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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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March 14, 2025

Charter School Board
Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Lake County, Indiana

We have reviewed the audit report of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy, which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy 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

**Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy**

Financial Statements
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



**Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy**

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Donovan CPAs

Independent Auditor's Report

The Board of Directors
Drexel Foundation for Educational Excellence, Inc.
Gary, Indiana

Opinion

We audited the financial statements of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (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 audits.

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 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 18, 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 signature is written in a cursive style with a large, stylized 'D'.

Donovan CPAs
Indianapolis, Indiana
December 18, 2024

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash	\$ 6,819,193	\$ 4,958,796
Cash - restricted for debt service	173,997	173,675
Grants receivable	1,344,238	4,103,064
Prepaid expenses	71,974	130,406
Total current assets	<u>8,409,402</u>	<u>9,365,941</u>
Fixed Assets		
Land	859,886	859,886
Buildings and improvements	17,554,788	17,398,768
Furniture, fixtures, and equipment	5,641,617	5,181,750
Construction in progress	2,076,180	-
Vehicles	295,910	-
Textbooks	311,353	311,353
Less: accumulated depreciation	<u>(12,787,563)</u>	<u>(12,089,278)</u>
Fixed assets, net	<u>13,952,171</u>	<u>11,662,479</u>
Other Assets		
Cash - restricted for debt service	1,173,561	1,173,536
Operating lease - right of use asset, net of accumulated amortization	56,520	311,502
Total other assets	<u>1,230,081</u>	<u>1,485,038</u>
Total Assets	<u>\$ 23,591,654</u>	<u>\$ 22,513,458</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of bonds payable	\$ 210,000	\$ 205,000
Current portion of operating lease liability	45,015	255,230
Accounts payable and accrued expenses	1,354,015	1,064,181
Total current liabilities	<u>1,609,030</u>	<u>1,524,411</u>
Long-Term Liabilities		
Bonds payable, net of current portion	16,360,000	16,570,000
Less: unamortized bond issuance costs	(998,924)	(1,030,805)
Operating lease liability, net of current portion	11,504	56,273
Total long-term liabilities, net of unamortized bond issuance costs	<u>15,372,580</u>	<u>15,595,468</u>
Total Liabilities	16,981,610	17,119,879
Net Assets, Without Donor Restrictions	<u>6,610,044</u>	<u>5,393,579</u>
Total Liabilities and Net Assets	<u>\$ 23,591,654</u>	<u>\$ 22,513,458</u>

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

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Statements of Activities and Change in Net Assets
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenue and Support		
State education support	\$ 7,372,234	\$ 7,023,706
Grant revenue	8,640,108	8,707,141
Student fees	97,682	85,532
Interest	133,841	14,724
Contributions	7,543	20,571
Other	46,649	77,631
Total revenue and support	<u>16,298,057</u>	<u>15,929,305</u>
Expenses		
Program services	11,532,278	9,830,617
Management and general	3,549,314	3,146,354
Total expenses	<u>15,081,592</u>	<u>12,976,971</u>
Change in Net Assets	1,216,465	2,952,334
Net Assets, Beginning of Year	<u>5,393,579</u>	<u>2,441,245</u>
Net Assets, End of Year	<u>\$ 6,610,044</u>	<u>\$ 5,393,579</u>

