



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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April 4, 2024

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, 2021 to June 30, 2022. 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, 2022 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 33 through 38. 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 42 through 44.

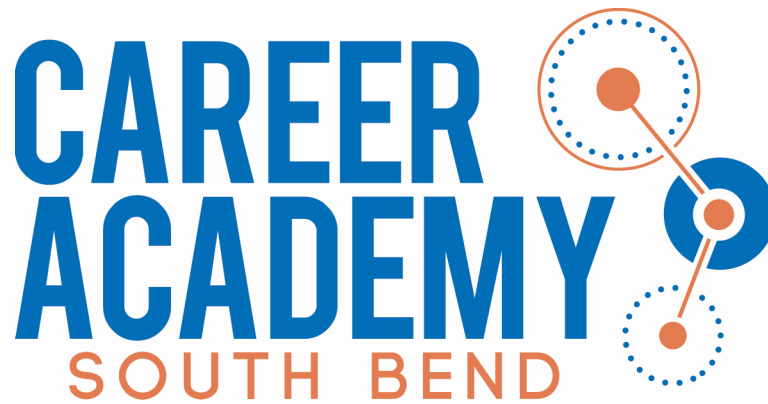
In our opinion, Kruggel, Lawton & Company LLC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Career Academy of South Bend, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner



ANNUAL REPORT
June 30, 2022



CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

ANNUAL REPORT

June 30, 2022

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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, 2022 and 2021, 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, 2022 and 2021, 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 March 7, 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,

A handwritten signature in blue ink that reads "Kuzgel, Jantzen & Company LLC". The signature is written in a cursive style.

Certified Public Accountants

South Bend, Indiana
March 7, 2024

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

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	2,501,791	2,364,866
Accounts receivable	153,736	51,331
Grants receivable	3,146,683	1,505,422
Prepaid expenses	47,929	83,273
Inventory	7,637	6,782
Total Current Assets	5,857,776	4,011,674
PROPERTY AND EQUIPMENT		
Land	386,200	386,200
Buildings	28,454,447	28,340,738
Office furniture, equipment and vehicles	3,664,889	3,230,467
Computers and software	2,110,101	2,105,096
Construction in progress	81,294	61,244
Total	34,696,931	34,123,745
Accumulated depreciation	10,605,712	9,413,151
Net Property and Equipment	24,091,219	24,710,594
OTHER ASSETS		
Escrowed cash	90,000	90,000
TOTAL ASSETS	30,038,995	28,812,268
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of long-term debt	727,056	702,960
Accounts payable and other accrued expenses	377,291	225,974
Accrued payroll, benefits, and related taxes	1,082	1,874
Accrued interest	9,804	11,906
Total Current Liabilities	1,115,233	942,714
LONG-TERM LIABILITIES		
Long-term debt	27,914,179	28,258,986
TOTAL LIABILITIES	29,029,412	29,201,700
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,009,583	(389,432)
TOTAL LIABILITIES AND NET ASSETS	30,038,995	28,812,268

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

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

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES:			
Federal grants	3,624,075	0	3,624,075
State education support	13,568,901	0	13,568,901
Contributions and nonfederal grants	86,288	0	86,288
Contributions of nonfinancial assets	15,038	0	15,038
Student fees	206,365	0	206,365
Other income	302,928	0	302,928
Total Public Support and Revenues	17,803,595	0	17,803,595
EXPENSES			
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
Total Program Services	14,771,833	0	14,771,833
Management and General	1,632,747	0	1,632,747
Total Expenses	16,404,580	0	16,404,580
CHANGE IN NET ASSETS	1,399,015	0	1,399,015
NET ASSETS, BEGINNING OF YEAR	(389,432)	0	(389,432)
NET ASSETS, END OF YEAR	1,009,583	0	1,009,583

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

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

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES:			
Federal grants	2,479,003	0	2,479,003
State education support	11,862,641	0	11,862,641
Contributions and nonfederal grants	36,722	0	36,722
Contributions of nonfinancial assets	14,600	0	14,600
Student fees	130,083	0	130,083
Other income	1,247,242	0	1,247,242
Total Public Support and Revenues	15,770,291	0	15,770,291
EXPENSES			
Program Services:			
High School	4,086,116	0	4,086,116
Middle School	2,802,287	0	2,802,287
Primary School	5,965,203	0	5,965,203
Total Program Services	12,853,606	0	12,853,606
Management and General	1,545,764	0	1,545,764
Total Expenses	14,399,370	0	14,399,370
CHANGE IN NET ASSETS	1,370,921	0	1,370,921
NET ASSETS, BEGINNING OF YEAR	(1,760,353)	0	(1,760,353)
NET ASSETS, END OF YEAR	(389,432)	0	(389,432)

