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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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December 31, 2024

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

We have reviewed the audit report of the Southeast Neighborhood School of Excellence, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Southeast Neighborhood School of Excellence, Inc. as of June 30, 2024, 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 Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner

Southeast Neighborhood School of Excellence, Inc.

Financial Statements
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



Southeast Neighborhood School of Excellence, Inc.

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Donovan CPAs

Independent Auditor's Report

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

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, 2024 and 2023 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, 2024 and 2023 and the results of its operations, 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 Auditor's 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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Auditor's 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 auditor's 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 audit.

Supplementary Information

Our audits were 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 also issued our report dated October 28, 2024 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.

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

Donovan CPAs
Indianapolis, Indiana
October 28, 2024

Southeast Neighborhood School of Excellence, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash	\$ 1,485,057	\$ 1,793,478
Grants receivable	239,453	801,165
Prepaid expenses	132,280	66,174
Total current assets	1,856,790	2,660,817
Fixed Assets, Net	9,248,354	8,699,223
Operating Lease Right-of-Use Asset, Net	40,952	62,948
Total Assets	\$ 11,146,096	\$ 11,422,988
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of notes payable	\$ 303,656	\$ 481,654
Current portion of operating lease obligation	23,006	21,996
Current portion of finance lease obligation	18,766	17,114
Accounts payable and accrued expenses	553,546	1,169,764
Refundable advances	425,569	6,153
Total current liabilities	1,324,543	1,696,681
Long-Term Liabilities		
Notes payable, net of current portion	455,485	957,900
Operating lease obligation, net of current portion	17,946	40,952
Finance lease obligation, net of current portion	17,016	35,782
Total long-term liabilities	490,447	1,034,634
Total Liabilities	1,814,990	2,731,315
Net Assets, Without Donor Restrictions	9,331,106	8,691,673
Total Liabilities and Net Assets	\$ 11,146,096	\$ 11,422,988

See independent auditor's report and 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, 2024 and 2023

	2024	2023
Revenue and Support		
State education support	\$ 5,396,086	\$ 4,977,956
Grant revenue	3,615,924	5,396,859
Contributions	20,720	29,070
Other	34,703	289
Total revenue and support	9,067,433	10,404,174
Expenses		
Program services	8,200,393	7,408,314
Management and general	1,490,996	985,931
Total expenses	9,691,389	8,394,245
Change in Net Assets from Operations	(623,956)	2,009,929
Other Income		
Employee Retention Credit income	1,263,389	-
Change in Net Assets	639,433	2,009,929
Net Assets, Beginning of Year	8,691,673	6,681,744
Net Assets, End of Year	\$ 9,331,106	\$ 8,691,673

See independent auditor's report and notes to the financial statements

Southeast Neighborhood School of Excellence, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	\$ 4,796,414	\$ 617,294	\$ 5,413,708	\$ 4,302,546	\$ 490,319	\$ 4,792,865
Employee benefits	1,214,009	150,402	1,364,411	1,060,406	116,546	1,176,952
Professional services	207,033	564,965	771,998	187,486	251,816	439,302
Student transportation	490,761	-	490,761	296,456	-	296,456
Food costs	364,073	-	364,073	324,511	-	324,511
Depreciation	331,994	-	331,994	248,355	-	248,355
Equipment	306,794	-	306,794	448,400	-	448,400
Occupancy	258,945	-	258,945	244,737	-	244,737
Classroom and office supplies	130,542	18,164	148,706	126,381	13,639	140,020
Staff development	82,912	96	83,008	124,889	27	124,916
Insurance	-	66,032	66,032	-	43,431	43,431
Advertising	-	32,375	32,375	-	35,861	35,861
Interest	14,642	-	14,642	38,277	-	38,277
Other	2,274	41,668	43,942	5,870	34,292	40,162
Total functional expenses	<u>\$ 8,200,393</u>	<u>\$ 1,490,996</u>	<u>\$ 9,691,389</u>	<u>\$ 7,408,314</u>	<u>\$ 985,931</u>	<u>\$ 8,394,245</u>

