



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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March 5, 2025

Charter School Board  
Career Academy of South Bend, Inc.  
St. Joseph County, Indiana

We have reviewed the audit report of Career Academy of South Bend, Inc., which was opined upon by Kruggel, Lawton & Company LLC, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Career Academy of South Bend, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 34 through 45. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan can be found on pages 51 through 54.

In our opinion, Kruggel, Lawton & Company LLC prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a supplemental report for Career Academy of South Bend, Inc., was prepared in accordance with the 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



**ANNUAL REPORT**  
**June 30, 2023**



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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**ANNUAL REPORT**

June 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Career Academy of South Bend, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Career Academy of South Bend, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in the accordance with 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. 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 Career Academy of South Bend, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***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 that are 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, that raise substantial doubt about the Career Academy of South Bend, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibility 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 that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 that, 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 generally accepted auditing standards 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 that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Career Academy of South Bend, Inc.'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, that raise substantial doubt about the Career Academy of South Bend, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that 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 have also issued our report dated November 15, 2024, on our consideration of the Career Academy of South Bend, Inc.'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 Career Academy of South Bend, Inc.'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 Career Academy of South Bend, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

South Bend, Indiana  
November 15, 2024

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENTS OF FINANCIAL POSITION**

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,679,060	2,501,791
Accounts receivable	124,823	153,736
Grants receivable	5,488,122	3,146,683
Prepaid expenses	133,502	47,929
Inventory	12,996	7,637
<b>Total Current Assets</b>	<b>7,438,503</b>	<b>5,857,776</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	562,121	386,200
Buildings	32,224,438	28,454,447
Land improvements	61,854	0
Office furniture, equipment and vehicles	4,587,220	3,664,889
Computers and software	2,525,126	2,110,101
Construction in progress	6,769,079	81,294
<b>Total</b>	<b>46,729,838</b>	<b>34,696,931</b>
Accumulated depreciation	11,724,491	10,605,712
<b>Net Property and Equipment</b>	<b>35,005,347</b>	<b>24,091,219</b>
<b>OTHER ASSETS</b>		
Escrowed cash	90,000	90,000
<b>TOTAL ASSETS</b>	<b>42,533,850</b>	<b>30,038,995</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	653,125	727,056
Accounts payable	5,978,616	377,291
Deferred revenue	2,500	0
Other accrued expenses	5,165	10,886
<b>Total Current Liabilities</b>	<b>6,639,406</b>	<b>1,115,233</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	32,766,186	27,914,179
<b>TOTAL LIABILITIES</b>	<b>39,405,592</b>	<b>29,029,412</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>3,128,258</b>	<b>1,009,583</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>42,533,850</b>	<b>30,038,995</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUES:</b>			
Federal grants	5,060,946	0	5,060,946
State education support	15,163,283	0	15,163,283
Contributions and nonfederal grants	144,851	0	144,851
Student fees	246,012	0	246,012
Other income	319,731	0	319,731
<b>Total Public Support and Revenues</b>	<b>20,934,823</b>	<b>0</b>	<b>20,934,823</b>
<b>EXPENSES</b>			
Program Services:			
High School	6,184,864	0	6,184,864
Middle School	3,835,900	0	3,835,900
Primary School	6,523,051	0	6,523,051
Portage School of Leaders	38,585	0	38,585
Success Academy Boys and Girls Club	119,238	0	119,238
<b>Total Program Services</b>	<b>16,701,638</b>	<b>0</b>	<b>16,701,638</b>
Management and General	2,114,510	0	2,114,510
<b>Total Expenses</b>	<b>18,816,148</b>	<b>0</b>	<b>18,816,148</b>
<b>CHANGE IN NET ASSETS</b>	<b>2,118,675</b>	<b>0</b>	<b>2,118,675</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,009,583</b>	<b>0</b>	<b>1,009,583</b>
<b>NET ASSETS, END OF YEAR</b>	<b>3,128,258</b>	<b>0</b>	<b>3,128,258</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUES:</b>			
Federal grants	3,624,075	0	3,624,075
State education support	13,568,901	0	13,568,901
Contributions and nonfederal grants	101,326	0	101,326
Student fees	206,365	0	206,365
Other income	302,928	0	302,928
<b>Total Public Support and Revenues</b>	<b>17,803,595</b>	<b>0</b>	<b>17,803,595</b>
<b>EXPENSES</b>			
Program Services:			
High School	4,903,940	0	4,903,940
Middle School	3,392,757	0	3,392,757
Primary School	6,475,136	0	6,475,136
<b>Total Program Services</b>	<b>14,771,833</b>	<b>0</b>	<b>14,771,833</b>
Management and General	1,632,747	0	1,632,747
<b>Total Expenses</b>	<b>16,404,580</b>	<b>0</b>	<b>16,404,580</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,399,015</b>	<b>0</b>	<b>1,399,015</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>(389,432)</b>	<b>0</b>	<b>(389,432)</b>
<b>NET ASSETS, END OF YEAR</b>	<b>1,009,583</b>	<b>0</b>	<b>1,009,583</b>

*The Notes to Financial Statements are an integral part of this statement.*

**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2023

	<u>Program Services</u>						<u>Supporting Services</u>	<u>Total</u>
	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Portage School of Leaders</u>	<u>Success Academy Boys and Girls Club</u>	<u>Total Program</u>	<u>Management and general</u>	
Salaries and wages	2,689,799	2,247,537	3,244,502	0	43,750	8,225,588	1,157,631	9,383,219
Employee benefits	410,446	397,756	544,439	0	0	1,352,641	203,584	1,556,225
Payroll taxes	197,838	165,155	239,942	0	3,395	606,330	83,932	690,262
Advertising expense	0	0	0	0	0	0	169,855	169,855
Bank charges	12	0	0	0	0	12	3,426	3,438
Information technology	6,177	4,023	13,606	21,838	0	45,644	6,967	52,611
Insurance	0	0	0	0	0	0	127,520	127,520
Interest expense	168,167	0	142,668	0	0	310,835	0	310,835
Student transportation	12,954	9,236	18,468	0	0	40,658	0	40,658
Supplies	826,448	201,665	397,050	0	54,417	1,479,580	85,122	1,564,702
Other	71,957	7,390	16,323	0	0	95,670	7,842	103,512
Professional fees	437,181	299,698	448,847	0	16,777	1,202,503	257,634	1,460,137
Property taxes	531	0	0	0	0	531	0	531
Lease expense	16,980	11,044	22,290	0	0	50,314	0	50,314
Repairs and maintenance	50,902	29,986	72,138	0	0	153,026	0	153,026
Travel	39,195	279	3,766	634	502	44,376	3,915	48,291
Miscellaneous	548	0	0	0	0	548	0	548
Office expense	9,446	6,834	12,205	0	0	28,485	568	29,053
Food cost	385,522	279,936	561,318	413	0	1,227,189	6,514	1,233,703
Occupancy	216,796	161,611	340,130	0	397	718,934	0	718,934
Depreciation	643,965	13,750	445,359	15,700	0	1,118,774	0	1,118,774
<b>Total Expenses</b>	<b>6,184,864</b>	<b>3,835,900</b>	<b>6,523,051</b>	<b>38,585</b>	<b>119,238</b>	<b>16,701,638</b>	<b>2,114,510</b>	<b>18,816,148</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2022