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, 2022

	<u>Program Services</u>				<u>Supporting</u>	<u>Total</u>
	<u>High</u>	<u>Middle</u>	<u>Primary</u>	<u>Total</u>	<u>Services</u>	
	<u>School</u>	<u>School</u>	<u>School</u>		<u>Management</u>	
					<u>and General</u>	
Salaries and wages	2,251,727	1,974,419	3,333,500	7,559,646	938,959	8,498,605
Employee benefits	319,692	335,850	482,140	1,137,682	100,091	1,237,773
Payroll taxes	175,999	143,734	263,590	583,323	72,580	655,903
Advertising expense	0	0	0	0	141,529	141,529
Bank charges	12	0	0	12	1,105	1,117
Information technology	7,278	4,465	10,422	22,165	5,781	27,946
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	39,357	49,798	104,286	193,441	0	193,441
Travel	73,910	484	470	74,864	739	75,603
Office expense	5,462	4,112	17,014	26,588	19	26,607
Food cost	296,444	209,760	419,494	925,698	26,528	952,226
Occupancy	205,830	129,926	261,965	597,721	0	597,721
Depreciation	551,217	1,876	639,467	1,192,560	0	1,192,560
Total Functional Expenses	4,903,940	3,392,757	6,475,136	14,771,833	1,632,747	16,404,580

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, 2021

	<u>Program Services</u>			<u>Total</u>	<u>Supporting</u>	<u>Total</u>
	<u>High</u>	<u>Middle</u>	<u>Primary</u>		<u>Services</u>	
	<u>School</u>	<u>School</u>	<u>School</u>		<u>Management</u>	
					<u>and General</u>	
Salaries and wages	1,928,805	1,648,478	2,869,032	6,446,315	909,287	7,355,602
Employee benefits	279,717	304,470	503,309	1,087,496	90,857	1,178,353
Payroll taxes	152,482	123,218	222,314	498,014	70,722	568,736
Advertising expense	0	0	0	0	166,580	166,580
Bank charges	0	0	0	0	842	842
Information technology	7,389	2,821	9,245	19,455	5,859	25,314
Insurance	0	0	0	0	83,360	83,360
Interest expense	168,248	0	158,356	326,604	0	326,604
Student transportation	4,062	2,736	5,437	12,235	0	12,235
Supplies	383,183	286,847	669,411	1,339,441	55,253	1,394,694
Other	15,149	4,495	10,782	30,426	4,777	35,203
Professional fees	183,870	110,332	213,285	507,487	155,960	663,447
Property taxes	51	19	64	134	0	134
Lease expense	14,194	9,746	19,568	43,508	0	43,508
Repairs and maintenance	33,998	50,472	101,524	185,994	0	185,994
Travel	1,625	129	344	2,098	944	3,042
Office expense	6,986	3,850	7,997	18,833	0	18,833
Food cost	179,995	134,434	287,192	601,621	1,323	602,944
Occupancy	199,994	118,364	249,626	567,984	0	567,984
Depreciation	526,368	1,876	637,717	1,165,961	0	1,165,961
Total Functional Expenses	4,086,116	2,802,287	5,965,203	12,853,606	1,545,764	14,399,370

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

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	1,399,015	1,370,921
Adjustments to reconcile change in assets to net cash from operating activities:		
Depreciation	1,192,560	1,165,961
Loss on disposal of property and equipment	0	14,162
Debt forgiveness income	0	(1,165,500)
Adjustments for changes in operating assets and liabilities:		
Accounts receivable	(102,405)	77,924
Grants receivable	(1,641,261)	(214,489)
Prepaid expenses	35,344	(16,463)
Inventory	(855)	(2,625)
Accounts payable and other accrued expenses	151,317	(35,498)
Accrued payroll, benefits, and related taxes	(792)	1,592
Deferred revenue	0	(1,437)
Accrued interest	254,796	249,455
Net Cash Flows from Operating Activities	1,287,719	1,444,003
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(353,185)	(2,672,817)
Net Cash Flows used in Investing Activities	(353,185)	(2,672,817)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	0	3,025,500
Principal payments on long-term debt	(797,609)	(667,554)
Net Cash Flows from (used in) Financing Activities	(797,609)	2,357,946
INCREASE IN CASH, RESTRICTED CASH, AND CASH EQUIVALENTS	136,925	1,129,132
CASH, RESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,454,866	1,325,734
CASH, RESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR	2,591,791	2,454,866
SUPPLEMENTARY DISCLOSURE OF CASH FLOWS		
Interest paid	72,910	77,149
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment		
Cost of property and equipment	220,000	0