See independent auditor's report and notes to the financial statements

Southeast Neighborhood School of Excellence, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ 639,433	\$ 2,009,929
Adjustments to reconcile change in net assets to change in cash from operating activities:		
Depreciation	331,994	248,355
Changes in certain assets and liabilities:		
Grants receivable	561,712	(566,608)
Prepaid expenses	(66,106)	8,041
Accounts payable and accrued expenses	(616,218)	434,888
Refundable advances	419,416	6,153
Change in cash from operating activities	1,270,231	2,140,758
Investing Activities		
Purchases of fixed assets	(881,125)	(2,300,278)
Financing Activities		
Principal repayments on notes payable	(680,413)	(472,497)
Principal repayments on finance lease obligation	(17,114)	(3,131)
Change in cash from financing activities	(697,527)	(475,628)
Net Change in Cash	(308,421)	(635,148)
Cash, Beginning of Year	1,793,478	2,428,626
Cash, End of Year	\$ 1,485,057	\$ 1,793,478
Supplemental Information		
Cash paid for interest	\$ 14,642	\$ 38,277
Purchases of fixed assets financed through accounts payable	-	322,803
Purchases of fixed assets financed through finance lease obligation	-	56,027

See independent auditor's report and notes to the financial statements

Southeast Neighborhood School of Excellence, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Nature of Activities

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 590 students in grades kindergarten through eighth during both the 2023-2024 and 2022-2023 school years.

Note 2 – Summary of Significant Accounting Policies

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, 2024 and 2023, 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, 2024 and 2023.

Grants Receivable

The School adopted Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* during the year ended June 30, 2024 which introduced a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including grants receivable. The adoption of this accounting standards update did not have a material impact on the School's financial position or the result of its operations and cash flows.

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 credit losses is deemed necessary.

Southeast Neighborhood School of Excellence, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Fixed Assets

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

Costs incurred during construction are capitalized and included in construction in progress at cost. No depreciation expense is recorded on construction in progress until the underlying assets are placed into service.

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, 2024 and 2023, 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, 2020 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through October 28, 2024, 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.

Southeast Neighborhood School of Excellence, Inc.

Notes to the Financial Statements For the Years Ended June 30, 2024 and 2023

Note 3 – 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.

Note 4 – Fixed Assets

Fixed assets were comprised of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 526,182	\$ 526,182
Building	10,000,871	6,700,992
Furniture and equipment	723,314	689,599
Textbooks and education materials	157,907	157,907
Computer software	31,263	31,263
Construction in progress	-	2,452,469
Less: accumulated depreciation	<u>(2,191,183)</u>	<u>(1,859,189)</u>
	<u>\$ 9,248,354</u>	<u>\$ 8,699,223</u>

Southeast Neighborhood School of Excellence, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 5 – Refundable Advances

The School was awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Refundable grant advances totaled \$425,569 and \$6,153 as of June 30, 2024 and 2023, respectively.

Note 6 – Notes Payable

Notes payable consisted of the following as of June 30:

	2024	2023
Common School Loan payable to State Board of Education, payable in semi-annual installments of \$151,829 including interest at 1% per annum through July 2026, secured by School facilities.	\$ 759,141	\$ 1,062,798
Mortgage note payable to Old National Bank, payable in monthly installments of \$16,150 including interest at 5.25%, paid in full.	-	376,756
	759,141	1,439,554
Less: current portion	(303,656)	(481,654)
Long-term portion	\$ 455,485	\$ 957,900

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

2025	\$ 303,656
2026	303,656
2027	151,829

Note 7 – Leases

Operating Lease

The School leases certain equipment under a non-cancellable operating lease agreement. Payments under this lease totaled \$24,378 during both years ended June 30, 2024 and 2023, and are included in operating expenses for the years then ended. The School recorded a right-of-use asset and corresponding operating lease obligation for the underlying assets in this agreement.

Southeast Neighborhood School of Excellence, Inc.