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Total Program</u>	<u>Management and general</u>	<u>Total</u>
Salaries and wages	2,251,643	1,969,668	3,334,642	7,555,953	938,959	8,494,912
Employee benefits	319,692	335,850	482,140	1,137,682	100,091	1,237,773
Payroll taxes	175,999	148,265	261,635	585,899	72,580	658,479
Advertising expense	0	0	0	0	141,529	141,529
Bank charges	12	0	0	12	1,105	1,117
Information technology	7,278	3,893	10,422	21,593	5,781	27,374
Insurance	0	0	0	0	93,888	93,888
Interest expense	175,421	0	152,285	327,706	0	327,706
Student transportation	23,449	8,656	18,655	50,760	0	50,760
Supplies	368,736	218,214	323,020	909,970	69,649	979,619
Other	37,279	5,906	9,405	52,590	31,819	84,409
Professional fees	355,191	293,504	413,641	1,062,336	150,060	1,212,396
Property taxes	706	530	1,059	2,295	0	2,295
Lease expense	16,230	11,523	24,723	52,476	0	52,476
Repairs and maintenance	53,430	35,888	69,004	158,322	0	158,322
Travel	73,910	484	470	74,864	739	75,603
Miscellaneous	84	220	813	1,117	0	1,117
Office expense	5,462	4,684	17,014	27,160	19	27,179
Food cost	296,444	209,760	419,494	925,698	26,528	952,226
Occupancy	191,757	143,836	297,247	632,840	0	632,840
Depreciation	551,217	1,876	639,467	1,192,560	0	1,192,560
<b>Total Expenses</b>	<b>4,903,940</b>	<b>3,392,757</b>	<b>6,475,136</b>	<b>14,771,833</b>	<b>1,632,747</b>	<b>16,404,580</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	2,118,675	1,399,015
Adjustments to reconcile change in assets to net cash from operating activities:		
Depreciation	1,118,774	1,192,560
Adjustments for changes in operating assets and liabilities:		
Accounts receivable	28,913	(102,405)
Grants receivable	(2,341,439)	(1,641,261)
Prepaid expenses	(85,573)	35,344
Inventory	(5,359)	(855)
Accounts payable	5,601,325	151,317
Deferred revenue	2,500	0
Other accrued expenses	(3,533)	(792)
Accrued interest	250,331	254,796
<b>Net Cash Flows from Operating Activities</b>	<b>6,684,614</b>	<b>1,287,719</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(12,032,902)	(353,185)
<b>Net Cash Flows used in Investing Activities</b>	<b>(12,032,902)</b>	<b>(353,185)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	5,518,000	0
Principle payments on long-term debt	(992,443)	(797,609)
<b>Net Cash Flows from (used in) Financing Activities</b>	<b>4,525,557</b>	<b>(797,609)</b>
<b>INCREASE (DECREASE) IN CASH, RESTRICTED CASH, AND CASH EQUIVALENTS</b>	<b>(822,731)</b>	<b>136,925</b>
<b>CASH, RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,591,791</b>	<b>2,454,866</b>
<b>CASH, RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>1,769,060</b>	<b>2,591,791</b>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOWS</b>		
Interest paid	60,504	72,910
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of property and equipment		
Cost of property and equipment	0	220,000

*The Notes to Financial Statements are an integral part of this statement.*

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# **CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

### **NATURE OF BUSINESS**

Career Academy of South Bend, Inc. (the "School") is a public benefit not-for-profit School incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24. During the years ended June 30, 2023 and 2022, the School was sponsored by Trine University.

Revenues primarily come from resources provided under the Indiana Charter Schools Act (the "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 (the "State") 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 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.

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

#### **BASIS OF PRESENTATION**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting.

The School adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. These net assets may be used at the discretion of the School's management and board of directors.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, were by the donor has stipulated the funds be maintained in perpetuity.

#### **USE OF ESTIMATES**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **CASH AND CASH EQUIVALENTS**

For purposes of the Statements of Cash Flows, the School considers all highly liquid investments without donor restrictions with an initial maturity of three months or less to be cash equivalents. Cash is held at local banks and is insured up to the limits of the FDIC. It is common for cash to exceed insured limits in the ordinary course of business.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### ACCOUNTS RECEIVABLE

Accounts receivable is stated at the amount management expects to collect from outstanding balances and is presented net of the allowance for doubtful accounts. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2023 or 2022. Factors considered in determining collectibility include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and credit to accounts receivable. Interest is not typically charged on past due accounts.

### GRANTS RECEIVABLE

Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State. Grants receivable represent cost reimbursements requested for expenses already incurred. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

### PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as current support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service. Net assets with donor restrictions are reclassified to net assets without donor restrictions at that time. There were no donated assets for the years ended June 30, 2023 or 2022.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements, and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss arising from the disposition is reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ended June 30, 2023 and 2022 was \$1,118,774 and \$1,192,560, respectively. Construction in progress of \$6,769,079 and \$81,294 was not depreciated as of June 30, 2023 and 2022, respectively.

A summary of the range of lives by asset category is as follows:

Buildings	39 years
Office furniture and equipment	3 - 7 years
Computer hardware and software	3 years

### REVENUE RECOGNITION

Revenues generally come from resources provided 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 is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

A 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.

The School generates an insignificant portion of its revenue from the collection of student fees paid for various programs. Those fees are recognized over time as earned.

### CONTRIBUTIONS

The School records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are received.

### ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the years ended June 30, 2023 and 2022 were \$169,855 and \$141,529, respectively.

### FUNCTIONAL EXPENSES

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities. Costs are directly assigned to program or management and general based on the nature of the cost. There were no fundraising expenditures for the years ended June 30, 2023 or 2022.

### INCOME TAXES

The School is a not-for-profit organization that is exempt from federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions. The Internal Revenue Service has determined that the School is not a private foundation within the meaning of Section 509(a).

The Income Taxes Topic of the FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. ASC 740 requires an entity to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The entity recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

Based on its evaluation, the School has concluded that there are no uncertain tax positions requiring recognition in the financial statements. The evaluation was performed for all federal and state tax periods still subject to examination. As of June 30, 2023, the School's 2019 through 2021 federal and state exempt School returns remain subject to examination by the IRS and state taxing authorities.

### CONCENTRATION OF CREDIT RISK

Financial instruments with potential credit risk consists principally of cash and cash equivalents and accounts receivable. Concentration of credit risk with respect to cash and cash equivalents generally relates to deposits held at the bank which may exceed the amount of insurance provided on the deposits and the potential inability to access liquidity in the financial institutions where the cash and cash equivalents are concentrated. The risk is managed as the cash and cash equivalents may be redeemed upon demand and are maintained in a financial institution with reputable credit and, therefore, bear minimal credit risk. Grants receivable potentially subject the School to a concentration of credit risk. Virtually all of the School's outstanding Grants receivable are due from federal grant agencies at June 30, 2023 and 2022.

### CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures. The School adopted FASB ASC 842, with a date of initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, Leases (Topic 842): Targeted Improvements. The School did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to equity as of July 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. No cumulative effect adjustment to net assets as of July 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the fiscal year ended June 30, 2023.

As part of the transition, the Organization elected to apply the following practical expedients:

Package of practical expedients:

- 1) Election not to reassess whether any expired or existing contracts are or contain leases
- 2) Election not to reassess the lease classification for any expired or existing leases
- 3) Election not to reassess initial direct costs on any existing leases

Other practical expedients:

- 1) Election whereby the lease and nonlease components will not be separated for leases.
- 2) Election not to record right of use ("ROU") assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month and leases of low-value assets. Leases of 1 month or less are not included in short-term lease costs. On such leases, lease payments are recognized as an expense on a straight-line basis over the lease term.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### NOTE 2 - LIQUIDITY AND AVAILABILITY

The School has working capital of \$799,097 and \$4,742,543 and average days cash on hand of 34 and 60 as of June 30, 2023 and 2022, respectively.

The table below represents financial assets available for general expenditures within one year at June 30:

	<u>2023</u>	<u>2022</u>
Cash	1,679,060	2,501,791
Accounts receivable	124,823	153,736
Grants receivable	5,488,122	3,146,683
<b>Financial assets available to meet general expenditures within one year:</b>	<b>7,292,005</b>	<b>5,802,210</b>

The School does not have any restricted net assets. The School's founder periodically provides financial support to the School as necessary.