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

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021, 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.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 or 2021. 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 of Indiana. 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 year ended June 30, 2022. The School received donated land with an estimated fair market value of \$10,000 during the year ended June 30, 2021.

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, 2022 and 2021 was \$1,192,560 and \$1,165,961, respectively. Construction in progress of \$81,294 and \$61,244 was not depreciated as of June 30, 2022 and 2021, 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.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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.

CONTRIBUTED NONFINANCIAL ASSETS

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) - Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 requires an entity to present in-kind revenue as a separate line item on the statement of activities separate from contributions of cash and other financial assets. An entity is required to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. For each category of gift in-kind, the entity must disclose qualitative information about whether the gift in-kind was monetized or consumed during the reporting period. If consumed, an entity must also disclose the program or other activities in which the gifts in-kind were used. Entities must also disclose the policy regarding monetizing or using gifts in-kind, any donor imposed restrictions associated with the gifts in-kind, a description of the valuation technique and inputs used to arrive at the fair value measurement, and the principal or most advantageous market used to arrive at the fair value measurement if it is a market in which the entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset. These disclosures are also required for contributed services. This ASU is effective for annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022, with early adoption permitted.

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, 2022 and 2021 were \$141,529 and \$166,580, respectively.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 or 2021.

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.

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, 2022, the School's 2018 through 2020 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, 2022 and 2021.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Organization has not yet implemented ASU 2016-02, Leases (Topic 842) which was issued by FASB in February 2016. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Lessor accounting will not fundamentally change. Operating lease income will be recognized on a straight-line basis over the lease term. The amendments in this ASU are now effective for fiscal years beginning after December 15, 2021. The Organization is in the process of assessing the effect of this ASU on these financial statements.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

RECLASSIFICATIONS

Certain items in the June 30, 2021 financial statements have been reclassified to conform with the June 30, 2022 presentation. The reclassifications have no effect on total assets, liabilities, net assets, changes in net assets, or net cash flows as previously reported.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The School has working capital of \$4,742,543 and \$3,068,960 and average days cash on hand of 60 and 65 as of June 30, 2022 and 2021, respectively.

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

	<u>2022</u>	<u>2021</u>
Cash	2,501,791	2,364,866
Accounts receivable	153,736	51,331
Grants receivable	3,146,683	1,505,422
Financial assets available to meet general expenditures within one year:	5,802,210	3,921,619

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>2022</u>	<u>2021</u>
Cash	2,501,791	2,364,866
Restricted cash:		
Escrowed cash	90,000	90,000
Total cash and restricted cash shown in the Statements of Cash Flows	2,591,791	2,454,866

NOTE 4 - LONG-TERM DEBT

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

	<u>2022</u>	<u>2021</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.	16,077,848	15,917,937
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 with the exception of the technology assets that were financed by the note to the City of South Bend as described below.	8,844,088	8,754,915

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Note payable to Crescent Michiana Properties, LLC, in monthly installments of \$8,520, including interest at 7.25% per annum through December 2021. The note is secured by land and building property and is guaranteed by the Garatoni Family Foundation. The note was paid off in October 2021, prior to its scheduled maturity date.	0	33,571
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.	1,235,323	1,509,854
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 \$20,000 through 2023, \$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.	571,500	635,000
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 requires an annual service fee in the amount of 0.005% of the outstanding principal balance at the end of each twelve month period, matures in September 2030 and is secured by technology equipment and related technology infrastructure purchased with the proceeds of the note. Except for the matters disclosed in the Schedule of Findings and Questioned Costs as well as the supplemental report to the Indiana State Board of Accounts, the School is in compliance with covenants in the note agreement at June 30, 2022.	247,744	272,599
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.	1,425,863	1,717,450
Note payable to Providence Capital Network, LLC in the original amount of \$241,715. The note is payable in annual installments of \$66,233, including interest charged at 6.48% through July 2022. The note is secured by technology equipment purchased with the proceeds of the note.	62,202	120,620
Interest free note payable to Compass Group USA, Inc. in the original amount of \$180,000, payable in monthly installments of \$3,000. The note is secured by serving line equipment purchased with the proceeds of the note.	144,000	0
Note payable to Compass Group USA, Inc. in the original amount of \$40,000. The note is payable in monthly installments of \$667. The note is interest free and is secured by a vehicle purchased with the proceeds of the note.	32,667	0
Total	28,641,235	28,961,946
Current portion of long-term debt	727,056	702,960
Net long-term debt	27,914,179	28,258,986