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

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>			<u>2023</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, wages, and benefits	\$ 6,263,245	\$ 927,239	\$ 7,190,484	\$ 4,964,393	\$ 702,486	\$ 5,666,879
Academic and management services	-	1,972,352	1,972,352	-	1,844,079	1,844,079
Interest	1,000,412	-	1,000,412	1,000,413	-	1,000,413
Occupancy	924,976	-	924,976	874,928	-	874,928
Food service expense	872,551	-	872,551	366,011	-	366,011
Professional services	609,375	201,468	810,843	783,775	87,525	871,300
Depreciation	698,285	-	698,285	585,191	-	585,191
Classroom, kitchen, and office supplies	572,009	-	572,009	725,777	-	725,777
Transportation	248,899	9,042	257,941	255,413	7,785	263,198
Authorizer oversight fees	-	214,816	214,816	-	200,648	200,648
Staff development	186,943	18,755	205,698	45,188	112,136	157,324
Insurance	-	185,372	185,372	-	170,594	170,594
Repairs and maintenance	94,322	-	94,322	176,397	-	176,397
Advertising	-	14,932	14,932	-	9,704	9,704
Other	61,261	5,338	66,599	53,131	11,397	64,528
Total functional expenses	<u>\$ 11,532,278</u>	<u>\$ 3,549,314</u>	<u>\$ 15,081,592</u>	<u>\$ 9,830,617</u>	<u>\$ 3,146,354</u>	<u>\$ 12,976,971</u>

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

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 1,216,465	\$ 2,952,334
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	698,285	585,191
Amortization of bond issuance costs	31,881	31,881
Change in certain assets and liabilities:		
Grants receivable	2,758,826	(3,296,717)
Prepaid expenses	58,432	(22,052)
Accounts payable and accrued expenses	(225,360)	552,551
Net change in cash from operating activities	<u>4,538,529</u>	<u>803,188</u>
Investing Activities		
Purchases of fixed assets	(2,472,785)	(796,593)
Financing Activities		
Payments on bonds payable	<u>(205,000)</u>	<u>-</u>
Net Change in Cash	1,860,744	6,595
Cash, Beginning of Year	<u>6,306,007</u>	<u>6,299,412</u>
Cash, End of Year	<u>\$ 8,166,751</u>	<u>\$ 6,306,007</u>
Cash, End of Year		
Cash - unrestricted	\$ 6,819,193	\$ 4,958,796
Cash - restricted for debt service	<u>1,347,558</u>	<u>1,347,211</u>
Total cash, end of year	<u>\$ 8,166,751</u>	<u>\$ 6,306,007</u>
Supplemental Information		
Cash paid for interest	\$ 968,531	\$ 968,532
Construction in progress in accounts payable	515,194	-

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

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Nature of Activities

General – Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (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 established under Indiana Code 20-24 serving grades kindergarten through twelve and was sponsored by Education One, LLC at Trine University (Education One). See Note 8 for a discussion of the change in sponsors subsequent to the year ended June 30, 2024. The School served approximately 850 students during both the 2023-2024 and 2022-2023 school years.

Note 2 – Summary of Significant Accounting Policies

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.

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.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consist 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 grants 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.

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
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 equipment purchases with a per-unit cost of less than \$5,000 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:

Buildings and improvements	15 to 39 years
Furniture, fixtures, and equipment	3 to 7 years
Vehicles	8 years
Textbooks	4 years

Bond Issuance Costs

The School incurred costs associated with securing financing under the Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2009 (Series 2009 Bonds). Total costs incurred were \$857,349. Amortization was provided on a straight-line basis over the term of the bond (30 years).

In November 2020, the School refinanced the Series 2009 Bonds into Economic Development Refunding Revenue Bonds, Series 2020A and 2020B (Series 2020 Bonds). Total bond issuance costs incurred with the Series 2020 Bonds were \$559,253. Amortization of these costs and the remaining costs from the Series 2009 Bonds is provided on a straight-line basis over the term of the Series 2020 Bonds (35 years).

Accumulated amortization was \$417,678 and \$385,797 as of June 30, 2024 and 2023, respectively. Amortization expense for both of the years ended June 30, 2024 and 2023 was \$31,881 and is included in interest expense.

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 December 18, 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.

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
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 area. 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 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.

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

The School also receives contributions and grants from other agencies and individuals which are recorded in accordance with the terms of the underlying agreements.

Interest income is recognized on a monthly basis upon payment from the bank.

Disaggregation of Revenue

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

Note 4 – Restricted Cash

The School holds two restricted cash accounts to meet its bond obligations, as follows:

Current asset - cash restricted for debt service – The School transfers funds to this account monthly to cover the semi-annual principal and interest payments on the bonds.