### NOTE 3 - RECONCILIATION OF CASH

Cash and restricted cash consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash	1,679,060	2,501,791
Restricted cash:		
Escrowed cash	90,000	90,000
<b>Total cash and restricted cash shown in the Statements of Cash Flows</b>	<b>1,769,060</b>	<b>2,591,791</b>

### NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Unsecured note payable to The Garatoni-Smith Family Foundation, maturing on July 31, 2025, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum.	16,240,211	16,077,848
Note payable to Larry Garatoni, maturing on July 31, 2025, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum. The note is subordinate to the note to the City of South Bend due September 2030. The note is secured by substantially all assets of the School.	8,934,169	8,844,088
Unsecured note payable to the Indiana Common School Fund in the original amount of \$2,754,301, bearing interest at a rate of 1% per annum through December 2026, at which time the note must have been paid in full. Payments are made by deductions from any monies due to the School as its distributive share from State Tuition Support.	960,793	1,235,323

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
An interest free note payable to the City of South Bend in the original amount of \$715,000. The note is payable in annual installments of \$25,000 through 2025, \$30,000 through 2027, and \$40,000 through 2030, with a balloon payment of \$365,000 in February 2031. The note is guaranteed by the Garatoni-Smith Family Foundation.	508,000	571,500
Note payable to the City of South Bend in the amount of \$357,444 payable in monthly installments of \$2,942, including interest at 4%. The note required an annual service fee in the amount of 0.005% of the outstanding principal balance at the end of each twelve month period. The note was to mature in September 2030 and was secured by technology equipment and related technology infrastructure purchased with the proceeds of the note. The note was paid in full in January 2023.	0	247,744
Unsecured note payable to The Garatoni-Smith Family Foundation in the original amount of \$1,860,000. The note is payable in monthly installments of \$28,260, including interest charged at 3% through December 2026.	1,125,471	1,425,863
Note payable to Providence Capital Network, LLC in the original amount of \$241,715. The note was payable in annual installments of \$66,233, including interest charged at 6.48% through its maturity in July of 2022 when it was paid in full. The note was secured by technology equipment purchased with the proceeds of the note.	0	62,202
Interest free note payable to Compass Group USA, Inc. in the original amount of \$180,000, payable in monthly installments of \$3,000 through June 2026. The note is secured by serving line equipment purchased with the proceeds of the note.	100,000	144,000
Note payable to Compass Group USA, Inc. in the original amount of \$40,000. The note is payable in monthly installments of \$667 through July 2026. The note is interest free and is secured by a vehicle purchased with the proceeds of the note.	32,667	32,667
Unsecured note payable to HQ Investors 3, LLC, in the original amount of \$1,200,000, maturing on March 22, 2028, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum.	1,200,000	0
Unsecured note payable to The Garatoni-Smith Family Foundation, maturing on February 2, 2028, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum.	1,629,000	0
Unsecured note payable to The Garatoni-Smith Family Foundation, maturing on April 11, 2028, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum.	305,000	0

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Unsecured note payable to The Garatoni-Smith Family Foundation, maturing on May 5, 2028, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum.	490,000	0
Unsecured note payable to The Garatoni-Smith Family Foundation, maturing on May 9, 2028, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum.	298,000	0
Unsecured note payable to The Garatoni-Smith Family Foundation, maturing on June 22, 2028, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum.	522,000	0
Unsecured note payable to The Garatoni-Smith Family Foundation, maturing on June 27, 2028, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum.	742,600	0
Unsecured note payable to The Garatoni-Smith Family Foundation, maturing on June 30, 2028, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum.	331,400	0
<b>Total</b>	<b>33,419,311</b>	<b>28,641,235</b>
<b>Current portion of long-term debt</b>	<b>653,125</b>	<b>727,056</b>
<b>Net long-term debt</b>	<b>32,766,186</b>	<b>27,914,179</b>

Long-term debt, less current portion, is scheduled to mature as follows for the years ending June 30:

2025	662,541
2026	25,851,624
2027	336,021
2028	5,558,000
Thereafter	358,000
<b>Total</b>	<b>32,766,186</b>

Interest expense for the years ended June 30, 2023 and 2022 was \$310,835 and \$327,706, including \$252,444 and \$249,084 that is aggregated into the notes due to the Garatoni Family Foundation and Larry Garatoni at June 30, 2023 and 2022, respectively.

#### NOTE 5 - OPERATING LEASES

The School leases certain items of equipment under operating leases. The School entered into an equipment lease with an unrelated third party in April 2019 requiring monthly payments of \$681 through March 2024. The School also entered into an equipment lease with an unrelated third party in August 2019 requiring monthly payments of \$1,910 through July 2024. For both leases, in addition to the monthly payments, the School incurs additional expenses related to usage. Total lease expense under operating leases was \$39,454 and \$45,685 for the years ended June 30, 2023 and 2022, respectively.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

### NOTE 6 - RELATED PARTY TRANSACTIONS

The Garatoni-Smith Family Foundation and Larry Garatoni, individually periodically provide financing to the School. Larry Garatoni is the President of the School's Board of Directors and the Chief Executive Officer of HQ3 Investors, LLC., and of the investment company which manages the investments of The Garatoni-Smith Family Foundation.

### NOTE 7 - RETIREMENT PLANS

The School's certified employees are covered by the Indiana State Teacher's Retirement Fund ("TRF"), which is a multiple employer defined benefit retirement plan governed by the State and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Employees are eligible as of their hire date. The School made contributions of 6% and 5.5% of employee gross wages to the fund for the years ended June 30, 2023 and June 30, 2022, respectively. If the School withdrew from TRF, the School could receive a withdrawal fee. The School's contributions are an insignificant percentage of the total contributions received by TRF.

Alternatively, employees can opt to participate in a section 401(k) retirement plan offered through Freedom Retirement Plan Consultants, Inc. in lieu of participating in TRF. The School contributed 6% and 5.5% of compensation to the 401(k) plan for the years ended June 30, 2023 and June 30, 2022, respectively.

Substantially all full-time employees are eligible to participate in either plan. Retirement expense under both plans was \$383,863 and \$152,347 for the years ended June 30, 2023 and June 30, 2022, respectively. Retirement expense is net of redistributed forfeitures of approximately \$0 and \$236,000 for the years ended June 30, 2023 and June 30, 2022, respectively.

### NOTE 8 - LEGAL AND OTHER CONTINGENCIES

The School is subject to various legal proceeding and claims that arise in the ordinary course of business. In accordance with GAAP, the School records a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. There is significant judgment required in both the probability determinations and as to whether an exposure can be reasonably estimated. In management's opinion, the School does not have a potential liability related to any current legal proceeding and claims that would individually or in aggregate materially adversely affect financial conditions or operating results. However, the outcomes of legal proceedings and claims brought against the School are subject to significant uncertainty. Should the School fail to prevail in any of these legal matters, or should several of these legal matters be resolved against the School in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

In the normal course of operations, the School receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

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# **CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2023 and 2022

Included in the School's Statements of Financial Position are costs of property and equipment obtained with federal funds. Consequently, there is a continuing federal interest in the related property and equipment. The property and equipment may not (1) be used for any purpose inconsistent with the statute and any program regulations governing the award under which the property and equipment was acquired; (2) mortgaged or otherwise used as collateral without written permission; or (3) sold or transferred to another party without written permission. The cost of property and equipment obtained with federal funds included in the Statements of Financial Position was and \$2,570,194 and \$984,296 at June 30, 2023 and 2022, respectively.

### **NOTE 9 - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through November 15, 2024, the date the financial statements were available to be issued. No events or transactions occurred in the mandatory evaluation period requiring recognition or disclosure in the financial statements.



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

We have audited the financial statements of Career Academy of South Bend, Inc. as of and for the years ended June 30, 2023 and 2022, and our report thereon dated November 15, 2024, which expressed an unmodified opinion on those financial statements appears on pages 1 - 3. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following Statements of Financial Position by Division, Statements of Activities by Division, and Statements of Expenses by Division are presented for purposes of additional analysis and are 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel, Lawton &amp; Company LLC'.