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

2024	680,046
2025	690,559
2026	25,628,339
2027	915,235
Total	27,914,179

Interest expense for the years ended June 30, 2022 and 2021 was \$327,706 and \$326,604, including \$249,084 and \$246,595 that is aggregated into the notes due to the Garatoni Family Foundation and Larry Garatoni at June 30, 2022 and 2021, 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 August 2019 requiring monthly payments of \$1,910 through July 2024. In addition to the monthly payments, the School incurs additional expenses related to usage. Total lease expense under operating leases was \$52,476 and \$43,508 for the years ended June 30, 2022 and 2021, respectively.

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 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 of Indiana and administrated 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 5.5% of employee gross wages to the fund for the years ended June 30, 2022 and June 30, 2021. 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 7.5% of compensation to the 401(k) plan through December 2019, at which time the School also reduced the 401(k) contribution to 5.5%. The contribution percentage remained 5.5% for the year ended June 30, 2022.

Substantially all full-time employees are eligible to participate in either plan. Retirement expense under both plans was \$152,110 and \$176,931 for the years ended June 30, 2022 and June 30, 2021, respectively. Retirement expense is net of redistributed forfeitures of approximately \$236,000 and \$190,000 for the years ended June 30, 2022 and June 30, 2021, respectively.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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.

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 \$984,296 and \$566,954 at June 30, 2022 and 2021, respectively.

NOTE 9 - SUBSEQUENT EVENTS

The School has evaluated subsequent events through March 7, 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, 2022 and 2021, and our report thereon dated March 7, 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 & Company LLC'.

Certified Public Accountants

South Bend, Indiana
March 7, 2024

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

STATEMENT OF FINANCIAL POSITION BY DIVISION

June 30, 2022

(with comparative totals at June 30, 2021)

(See Independent Auditor's Report on Supplementary Information)

<u>ASSETS</u>	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Central Office</u>	<u>Eliminations</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS							
Cash	(1,264,061)	4,031,113	5,463,132	(5,728,393)	0	2,501,791	2,364,866
Accounts receivable	(956)	5,827	9,833	139,032	0	153,736	51,331
Grants receivable	570,885	813,385	1,762,413	0	0	3,146,683	1,505,422
Prepaid expenses	6,741	9,124	17,295	14,769	0	47,929	83,273
Inventory	1,782	2,677	3,178	0	0	7,637	6,782
Total Current Assets	(685,609)	4,862,126	7,255,851	(5,574,592)	0	5,857,776	4,011,674
PROPERTY AND EQUIPMENT							
Land	243,200	0	143,000	0	0	386,200	386,200
Buildings	14,662,493	11,016	13,780,938	0	0	28,454,447	28,340,738
Office furniture, equipment and vehicles	2,256,554	11,158	1,397,177	0	0	3,664,889	3,230,467
Computers and software	938,651	0	1,171,450	0	0	2,110,101	2,105,096
Construction in progress	12,544	6,563	62,187	0	0	81,294	61,244
Total	18,113,442	28,737	16,554,752	0	0	34,696,931	34,123,745
Accumulated depreciation	5,756,485	7,146	4,842,081	0	0	10,605,712	9,413,151
Net Property and Equipment	12,356,957	21,591	11,712,671	0	0	24,091,219	24,710,594
OTHER ASSETS							
Escrowed cash	30,000	30,000	30,000	0	0	90,000	90,000
Total Other Assets	30,000	30,000	30,000	0	0	90,000	90,000
TOTAL ASSETS	11,701,348	4,913,717	18,998,522	(5,574,592)	0	30,038,995	28,812,268