Notes to the Financial Statements For the Years Ended June 30, 2024 and 2023

Note 7 – Leases (Continued)

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 lease 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:

	Operating Lease	Finance Lease
2025	\$ 24,378	\$ 21,294
2026	18,284	17,745
	42,662	39,039
Less: imputed interest	(1,710)	(3,257)
Total lease liability	40,952	35,782
Less: current portion	(23,006)	(18,766)
Long-term portion	<u>\$ 17,946</u>	<u>\$ 17,016</u>

Note 8 – 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.

Under the plans, the School contributed 6% of compensation for eligible teaching personnel to TRF and 11.2% of compensation for other eligible employees to PERF during both years ended June 30, 2024 and 2023. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF.

As of June 30, 2023 (the latest year reported), TRF was over 88% funded and PERF was over 81% funded. Retirement plan expense under all plans was \$569,681 and \$479,260 for the years ended June 30, 2024 and 2023, respectively.

Southeast Neighborhood School of Excellence, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 9 – 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, 2024 and 2023, 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, which is regularly exceeded. As of June 30, 2024, approximately \$1.4 million in cash was uninsured.

Note 10 – Employee Retention Credit

The Employee Retention Credit (ERC) is a refundable tax credit for employers equal to 50 percent of qualified wages paid after March 12, 2020 and before June 30, 2021. The School engaged an independent third party to assist with calculating and applying for these credits. During the year ended June 30, 2024, the School received \$1,263,389 in credits. The School also incurred fees to the independent third party equal to \$252,678.

Note 11 – Liquidity

The School's financial assets include cash and grants receivable totaling \$1,724,510 and \$2,594,643 as of June 30, 2024 and 2023, 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.

Note 12 – 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, 2024

<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		\$ 121,843
National School Lunch Program	10.555		391,936
Fresh Fruits and Vegetables Program	10.582		32,123
Total U.S. Department of Agriculture			<u>545,902</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	S010A220014	56,039
Title I, Part A; Grants to Local Educational Agencies	84.010	S010A230014	472,668
Title I, Part A; School Improvement Grants	84.010		90,753
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A220013	21,683
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A230013	33,140
Title III, Part A; English Language Acquisition State Grants	84.365	S365A220014	10,295
Title III, Part A; English Language Acquisition State Grants	84.365	S365A230014	6,625
Title IV, Student Support and Academic Enrichment Program	84.424	S424A230015	48,044
Special Education Cluster			
Special Education Grants to States	84.027A	24611-502-PN01	126,738
Special Education Grants to States	84.027A	23611-502-PN01	25,013
Special Education Preschool Grants	84.027A	24619-502-PN01	4,589
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425U200013	715,278
American Rescue Plan	84.425U		124,006
Charter School Facilities Incentive Program	84.282D		230,203
McKinney Vento Education of Homeless Children and Youth	84.196A		6,015
Total U.S. Department of Education			<u>1,971,089</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Substance Abuse and Mental Health Services Projects			
of Regional and National Significance	93.243		13,045
Total federal awards expended			<u>\$ 2,530,036</u>

See independent auditor's 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, 2024

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, 2024. 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 represent the financial position, changes 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.

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 Auditor's 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.
Indianapolis, Indiana

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, 2024 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 October 28, 2024.

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 we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

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.

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

Donovan CPAs
Indianapolis, Indiana
October 28, 2024



Donovan CPAs

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited Southeast Neighborhood School of Excellence, 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, 2024. The School's major federal programs are identified in the summary of auditor's 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, 2024.

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 Auditor's 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.

Auditor's 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 that 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 that 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 Auditor's 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink that reads "DONOVAN". The letters are connected and written in a cursive style.

Donovan CPAs
Indianapolis, Indiana
October 28, 2024

Southeast Neighborhood School of Excellence, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

I. Summary of Auditor's Results

Financial Statements

Type of auditor's 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 auditor's 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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425D; 84.425U	Education Stabilization 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.

Southeast Neighborhood School of Excellence, Inc.
Schedule of Lead Auditor
For the Year Ended June 30, 2024

Auditor Information:	Donovan CPAs 9292 N Meridian Street, Suite 150 Indianapolis, IN 46260
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Auditor Contract Title:	Benjamin A. Lippert, CPA
Auditor Contact Title:	Partner
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