Certified Public Accountants

South Bend, Indiana  
November 15, 2024

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FINANCIAL POSITION BY DIVISION**

June 30, 2023

(with comparative totals at June 30, 2022)

(See Independent Auditor's Report on Supplementary Information)

	High School	Middle School	Primary School	Portage School of Leaders	Success Academy Boys and Girls Club	Central Office	Eliminations	2023	2022
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and cash equivalents	(2,856,830)	3,469,098	5,857,325	83,787	725,361	(5,599,681)	0	1,679,060	2,501,791
Accounts receivable	9,153	8,231	19,940	0	0	87,499	0	124,823	153,736
Grants receivable	3,081,322	925,232	1,481,568	0	0	0	0	5,488,122	3,146,683
Prepaid expenses	27,197	14,266	27,577	785	0	63,677	0	133,502	47,929
Inventory	3,431	3,914	5,651	0	0	0	0	12,996	7,637
<b>Total Current Assets</b>	<b>264,273</b>	<b>4,420,741</b>	<b>7,392,061</b>	<b>84,572</b>	<b>725,361</b>	<b>(5,448,505)</b>	<b>0</b>	<b>7,438,503</b>	<b>5,857,776</b>
<b>PROPERTY AND EQUIPMENT</b>									
Land	243,200	175,921	143,000	0	0	0	0	562,121	386,200
Buildings	16,179,029	533,954	14,011,455	1,500,000	0	0	0	32,224,438	28,454,447
Land improvements	0	51,804	10,050	0	0	0	0	61,854	0
Office furniture, equipment and vehicles	3,107,394	11,158	1,468,668	0	0	0	0	4,587,220	3,664,889
Computers and software	1,307,910	28,700	1,171,450	17,066	0	0	0	2,525,126	2,110,101
Construction in progress	13,044	125,399	0	3,869,004	2,761,632	0	0	6,769,079	81,294
<b>Total</b>	<b>20,850,577</b>	<b>926,936</b>	<b>16,804,623</b>	<b>5,386,070</b>	<b>2,761,632</b>	<b>0</b>	<b>0</b>	<b>46,729,838</b>	<b>34,696,931</b>
Accumulated depreciation	6,400,452	20,897	5,287,442	15,700	0	0	0	11,724,491	10,605,712
<b>Net property and equipment</b>	<b>14,450,125</b>	<b>906,039</b>	<b>11,517,181</b>	<b>5,370,370</b>	<b>2,761,632</b>	<b>0</b>	<b>0</b>	<b>35,005,347</b>	<b>24,091,219</b>
<b>OTHER ASSETS</b>									
Escrowed cash	30,000	30,000	30,000	0	0	0	0	90,000	90,000
<b>Total other assets</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>90,000</b>	<b>90,000</b>
<b>TOTAL ASSETS</b>	<b>14,744,398</b>	<b>5,356,780</b>	<b>18,939,242</b>	<b>5,454,942</b>	<b>3,486,993</b>	<b>(5,448,505)</b>	<b>0</b>	<b>42,533,850</b>	<b>30,038,995</b>

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FINANCIAL POSITION BY DIVISION**

June 30, 2023

(with comparative totals at June 30, 2022)

(See Independent Auditor's Report on Supplementary Information)

	High School	Middle School	Primary School	Portage School of Leaders	Success Academy Boys and Girls Club	Central Office	Eliminations	2023	2022
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Current portion of long-term debt	353,595	0	299,530	0	0	0	0	653,125	727,056
Accounts payable	322,496	122,065	364,990	3,102,427	1,883,331	183,307	0	5,978,616	377,291
Deferred revenue	0	0	2,500	0	0	0	0	2,500	0
Other accrued expenses	2,750	0	4,666	0	0	(2,251)	0	5,165	10,886
<b>Total Current Liabilities</b>	<b>678,841</b>	<b>122,065</b>	<b>671,686</b>	<b>3,102,427</b>	<b>1,883,331</b>	<b>181,056</b>	<b>0</b>	<b>6,639,406</b>	<b>1,115,233</b>
<b>LONG-TERM LIABILITIES</b>									
Long-term debt	15,197,306	0	13,454,880	2,391,100	1,722,900	0	0	32,766,186	27,914,179
<b>Total Long-Term Liabilities</b>	<b>15,197,306</b>	<b>0</b>	<b>13,454,880</b>	<b>2,391,100</b>	<b>1,722,900</b>	<b>0</b>	<b>0</b>	<b>32,766,186</b>	<b>27,914,179</b>
<b>TOTAL LIABILITIES</b>	<b>15,876,147</b>	<b>122,065</b>	<b>14,126,566</b>	<b>5,493,527</b>	<b>3,606,231</b>	<b>181,056</b>	<b>0</b>	<b>39,405,592</b>	<b>29,029,412</b>
<b>NET ASSETS</b>									
Net assets without donor restriction	(1,131,749)	5,234,715	4,812,676	(38,585)	(119,238)	(5,629,561)	0	3,128,258	1,009,583
<b>Total Net Assets</b>	<b>(1,131,749)</b>	<b>5,234,715</b>	<b>4,812,676</b>	<b>(38,585)</b>	<b>(119,238)</b>	<b>(5,629,561)</b>	<b>0</b>	<b>3,128,258</b>	<b>1,009,583</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>14,744,398</b>	<b>5,356,780</b>	<b>18,939,242</b>	<b>5,454,942</b>	<b>3,486,993</b>	<b>(5,448,505)</b>	<b>0</b>	<b>42,533,850</b>	<b>30,038,995</b>

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENTS OF ACTIVITIES BY DIVISION**

For the Year Ended June 30, 2023 (with comparative totals for the Year Ended June 30, 2022)

(See Independent Auditor's Report on Supplementary Information)

	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Portage School of Leaders</u>	<u>Success Academy Boys and Girls Club</u>	<u>Central Office</u>	<u>Eliminations</u>	<u>2023</u>	<u>2022</u>
REVENUES:									
Federal grants	2,654,600	1,001,200	1,405,146	0	0	0	0	5,060,946	3,624,075
State education support	5,274,220	3,881,332	6,007,731	0	0	0	0	15,163,283	13,568,901
Contributions and nonfederal grants	117,817	534	500	0	0	26,000	0	144,851	101,326
Student fees	178,638	40,654	26,720	0	0	0	0	246,012	206,365
Other income	317,351	85	2,295	0	0	2,080,251	(2,080,251)	319,731	302,928
Total Revenues	8,542,626	4,923,805	7,442,392	0	0	2,106,251	(2,080,251)	20,934,823	17,803,595
EXPENSES	6,878,281	4,529,317	7,216,468	38,585	119,238	2,114,510	(2,080,251)	18,816,148	16,404,580
CHANGE IN NET ASSETS	1,664,345	394,488	225,924	(38,585)	(119,238)	(8,259)	0	2,118,675	1,399,015
NET ASSETS, BEGINNING OF YEAR	(2,796,094)	4,840,227	4,586,752	0	0	(5,621,302)	0	1,009,583	(389,432)
NET ASSETS, END OF YEAR	(1,131,749)	5,234,715	4,812,676	(38,585)	(119,238)	(5,629,561)	0	3,128,258	1,009,583

**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

**STATEMENT OF EXPENSES BY DIVISION**

For the Year Ended June 30, 2023 (with comparative totals for the Year Ended June 30, 2022)

(See Independent Auditor's Report on Supplementary Information)

