases office equipment under the terms of an operating lease. The lease took effect in March 2022 and ends February 2027. The lease requires monthly payments of \$1,242. Using an imputed interest rate of 3.00%, which is the approximate risk free borrowing rate as of July 1, 2022, the School recorded an operating lease right-of-use asset for \$68,248 and corresponding operating lease liability for the same amount.

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**NOTE 4 - LEASES, Continued**

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

2024	\$	14,910
2025		14,910
2026		14,910
2027		13,667
		<u>58,397</u>
Less: imputed interest		<u>(3,227)</u>
		55,170
Less: current portion of lease obligation		<u>(13,477)</u>
Long-term portion of lease obligation	\$	<u>41,693</u>

The School had been on a month-to-month lease for its facility since August 31, 2022, the date the long-term lease expired. Monthly rent is dependent on the number of students enrolled. The School purchased the building in January 2023. Total lease expense was \$66,334 and \$107,711 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 5 - COMMITMENTS**

As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under the charter, the School agreed to pay ICSB an annual administrative fee not to exceed 3% of state tuition support received. Expense under this charter agreement was \$12,846 and \$8,279 during the years ended June 30, 2023 and 2022, respectively. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur.

The School contracted with Entrepreneurial Ventures in Education (“EVE”) to provide management, administrative, and educational programming services. Under the terms of the agreement, the School agreed to pay an amount equal to 12% of revenue, as defined, for such services, plus any necessary travel costs. Expenses under the agreement were \$373,133 and \$223,818 for the years ended June 30, 2023 and 2022, respectively. This contract remains in effect until June 30, 2026 and is automatically renewed on a year-to-year basis commencing on the last day of the expiring contract, unless written notice of intent to terminate or renegotiate is given by either party at least 120 days prior to expiration of the agreement.

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE 6 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Lake 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. In addition, bank deposits are maintained primarily at Fifth Third Bank and are insured up to the FDIC insurance limit. Cash balances at the end of the year and periodically throughout the year exceeded the FDIC insured limit.

**NOTE 7 - RETIREMENT PLAN**

The School has a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions. The School does provide an employer match contribution.

**NOTE 8 - LIQUIDITY**

Financial assets held by the School include cash and grants receivable. Financial assets available to meet cash needs for general expenditures within one year totaled \$685,531 and \$796,143 as of June 30, 2023 and 2022, respectively.

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.

**NOTE 9 - FUNCTIONAL EXPENSE REPORTING**

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

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2023**

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 63,487
National School Lunch Program	10.555		<u>139,236</u>
<i>Total U.S. Department of Agriculture</i>			<u>202,723</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A;			
Grants to Local Educational Agencies			
	84.010	S010A210014	7,716
	84.010	S010A220014	225,498
Title II, Part A;			
Supporting Effective Instruction State Grants			
	84.367	S367A200013	1,658
	84.367	S367A210013	2,958
	84.367	S367A220013	12,922
Title IV, Part A;			
Student Support and Academic Enrichment			
	84.424	S424210015	1,212
	84.424	S424220015	10,361
Special Education Cluster			
Special Education - Grants to States			
	84.027A	21611-601-PN01	15,958
	84.027A	22611-601-PN01	10,174
Expanding Opportunities Through Quality Charter Schools Program			
	84.282A	U282A210017	143,203
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund			
	84.425D	S425D210013	204,637
	84.425U	S425U210013	<u>499,226</u>
<i>Total U.S. Department of Education</i>			<u>1,135,523</u>
<i>Total federal awards expended</i>			<u>\$ 1,338,246</u>

See independent auditors' report and accompanying notes to this schedule

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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 Higher Institute of Arts and Technology, 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, changes in net assets (deficit), 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.

**NOTE 3 - INDIRECT COST RATE**

The School 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  
Higher Institute of Arts and Technology, 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 Higher Institute of Arts and Technology, 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 (deficit), functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 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 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 we consider to be material weaknesses. However, material weaknesses may exist which 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 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 letters are cursive and slightly slanted to the right.

Indianapolis, Indiana  
November 30, 2023



# Donovan CPAs

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

The Board of Directors  
Higher Institute of Arts and Technology, Inc.

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

#### ***Opinion on Each Major Federal Program***

We audited Higher Institute of Arts and Technology, Inc.'s (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* which could have a direct and material effect on each of 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.

In our opinion, the School complied, in all material respects, with the 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.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

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### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance we identified during the audit.

### **Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance which might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist which were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 testing based on the requirements of the Uniform Guidance. Accordingly, this report 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 initial "D".

Indianapolis, Indiana  
November 30, 2023

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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 federal 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 that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D & 84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**II. Financial Statement Findings**

No matters were reportable.

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

No matters were reportable.

**HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.**

**OTHER REPORT**

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

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Higher Institute of Arts and Technology, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.