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

STATEMENT OF FINANCIAL POSITION BY DIVISION

June 30, 2022

(with comparative totals at June 30, 2021)

(See Independent Auditor's Report on Supplementary Information)

	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Central Office</u>	<u>Eliminations</u>	<u>2022</u>	<u>2021</u>
<u>LIABILITIES AND NET ASSETS</u>							
CURRENT LIABILITIES							
Current portion of long-term debt	344,456	0	382,600	0	0	727,056	702,960
Accounts payable and other accrued expenses	132,835	73,490	125,338	45,628	0	377,291	225,974
Accrued payroll, benefits, and related taxes	0	0	0	1,082	0	1,082	1,874
Accrued interest	3,565	0	6,239	0	0	9,804	11,906
Total Current Liabilities	480,856	73,490	514,177	46,710	0	1,115,233	942,714
LONG-TERM LIABILITIES							
Long-term debt	14,016,586	0	13,897,593	0	0	27,914,179	28,258,986
Total Long-Term Liabilities	14,016,586	0	13,897,593	0	0	27,914,179	28,258,986
TOTAL LIABILITIES	14,497,442	73,490	14,411,770	46,710	0	29,029,412	29,201,700
NET ASSETS							
Without donor restriction	(2,796,094)	4,840,227	4,586,752	(5,621,302)	0	1,009,583	(389,432)
Total Net Assets	(2,796,094)	4,840,227	4,586,752	(5,621,302)	0	1,009,583	(389,432)
TOTAL LIABILITIES AND NET ASSETS	11,701,348	4,913,717	18,998,522	(5,574,592)	0	30,038,995	28,812,268

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

STATEMENTS OF ACTIVITIES BY DIVISION

For the Year Ended June 30, 2022 (with comparative totals for the Year Ended June 30, 2021)

(See Independent Auditor's Report on Supplementary Information)

	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Central Office</u>	<u>Eliminations</u>	<u>2022 Amount</u>	<u>2021 Amount</u>
REVENUES:							
Federal grants	897,991	882,899	1,843,185	0	0	3,624,075	2,479,003
State education support	4,211,949	3,649,631	5,707,321	0	0	13,568,901	11,862,641
Contributions and nonfederal grants	84,122	2,166	0	0	0	86,288	36,722
Contributions of nonfinancial assets	0	0	0	15,038	0	15,038	14,600
Student fees	115,833	47,001	43,531	0	(1,628,661)	(1,422,296)	130,083
Other income	295,389	56	1,799	1,634,345	0	1,931,589	1,247,242
Total Revenues	5,605,284	4,581,753	7,595,836	1,649,383	(1,628,661)	17,803,595	15,770,291
EXPENSES	5,446,827	3,935,644	7,018,023	1,632,747	(1,628,661)	16,404,580	14,399,370
CHANGE IN NET ASSETS	158,457	646,109	577,813	16,636	0	1,399,015	1,370,921
NET ASSETS, BEGINNING OF YEAR	(2,954,551)	4,194,118	4,008,939	(5,637,938)	0	(389,432)	(1,760,353)
NET ASSETS, END OF YEAR	(2,796,094)	4,840,227	4,586,752	(5,621,302)	0	1,009,583	(389,432)

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

STATEMENT OF EXPENSES BY DIVISION

For the Year Ended June 30, 2022 (with comparative totals for the Year Ended June 30, 2021)

(See Independent Auditor's Report on Supplementary Information)