	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Portage School of Leaders</u>	<u>Success Academy Boys and Girls Club</u>	<u>Central Office</u>	<u>Eliminations</u>	<u>2023</u>	<u>2022</u>
Salaries and wages	2,689,799	2,247,537	3,244,502	0	43,750	1,157,631	0	9,383,219	8,494,912
Employee benefits	410,446	397,756	544,439	0	0	203,584	0	1,556,225	1,237,773
Payroll taxes	197,838	165,155	239,942	0	3,395	83,932	0	690,262	658,479
Advertising expense	0	0	0	0	0	169,855	0	169,855	141,529
Bank charges	12	0	0	0	0	3,426	0	3,438	1,117
Information technology	6,177	4,023	13,606	21,838	0	6,967	0	52,611	27,374
Insurance	0	0	0	0	0	127,520	0	127,520	93,888
Interest expense	168,167	0	142,668	0	0	0	0	310,835	327,706
Student transportation	12,954	9,236	18,468	0	0	0	0	40,658	50,760
Supplies	826,448	201,665	397,050	0	54,417	85,122	0	1,564,702	979,619
Other	71,957	7,390	16,323	0	0	7,842	0	103,512	84,409
Professional fees	1,130,598	993,115	1,142,264	0	16,777	257,634	(2,080,251)	1,460,137	1,212,396
Property taxes	531	0	0	0	0	0	0	531	2,295
Lease expense	16,980	11,044	22,290	0	0	0	0	50,314	52,476
Repairs and maintenance	50,902	29,986	72,138	0	0	0	0	153,026	158,322
Travel	39,195	279	3,766	634	502	3,915	0	48,291	75,603
Miscellaneous	548	0	0	0	0	0	0	548	1,117
Office expense	9,446	6,834	12,205	0	0	568	0	29,053	27,179
Food cost	385,522	279,936	561,318	413	0	6,514	0	1,233,703	952,226
Occupancy	216,796	161,611	340,130	0	397	0	0	718,934	632,840
Depreciation	643,965	13,750	445,359	15,700	0	0	0	1,118,774	1,192,560
<b>Total Expenses</b>	<b>6,878,281</b>	<b>4,529,317</b>	<b>7,216,468</b>	<b>38,585</b>	<b>119,238</b>	<b>2,114,510</b>	<b>(2,080,251)</b>	<b>18,816,148</b>	<b>16,404,580</b>

## FEDERAL AWARDS

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2023

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>	<b>Expenditures to Subrecipients</b>
<b>Department of Agriculture</b>				
<b>Passed-through the Indiana Department of Education</b>				
<b>Child Nutrition Cluster</b>				
School Breakfast Program	10.553	K397	247,829	0
National School Lunch Program	10.555	K397	639,479	0
National School Lunch Program - Food Commodities	10.555	K397	49,407	0
Total Child Nutrition Cluster			<u>936,715</u>	<u>0</u>
<b>Child and Adult Care Food Program</b>				
Child and Adult Care Food Program	10.558	K397	166,913	0
Total Child and Adult Care Food Program			<u>166,913</u>	<u>0</u>
COVID-19 Pandemic Electronic Benefit Transfer Program	10.649	K397	81,104	0
Total COVID-19 Pandemic Electronic Benefit Transfer Program			<u>81,104</u>	<u>0</u>
<b>Total Department of Agriculture</b>			<u>1,184,732</u>	<u>0</u>
<b>Department of Education</b>				
<b>Passed-through the Indiana Department of Education</b>				
<b>Title I, Part A</b>				
Title I Grants to Local Educational Agencies	84.010	18611-001-PN01	14,496	0
Title I Grants to Local Educational Agencies	84.010	18611-001-PN01	171,892	0
Total Title I, Part A			<u>186,388</u>	<u>0</u>
<b>Title II, Part A Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)</b>				
Title II, Part A Supporting Effective Instruction State Grants	84.367A	S367A210013	20,477	0
Title II, Part A Supporting Effective Instruction State Grants	84.367A	S367A210013	15,423	0
Title II, Part A Supporting Effective Instruction State Grants	84.367A	S367A200013	23,101	0
Title II, Part A Supporting Effective Instruction State Grants	84.367A	S367A210013	27,913	0
Total Title II, Part A			<u>86,914</u>	<u>0</u>
<b>Title IV, Part A Student Support and Academic Enrichment Program</b>				
Student Support and Academic Enrichment Program	84.424A	S424A210015	20,626	0
Total Title IV, Part A Student Support and Academic Enrichment Program			<u>20,626</u>	<u>0</u>

*See accompanying Notes to Schedule of Expenditures of Federal Awards.*

# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
<b>Passed-through the Indiana Department of Education</b>				
<b>Special Education Cluster (IDEA)</b>				
Special Education-Grants to States, (IDEA, Part B)	84.027A	23611-544-PN01	152,348	0
Special Education-Grants to States, (IDEA, Part B)	84.027A	23611-544-PN01	115,999	0
Special Education-Grants to States, (IDEA, Part B)	84.027A	23611-544-PN01	90,835	0
Special Education Cluster (IDEA)			359,182	0
COVID-19 Special Education-Grants to States, (ARP - IDEA, Part B)	84.027X	22611-544-ARP	1,026	0
COVID-19 Special Education-Grants to States, (ARP - IDEA, Part B)	84.027X	22611-544-ARP	1,091	0
COVID-19 Special Education-Grants to States, (ARP - IDEA, Part B)	84.027X	22611-544-ARP	1,254	0
Total COVID-19 Special Education-Grants to States, (ARP -IDEA, Part B)			3,371	0
Special Education-Grants to States, (IDEA, Preschool)	84.173A	23619-544-PN01	4,892	0
Total Special Education Cluster (IDEA)			367,445	0
<b>Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act</b>				
COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund	84.425D	S425D200013	7,473	0
COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund	84.425D	S425D200013	46,057	0
Total COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund			53,530	0
COVID-19 Elementary & Secondary School Emergency Relief (ESSER II) Fund	84.425D	S425D210013	231,581	0
COVID-19 Elementary & Secondary School Emergency Relief (ESSER II) Fund	84.425D	S425D210013	254,910	0
COVID-19 Elementary & Secondary School Emergency Relief (ESSER II) Fund	84.425D	S425D210013	268,912	0
Total COVID-19 Elementary & Secondary School Emergency Relief (ESSER II) Fund			755,403	0
COVID-19 ARP: Elementary & Secondary School Emergency Relief (ESSER III) Fund	84.425U	S425U210013	71,946	0
COVID-19 ARP: Elementary & Secondary School Emergency Relief (ESSER III) Fund	84.425U	S425U210013	1,525,749	0
COVID-19 ARP: Elementary & Secondary School Emergency Relief (ESSER III) Fund	84.425U	S425U210013	64,437	0
Total COVID-19 ARP: Elementary & Secondary School Emergency Relief (ESSER III) Fund			1,662,132	0
Total Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act			2,471,065	0
<b>State Charter Schools</b>				
State Charter School Facilities Incentive Grants	84.282D	S282D190002	207,848	0
State Charter School Facilities Incentive Grants	84.282D	S282D190002	302,412	0
State Charter School Facilities Incentive Grants	84.282D	S282D190002	202,514	0
Total State Charter School Facilities Incentive Grants			712,774	0
<b>Total Department of Education</b>			3,845,212	0

*See accompanying Notes to Schedule of Expenditures of Federal Awards.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

For the Year Ended June 30, 2023

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>	<b>Expenditures to Subrecipients</b>
<b>Department of Health and Human Services</b>				
<b>Passed through Indiana Family and Social Services</b>				
<b>Medicaid Cluster</b>				
Medical Assistance Program (Medicaid; Title XIX)	93.778	1487048005	13,584	0
Medical Assistance Program (Medicaid; Title XIX)	93.778	1487048005	8,573	0
Medical Assistance Program (Medicaid; Title XIX)	93.778	1487048005	8,845	0
Total Medicaid Cluster			31,002	0
<b>Total Department of Health and Human Services</b>			31,002	0
<b>Total Expenditures of Federal Awards</b>			5,060,946	0

*See accompanying Notes to Schedule of Expenditures of Federal Awards.*

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

#### NOTE 1 - BASIS OF PRESENTATION

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

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

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following costs principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allocable or are limited as to reimbursement.
2. The School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### NOTE 3 - NONCASH AWARDS

The accompanying Schedule includes federal awards under the Child Nutrition Cluster in the amount of \$49,407 that represent food commodities received through the Indiana Department of Education from the US Department of Agriculture.

ADDITIONAL REQUIRED REPORTS AND  
INFORMATION



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*

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

We have audited, in accordance with 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 Career Academy of South Bend, Inc. (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2024.

**Report on 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) as a basis for designing audit procedures that are 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 that 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 that 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **Report on 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001.

## **The School's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The School's response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

Respectfully submitted,



Certified Public Accountants

South Bend, Indiana  
November 15, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

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

***Qualified and Unmodified Opinions***

We have audited Career Academy of South Bend, Inc.'s (the "School") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Qualified Opinion on 84.425 COVID-19 Education Stabilization Fund***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund for the year ended June 30, 2023.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions 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.