Other asset - cash restricted for debt service – This fund is reserved solely for the payment of principal and interest on the bonds if other funding is unavailable to meet payment requirements.

Note 5 – Bonds Payable

Bonds payable consist of Economic Development Refunding Revenue Bonds, Series 2020A totaling \$16,525,000 and Taxable Economic Development Refunding Revenue Bonds, Series 2020B totaling \$250,000. The bonds carry interest rates from 5% to 6% in accordance with the Series 2020 Bond agreements and have maturities ranging from 2025 to 2055.

The Series 2020 Bonds obligation contains certain covenants limiting the School's ability to create liens, incur indebtedness or guarantees, dispose of assets, or change the nature of the business. The Series 2020 Bonds obligation also contains financial maintenance covenants establishing a minimum debt service coverage ratio and requiring financial reporting to the lender within certain timeframes. The School was in compliance with all covenants.

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 5 – Bonds Payable (Continued)

Future maturities of the Series 2020 Bonds are as follows for the years ending June 30:

2025	\$	210,000
2026		220,000
2027		235,000
2028		245,000
2029		255,000
Thereafter		15,405,000
Total		<u>\$ 16,570,000</u>

Note 6 – Leases

The School leases office equipment and modular buildings under the terms of operating leases. The leases end at various dates through November 2026. The leases require monthly payments. Using an imputed interest rate of 3.00%, which was the approximate risk free borrowing rate as of July 1, 2022, the School recorded an operating lease right-of-use asset for \$679,077 and corresponding operating lease liability for the same amount.

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

2025	\$	45,730
2026		10,275
2027		1,327
		<u>57,332</u>
Less imputed interest		(813)
		<u>56,519</u>
Less current portion of operating lease liability		(45,015)
Long-term portion of operating lease liability		<u>\$ 11,504</u>

Total lease expense was \$590,240 and \$594,120 for the years ended June 30, 2024 and 2023, respectfully.

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 7 – Retirement Plans

Retirement benefits for School employees 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. Substantially all full-time employees are eligible to participate. Contribution requirements are determined annually by the INPRS Board. Under the plans, the School contributed 6% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF during both years ended June 30, 2024 and 2023. Participants are required to contribute 3% of compensation to an annuity savings account which can be withdrawn when the participant terminates employment. The School voluntarily makes this contribution on behalf of the participants.

Should the School elect to withdraw from TRF or PERF, it 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, 2024, TRF was approximately 88% funded and PERF was approximately 81% funded. Retirement plan expense was \$264,164 and \$169,562 for the years ended June 30, 2024 and 2023, respectively.

Note 8 – Commitments

As the sponsoring organization, Education One exercised certain oversight responsibilities. Under this charter, the School agreed to pay to Education One an annual authorizer oversight fee equal to 3% of state tuition payments received. Payments under this agreement were \$214,816 and \$200,648 during the years ended June 30, 2024 and 2023, respectively.

The charter with Education One was effective through June 30, 2025. Subsequent to the year ended June 30, 2023, the School was notified by Education One of the intention to terminate the charter agreement, effective June 30, 2024. Prior to this notification being received in December 2023, the School had already initiated an application with Calumet College of St. Joseph to become its new sponsoring organization. Effective July 1, 2024, the School is sponsored under a charter agreement with Calumet College of St. Joseph through June 30, 2027.

The School utilized Entrepreneurial Ventures in Education (EVE) to provide leadership, management, operation, and maintenance services. Under the terms of the education services provider agreement with EVE, the School agreed to pay academic and management services fees equal to 10.3% of revenues, as defined. Expenses under this contract were \$1,972,352 and \$1,844,079 during the years ended June 30, 2024 and 2023, respectively. The contract was terminated effective June 30, 2024.

The School contracted with a professional employer organization (PEO) to manage its human resource requirements. Under this contract, the School leases its employees from the PEO and reimburses the PEO for all personnel costs including salaries and benefits.