## *Matter Giving Rise to Qualified Opinion on 84.425 COVID-19 Education Stabilization Fund*

As described in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding the Education Stabilization Fund as described in finding numbers 2023-005, 2023-006, 2023-007, and 2023-008.

Compliance with such requirements is necessary, in our opinion, for the School to comply with the requirements applicable to that program.

### ***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 Responsibility 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 that an audit conducted in accordance with generally accepted auditing standards, *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 that, 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 generally accepted auditing standards, *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 that are 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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

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 that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

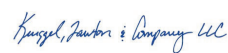
*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, and 2023-007 to be material weaknesses.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Respectfully submitted,



Certified Public Accountants

South Bend, Indiana  
November 15, 2024

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**For the Year Ended June 30, 2023

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? Yes

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major programs:

84.425 Qualified

10.553, 10.555, 10.556, 10.559, 10.582 Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section

200.516(a)? Yes

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
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84.425	COVID-19 Education Stabilization Fund
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10.553, 10.555, 10.556, 10.559, 10.582	Child Nutrition Cluster
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

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### Section II - Financial Statement Findings

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#### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2023-001 UNIFORM COMPLIANCE GUIDELINES - STATE BOARD OF ACCOUNTS

*Condition:* The School is out of compliance with uniform compliance requirements established by the Indiana State Board of Accounts. Specifically, the School is out of compliance with the the required reporting, average daily membership, monthly reconcilements, receipts and deposits, credit card policy and textbook rental guidelines established by the Indiana State Board of Accounts.

*Criteria:* The School is required to comply with the uniform compliance guidelines established by the Indiana State Board of Accounts under Ind. Code § 5-11-1-24.

*Cause:* The School was inattentive to the compliance guidelines mentioned above.

*Effect:* The School is not in compliance with guidelines for charter schools which could cause issues with the School's charters.

*Recommendation:* The School should implement controls in order to comply with the Uniform Compliance Guidelines set forth by the Indiana State Board of Accounts.

*Identification of repeat findings:* This finding is a repeat finding previously included as finding number 2022-001 in the audit of the financial statements for the year ended June 30, 2022.

*View of Responsible Officials and Planned Corrective Actions:* Management agrees with the finding and has contracted with an outside firm that specializes in State Board of Accounts compliance, to assist with developing the required manuals, with an estimated completion date of February 28, 2025.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

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#### Section III - Federal Award Findings and Questioned Costs

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##### MATERIAL WEAKNESS

2023-002 WRITTEN FEDERAL PROCEDURES

*Federal Agency:* Department of Agriculture, Department of Education

*Federal Program or Cluster:* Child Nutrition Cluster  
Education Stabilization Fund

*Assistance Listing Number:* 10.553, 10.555, 84.425D, 84.425U

*Federal Award Numbers and Years:* Award Period 7/1/2022-6/30/23: K397  
Award Period 3/13/20-9/30/22: S425D200013  
Award Period 3/13/20-9/30/23: S425D210013  
Award Period 6/24/2022-9/30/24: S425U210013

*Questioned Costs:* \$0

*Condition:* The School's accounting and procedures manual did not include written policies or procedures that address all applicable compliance areas under the Uniform Guidance; for instance, allowable costs, procurement, equipment and real property and special tests and provisions.

*Criteria:* The School must establish and maintain effective internal controls over Federal awards that provide reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award as stated in 2 CFR Section 200.302.

*Cause:* The School was inattentive to all of the requirements in the Uniform Guidance.

*Effect:* The absence of documented policies and procedures could result in noncompliance with the terms of federal awards.

*Recommendation:* The School should document and adhere to written policies and procedures that reflect current OMB requirements under the Uniform Guidance. This accounting and procedures manual should be monitored and revised annually as necessary.

*Identification of repeat findings:* This finding is a repeat finding previously included as finding number 2022-002 in the audit of the financial statements for the year ended June 30, 2022.

*View of Responsible Officials and Planned Corrective Actions:* Management agrees with the finding and has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

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#### Section III - Federal Award Findings and Questioned Costs

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##### MATERIAL WEAKNESS

2023-003 INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS

*Federal Agency:* Department of Agriculture

*Federal Program or Cluster:* Child Nutrition Cluster

*Assistance Listing Number:* 10.553, 10.555

*Federal Award Numbers and Years:* Award Period 7/1/2022-6/30/23: K397

*Questioned Costs:* \$0

*Condition:* The School uses a third party food service management company to oversee all aspects of the food program at the School. The School did not provide detailed oversight and review of the food service management company to verify that policies and procedures followed all applicable compliance areas under the Uniform Guidance.

*Criteria:* The School must establish and maintain effective internal controls over Federal awards, including oversight over third party contractors that provide reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and 7 CFR Section 210.16.

*Cause:* The School was inattentive to all of the requirements in the Uniform Guidance.

*Effect:* The absence of detailed oversight and review could result in noncompliance with the terms of federal awards.

*Recommendation:* The School should document and adhere to written policies and procedures that include oversight and detail review of third party food service management companies and other third parties to verify the School is following all current OMB requirements under the Uniform Guidance. This oversight should be documented and revised as necessary.

*Identification of repeat findings:* This finding is a repeat finding previously included as finding number 2022-003 in the audit of the financial statements for the year ended June 30, 2022.

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

For the Year Ended June 30, 2023

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**Section III - Federal Award Findings and Questioned Costs**

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*View of Responsible Officials and Planned Corrective Actions:* Management agrees with the finding and has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

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#### Section III - Federal Award Findings and Questioned Costs

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##### MATERIAL WEAKNESS

2023-004                      PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

*Federal Agency:*                      Department of Education

*Federal Program or  
Cluster:*                                      Education Stabilization Fund

*Assistance Listing  
Number:*                                      84.425D, 84.425U

*Federal Award  
Numbers and Years:*                      Award Period 3/13/20-9/30/22: S425D200013  
Award Period 3/13/20-9/30/23: S425D210013  
Award Period 6/24/2022-9/30/24: S425U210013

*Questioned Costs*                      \$0

*Condition:*                                      The revenue, receivables, and associated expenditures for the Education Stabilization Fund were originally overstated on the trial balance and the Schedule of Expenditures of Federal Awards (SEFA) by \$2,118,502. The amounts were corrected on both the trial balance and the SEFA during the audit.

*Criteria:*    According to the CFR Part 200, it is the auditee's responsibility to prepare appropriate financial statements, including the SEFA. The schedules should be complete and accurate.

*Cause:*    There was confusion at the School on the proper accounting for grants and awards given the unique nature of the Education Stabilization Fund.

*Effect:*    The School is not in compliance with the auditee responsibilities in the Uniform Guidance.

*Recommendation:*                                      The School should analyze grant documents and recognize revenue in accordance with Generally Accepted Accounting Principles (GAAP) and the Uniform Guidance.

*Identification of  
repeat findings:*                                      This is not a repeat finding.

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

For the Year Ended June 30, 2023

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**Section III - Federal Award Findings and Questioned Costs**

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*View of Responsible Officials and Planned Corrective Actions:* Management agrees with the finding and has created and filled the position of Manager of Grants Management. This staff member will be responsible for the oversight and management of all grants. Additionally, the School has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

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#### Section III - Federal Award Findings and Questioned Costs

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##### MATERIAL WEAKNESS AND NONCOMPLIANCE WITH LAWS AND REGULATIONS

2023-005 SPECIAL TESTS AND PROVISIONS

*Federal Agency:* Department of Education

*Federal Program or Cluster:* Education Stabilization Fund

*Assistance Listing Number:* 84.425D, 84.425U

*Federal Award Numbers and Years:* Award Period 3/13/20-9/30/22: S425D200013  
Award Period 3/13/20-9/30/23: S425D210013  
Award Period 6/24/22-9/30/24: S425U210013

*Questioned Costs:* \$0

*Condition:* The School did not comply with the Special Tests and Provisions Wage Rate Requirements under the Elementary and Secondary School Emergency Relief Fund.

*Criteria:* 34 CFR section 222.196(a) of the Uniform Guidance requires the School to comply with the prevailing wage standards in the School's locality as established by the Secretary of Labor in accordance with the Davis-Bacon Act for construction contracts in excess of \$2,000 and financed by federal assistance funds.

*Cause:* The School was not aware of the need for federal contracts to comply with the Davis-Bacon Act and did not have any internal controls implemented to identify compliance requirements.

*Effect:* The School could have paid wages at rates other than those required.

*Recommendation:* School staff should review award contracts and related grant guidance to verify applicable compliance requirements are identified and implemented.

*Identification of repeat findings:* This is not a repeat finding.

*View of Responsible Officials and Planned Corrective Actions:* Management agrees with the finding and as of July 1, 2024 the CFO has implemented the review of all contracts, to include the requirements of the Davis Bacon Act, where applicable. Additionally, the School has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

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#### Section III - Federal Award Findings and Questioned Costs

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##### MATERIAL WEAKNESS AND NONCOMPLIANCE WITH LAWS AND REGULATIONS

2023-006                      PROCUREMENT PROCEDURES

*Federal Agency:*                      Department of Education

*Federal Program or Cluster:*                      Education Stabilization Fund

*Assistance Listing Number:*                      84.425D, 84.425U

*Federal Award Numbers and Years:*                      Award Period 3/13/20-9/30/22: S425D200013  
Award Period 3/13/20-9/30/23: S425D210013  
Award Period 6/24/22-9/30/24: S425U210013

*Questioned Costs:*                      \$0

*Condition:*                      The School did not follow required procurement procedures for the year ended June 30, 2023. Contracts over \$10,000 did not have competitive quotes or documentation of reasonableness, and contracts for purchases over \$250,000 were not put out for bid when required.

*Criteria:*                      The terms of the programs and 2 CFR Part 200, Subpart D require the use of purchase requisitions for all non-exempt purchases that provides full and open competition. With certain exceptions for sole source/inadequate response, emergencies or through written request approved by the Federal agency, the following must be attached to the purchase requisition: Competitive quotes must be obtained either through sealed bid or public notice for proposal as a prerequisite for purchases over \$250,000 and a adequate number of quotes for purchases over \$10,000.

*Cause:*                      The School does not have a written procurement policy that complies with the requirements of the Uniform Guidance. There is also a lack of understanding of minimum requirements to ensure the School's procedures meet these standards.

*Effect:*                      The School could be paying more for procured services than would be necessary if competitive quotes were obtained. This could result in waste of federal funds.

*Recommendation:*                      The School should develop a written procurement policy that complies with the requirements of the Uniform Guidance. This policy should be monitored and revised annually as necessary and adhered to when procuring services.

*Identification of repeat findings:*                      This is not a repeat finding.

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

For the Year Ended June 30, 2023

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**Section III - Federal Award Findings and Questioned Costs**

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*View of Responsible Officials and Planned Corrective Actions:* Management agrees with the finding and has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

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#### Section III - Federal Award Findings and Questioned Costs

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##### MATERIAL WEAKNESS AND NONCOMPLIANCE WITH LAWS AND REGULATIONS

2023-007 ALLOWABLE COSTS

*Federal Agency:* Department of Education

*Federal Program or Cluster:* Education Stabilization Fund

*Assistance Listing Number:* 84.425D, 84.425U

*Federal Award Numbers and Years:* Award Period 3/13/20-9/30/22: S425D200013  
Award Period 3/13/20-9/30/23: S425D210013  
Award Period 6/24/2022-9/30/24: S425U210013

*Questioned Costs:* \$8,029

*Condition:* Out of a sample of sixty expenditures, two expenditures tested did not have supporting documentation which was misplaced and could not be located. It was not possible to determine the allowability of the expenditures without necessary support and documentation.

*Criteria:* The School should retain documentation to support all expenditures included on the Schedule of Expenditures of Federal Awards. The School is required to design, implement and maintain a system of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. All expenditures claimed under federal awards should have supporting documentation as required by 2 CFR Section 200 Subpart E.

*Cause:* The supporting documentation for the selected transactions was misplaced and unable to be located.

*Effect:* The School may have used federal funds for unallowable costs which could result in recapture by the federal agency.

*Recommendation:* The School should review best practice guidelines pertaining to document retention and implement the necessary controls to ensure only allowable expenditures are claimed under grants.

*Identification of repeat findings:* This is not a repeat finding.

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

For the Year Ended June 30, 2023

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**Section III - Federal Award Findings and Questioned Costs**

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*View of Responsible Officials and Planned Corrective Actions:* Management agrees with the finding and has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2023

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#### Section III - Federal Award Findings and Questioned Costs

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##### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2023-008                      REPORTING

*Federal Agency:*                      Department of Agriculture, Department of Education

*Federal Program or Cluster:*                      Child Nutrition Cluster  
Education Stabilization Fund

*Assistance Listing Number:*                      10.553, 10.555, 84.425D, 84.425U

*Federal Award Numbers and Years:*                      Award Period 7/1/2022-6/30/23: K397  
Award Period 3/13/20-9/30/22: S425D200013  
Award Period 3/13/20-9/30/23: S425D210013  
Award Period 6/24/22-9/30/24: S425U210013

*Questioned Costs:*                      \$0

*Condition:*                      The reporting package due to the Federal Audit Clearinghouse by March 31, 2024, for the financial reporting period ended June 30, 2023 is not yet submitted.

*Criteria:*                      The Uniform Guidance reporting packages are to be submitted within the earlier of thirty days of report issuance or nine months after the fiscal year end as noted in 2 CFR Section 200.512.

*Cause:*                      The School was inattentive to the requirements in the Uniform Guidance.

*Effect:*                      The compliance audit of the period ended June 30, 2023 was deemed to be high risk.

*Recommendation:*                      Management of the School should insure reports are filed timely within regulatory guidelines.

*Identification of repeat findings:*                      This finding is a repeat finding previously included as finding number 2022-004 in the audit of the financial statements for the year ended June 30, 2022.

*View of Responsible Officials and Planned Corrective Actions:*                      Management agrees with the finding. The necessary reports will be filed as soon as they are available.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2023

### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2022-001 UNIFORM COMPLIANCE GUIDELINES - STATE BOARD OF ACCOUNTS

*Condition:* The School is out of compliance with uniform compliance requirements established by the Indiana State Board of Accounts.

*Recommendation:* The School should implement controls in order to comply with the Uniform Compliance Guidelines set forth by the Indiana State Board of Accounts.

*Current Status:* Management has contracted with an outside firm that specializes in State Board of Accounts compliance, to assist with developing the required manuals, with an estimated completion date of February 28, 2025.

### MATERIAL WEAKNESS

2022-002 WRITTEN FEDERAL PROCEDURES

*Federal Agency:* Department of Agriculture  
Department of Education

*Federal Program or Cluster:* Child Nutrition Cluster  
Education Stabilization Fund

*Assistance Listing Number:* 10.553, 10.555, 84.425D

*Federal Award Numbers and year* Award Period 7/1/2021-6/30/22: K397  
Award Period 3/13/20-9/30/22: S425D200013  
Award Period 3/13/20-9/30/23: S425D210013

*Condition:* The School's accounting and procedures manual did not include written policies or procedures that address all applicable compliance areas under the Uniform Guidance; for instance, cash management, allowable costs, and period of performance.

*Recommendation:* The School should document and adhere to written policies and procedures that reflect current OMB requirements under the Uniform Guidance. This accounting and procedures manual should be monitored and revised annually as necessary.