Construction in progress is related to work that has been completed on a building addition. As of June 30, 2024, the remaining commitment on the contract totaled approximately \$7,740,000.

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 9 – Risks and Uncertainties

The School provides education 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 which potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2024 and 2023, substantially the entire grants receivable balance was due from the State of Indiana. In addition, a majority of cash deposits are maintained at BMO Harris Bank, and frequently exceed the FDIC insurance limit. As of June 30, 2024, approximately \$7,160,000 of cash was uninsured.

Note 10 – Liquidity

The School's financial assets include cash and grants receivable. Financial assets are entirely available to meet cash needs for general expenditures within a year exclude long-term restricted cash. The amounts available totaled \$8,337,428 and \$9,235,535 as of June 30, 2024 and 2023, 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 11 – 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

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
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		\$ 189,340
National School Lunch Program	10.555		578,596
Total U.S. Department of Agriculture			<u>767,936</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	274,803
Title I, Part A; Grants to Local Educational Agencies	84.010	S010A230014	1,173,487
Title IV, Part A; Student Support and Academic Enrichment	84.424A	S424A210015	47,257
Title IV, Part A; Student Support and Academic Enrichment	84.424A	S424A220015	45,495
Title IV, Part A; Student Support and Academic Enrichment	84.424A	S424A230015	94,175
Special Education Cluster			
Special Education - Grants to States	84.027A	H027A210084	7,041
Special Education - Grants to States	84.027A	H027A220084	116,022
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	869,658
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	3,263,968
Total U.S. Department of Education			<u>5,891,906</u>
Total federal awards expended			<u>\$ 6,659,842</u>

See independent auditor's report and accompanying notes to this schedule

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
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 Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the School) under programs of the federal government for the year ended June 30, 2024. The information in the 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, 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
Drexel Foundation for Educational Excellence, Inc.
Gary, 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 Drexel Foundation for Educational Excellence, Inc., d/b/a Thea Bowman Leadership Academy (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 December 18, 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 over financial reporting 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 financial reporting which might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist which were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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.

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
December 18, 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
Drexel Foundation for Educational Excellence, Inc.
Gary, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited Drexel Foundation for Educational Excellence, Inc., d/b/a Thea Bowman Leadership Academy'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 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 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 slightly slanted and connected, with a large, stylized 'D'.

Donovan CPAs
Indianapolis, Indiana
December 18, 2024

**Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
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 federal 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 Number</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used 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.

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

FINDING 2023-001 DOCUMENT RETENTION
SIGNIFICANT DEFICIENCY

Federal Program: Title I, Part A
Assistance Listing Number: 84.010

Criteria

Per 7 CFR 200.334, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

Condition

The Indiana Department of Education uses data on the poverty levels of students in determining funding amounts for the program. We selected a sample of forty students from the Real Time Data report used in making funding assessments for the year under audit. The School was unable to provide documentation to support the poverty levels of ten of those students.

Current Status

Corrective action was taken.

FINDING 2023-002 DAVIS-BACON COMPLIANCE
SIGNIFICANT DEFICIENCY

Federal Program: Education Stabilization Fund
Assistance Listing Number: 84.425D, 84.425U, and 84.425W

Criteria

Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (section 36(i)(5)); OMB Circular A-110 (2 CFR Part 215, Appendix A, Contract Provisions); 2 CFR Part 176, Subpart C; and 2 CFR section 200.326).

Condition

The School entered into agreements with contractors for various construction projects paid with funds from the Education Stabilization Fund. The School did not obtain certified payrolls from the contractor for each week in which work was performed under the contract to document compliance with the David-Bacon Act.

Current Status

Corrective action was taken.

Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
Schedule of Lead Auditor
For the Years Ended June 30, 2024 and 2023

Auditor Information:	Donovan CPAs 9292 N Meridian Street, Suite 150 Indianapolis, IN 46260
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