*Current Status:* Management has contracted with an outside firm that specializes in State Board of Accounts compliance as well as Federal Award Compliance in line with Uniform guidance, to assist with developing the required manuals, required manuals, policies, procedures and review processes with an estimated completion date of February 28, 2025.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

For the Year Ended June 30, 2023

#### MATERIAL WEAKNESS

2022-003	INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS
<i>Federal Agency:</i>	Department of Agriculture
<i>Federal Program or Cluster:</i>	Child Nutrition Cluster
<i>Assistance Listing Number:</i>	10.553, 10.555
<i>Federal Award Numbers and year</i>	Award Period 7/1/2021-6/30/22: K3977
<i>Condition:</i>	The School uses a third party food service management company to oversee all aspects of the food program at the School. The School did not provide detailed oversight and review of the food service management company to verify that policies and procedures followed all applicable compliance areas under the Uniform Guidance.
<i>Recommendation:</i>	The School should document and adhere to written policies and procedures that include oversight and detail review of third party food service management companies and other third parties to verify the School is following all current OMB requirements under the Uniform Guidance. This oversight should be documented and revised as necessary.
<i>Current Status:</i>	This process is currently taking place between the CFO and third party food service management company. Additionally, management has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform guidance, to assist with developing the required manuals, policies, procedures and review processes with an estimated completion date of February 28, 2025.

#### MATERIAL WEAKNESS AND NONCOMPLIANCE WITH LAWS AND REGULATIONS

2022-004	REPORTING
<i>Federal Agency:</i>	Department of Agriculture, Department of Education
<i>Federal Program or Cluster:</i>	Child Nutrition Cluster Education Stabilization Fund
<i>Assistance Listing Number:</i>	10.553, 10.555, 84.425D
<i>Federal Award Numbers and year</i>	Award Period 7/1/2021-6/30/22: K397 Award Period 3/13/20-9/30/22: S425D200013 Award Period 3/13/20-9/30/23: S425D210013

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

For the Year Ended June 30, 2023

<i>Condition:</i>	The reporting package due to the Federal Audit Clearinghouse by March 31, 2023, for the financial reporting period ended June 30, 2022 is not yet submitted.
<i>Recommendation:</i>	Management of the School should insure reports are filed timely within regulatory guidelines.
<i>Current Status:</i>	Management has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform guidance, to assist with developing the required manuals, policies, procedures and review processes with an estimated completion date of February 28, 2025.

#### MATERIAL WEAKNESS AND NONCOMPLIANCE WITH LAWS AND REGULATIONS

2022-005                      REPORTING

*Federal Agency:*                      Department of Agriculture

*Federal Program or Cluster:*                      Child Nutrition Cluster

*Assistance Listing Number:*                      10.553, 10.555

*Federal Award Numbers and year*                      Award Period 7/1/2021-6/30/22: K397

*Condition:*                      Submitted food service claims did not match the support records for the number of meals and/or snacks claimed for any of the four months tested.

*Recommendation:*                      The School should verify support for number of meals served matches what is input in the monthly claim reimbursement before being submitted.

*Current Status:*                      Management has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform guidance, to assist with developing the required manuals, policies, procedures and review processes with an estimated completion date of February 28, 2025.

#### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2022-006                      REPORTING

*Federal Agency:*                      Department of Education

*Federal Program or Cluster:*                      Education Stabilization Fund

*Assistance Listing Number:*                      84.425D

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)**

For the Year Ended June 30, 2023

*Federal Award*                      Award Period 3/13/20-9/30/22: S425D200013

*Numbers and year*                Award Period 3/13/20-9/30/23: S425D210013

*Condition:*                              The School's annual reports due May 13, 2022 were not filed timely.

*Recommendation:*                We recommend the School have regular contact with pass through entities for grants to be aware of any reporting requirements.

*Current Status:*                      Management has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform guidance, to assist with developing the required manuals, policies, procedures and review processes with an estimated completion date of February 28, 2025.

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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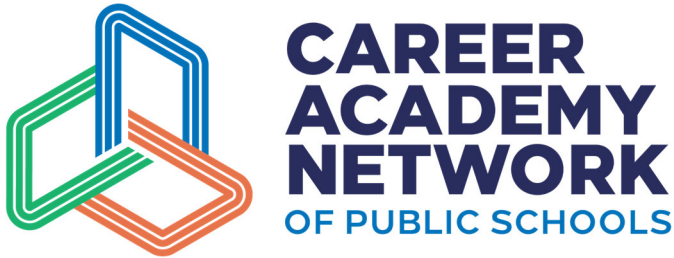
**OTHER REPORT**

For the Year Ended June 30, 2023

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

Supplemental Audit Report of Career Academy of South Bend, Inc.

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



3801 Crescent Circle  
South Bend, IN 46628  
Tel. (574) 299-9800  
Fax. (574) 288-6125  
www.CareerAcademySB.com

## CORRECTIVE ACTION PLAN

Cognizant or Oversight Agency for Audit: Department of Education

Career Academy of South Bend, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2023

Name and address of independent public accounting firm:

Kruggel, Lawton & Company, LLC  
210 S. Michigan St, Ste 200  
South Bend, IN 46601

Audit period: July 1, 2022 – June 30, 2023

The findings from the 2023 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. The new Chief Financial Officer, Douglas Warrington will be responsible for the corrective actions.

### FINDINGS—FINANCIAL STATEMENT FINDINGS

#### NONCOMPLIANCE WITH LAWS AND REGULATIONS

##### 2023-001 Uniform Compliance Guidelines – State Board of Accounts

Recommendation: The School should implement controls in order to comply with the Uniform Compliance Guidelines set forth by the Indiana State Board of Accounts.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has contracted with an outside firm that specializes in SBOA compliance, to assist with developing the required manuals, with an estimated completion date of February 28, 2025.

### FINDINGS—FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS

#### MATERIAL WEAKNESS

##### 2023-002 Written Federal Procedures

Recommendation: The School should document and adhere to written policies and procedures that reflect current OMB requirements under the Uniform Guidance. This accounting and procedures manual should be monitored and revised annually as necessary.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has contracted with an outside firm that specializes in SBOA compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.



# CAREER ACADEMY NETWORK OF PUBLIC SCHOOLS

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## FINDINGS—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### MATERIAL WEAKNESS

#### 2023-003 Internal Control over Compliance Requirements.

Recommendation: The School should document and adhere to written policies and procedures that include oversight and detail review of third-party food service management companies and other third parties to verify the School is following all current OMB requirements under the Uniform Guidance. This oversight should be documented and revised as necessary.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has contracted with an outside firm that specializes in SBOA compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.

## FINDINGS—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### MATERIAL WEAKNESS

#### 2023-004 PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

Recommendation: The School should analyze grant documents and recognize revenue in accordance with Generally Accepted Accounting Principles (GAAP) and the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has created and filled the position of Manager of Grants Management. This staff member will be responsible for the oversight and management of all grants. Additionally, the School has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.



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## FINDINGS—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### MATERIAL WEAKNESS AND NONCOMPLIANCE WITH LAWS AND REGULATIONS

#### 2023-005 SPECIAL TESTS AND PROVISIONS

Recommendation: School staff should review award contracts and related grant guidance to verify applicable compliance requirements are identified and implemented.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has created and filled the position of Manager of Grants Management. This staff member will be responsible for the oversight and management of all grants. Additionally CANOPS has contracted with an outside firm that specializes in SBOA compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.

## FINDINGS—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### MATERIAL WEAKNESS AND NONCOMPLIANCE WITH LAWS AND REGULATIONS

#### 2023-006 Procurement Procedures

Recommendation: The School should develop a written procurement policy that complies with the requirements of the Uniform Guidance. This policy should be monitored and revised annually as necessary and adhered to when procuring services.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has contracted with an outside firm that specializes in State Board of Accounts compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.



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FINDINGS—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS AND NONCOMPLIANCE WITH LAWS AND REGULATIONS

2023-007 Allowable Costs

Recommendation: The School should review best practice guidelines pertaining to document retention and implement the necessary controls to ensure only allowable expenditures are claimed under grants.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has contracted with an outside firm that specializes in SBOA compliance, as well as Federal Award Compliance in line with Uniform Guidance. The firm will assist in the development of the required manuals, policies, procedures and review processes. The current estimated completion date is February 28, 2025.

FINDINGS—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONCOMPLIANCE WITH LAWS AND REGULATIONS

2023-008 Reporting

Recommendation: Management of the School should insure reports are filed timely within regulatory guidelines.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The necessary reports will be filed as soon as they are available.

My best regards,

Douglas Warrington  
CFO

November 19, 2024