	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Central Office</u>	<u>Eliminations</u>	<u>2022 Amount</u>	<u>2021 Amount</u>
Salaries and wages	2,251,727	1,974,419	3,333,500	938,959	0	8,498,605	7,355,602
Employee benefits	319,692	335,850	482,140	100,091	0	1,237,773	1,178,353
Payroll taxes	175,999	143,734	263,590	72,580	0	655,903	568,736
Advertising expense	0	0	0	141,529	0	141,529	166,580
Bank charges	12	0	0	1,105	0	1,117	842
Information technology	7,278	4,465	10,422	5,781	0	27,946	25,314
Insurance	0	0	0	93,888	0	93,888	83,360
Interest expense	175,421	0	152,285	0	0	327,706	326,604
Student transportation	23,449	8,656	18,655	0	0	50,760	12,235
Supplies	368,736	218,214	323,020	69,649	0	979,619	1,394,694
Other	37,279	5,906	9,405	31,819	0	84,409	35,203
Professional fees	898,078	836,391	956,528	150,060	(1,628,661)	1,212,396	663,447
Property taxes	706	530	1,059	0	0	2,295	134
Lease expense	16,230	11,523	24,723	0	0	52,476	43,508
Repairs and maintenance	39,357	49,798	104,286	0	0	193,441	185,994
Travel	73,910	484	470	739	0	75,603	3,042
Office expense	5,462	4,112	17,014	19	0	26,607	18,833
Food cost	296,444	209,760	419,494	26,528	0	952,226	602,944
Occupancy	205,830	129,926	261,965	0	0	597,721	567,984
Depreciation	551,217	1,876	639,467	0	0	1,192,560	1,165,961
Total Expenses	5,446,827	3,935,644	7,018,023	1,632,747	(1,628,661)	16,404,580	14,399,370

FEDERAL AWARDS

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
Department of Agriculture				
Passed-through the Indiana Department of Education				
Child Nutrition Cluster				
COVID-19 School Breakfast Program	10.553	K397	249,661	0
COVID-19 National School Lunch Program	10.555	K397	654,197	0
COVID-19 After School Hours Snack Program	10.555	K397	71,715	0
COVID-19 School Nutrition Emergency Funds	10.555	K397	27,284	0
Total National School Lunch Program			<u>753,196</u>	<u>0</u>
Total Child Nutrition Cluster			<u>1,002,857</u>	<u>0</u>
Child and Adult Care Food Program				
COVID-19 Child and Adult Care Food Program	10.558	K397	112,388	0
COVID-19 Child and Adult Care Food Program	10.558	K397	3,052	0
Total Child and Adult Care Food Program			<u>115,440</u>	<u>0</u>
COVID-19 Pandemic Electronic Benefit Transfer Program	10.649	K397	3,063	0
Total COVID-19 Pandemic Electronic Benefit Transfer Program			<u>3,063</u>	<u>0</u>
Total Department of Agriculture			<u>1,121,360</u>	<u>0</u>
Department of Education				
Passed-through the Indiana Department of Education				
Title I, Part A				
Title I Grants to Local Educational Agencies	84.010	S010A200014	18,707	0
Title I Grants to Local Educational Agencies	84.010	S010A200014	22,258	0
Title I Grants to Local Educational Agencies	84.010	S010A210014	314,783	0
Title I Grants to Local Educational Agencies	84.010	S010A210014	140,673	0
Title I Grants to Local Educational Agencies	84.010	S010A210014	109,484	0
Total Title I, Part A			<u>605,905</u>	<u>0</u>
Title II, Part A Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)				
Title II, Part A Supporting Effective Instruction State Grants	84.367A	S367A190013	26,954	0
Title II, Part A Supporting Effective Instruction State Grants	84.367A	S367A190013	16,828	0
Title II, Part A Supporting Effective Instruction State Grants	84.367A	S367A190013	5,712	0
Title II, Part A Supporting Effective Instruction State Grants	84.367A	S367A200013	17,521	0
Title II, Part A Supporting Effective Instruction State Grants	84.367A	S367A200013	19,830	0
Title II, Part A Supporting Effective Instruction State Grants	84.367A	S367A200013	14,192	0
Total Title II, Part A			<u>101,037</u>	<u>0</u>
Title IV, Part A Student Support and Academic Enrichment Program				
Student Support and Academic Enrichment Program	84.424	S424A200015	9,467	0
Student Support and Academic Enrichment Program	84.424	S424A210015	1,692	0
Student Support and Academic Enrichment Program	84.424	S424A210015	12,298	0
Student Support and Academic Enrichment Program	84.424	S424A210015	10,000	0
Special Education Cluster (IDEA)			<u>33,457</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, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
COVID-19 Special Education-Grants to States, (ARP - IDEA, Part B)				
Passed-through the Indiana Department of Education				
Special Education Cluster (IDEA)				
Special Education-Grants to States, (IDEA, Part B)	84.027	22611-544-PN01	137,082	0
Special Education-Grants to States, (IDEA, Part B)	84.027	22611-544-PN01	104,819	0
Special Education-Grants to States, (IDEA, Part B)	84.027	22611-544-PN01	75,582	0
Total Special Education-Grants to States, (IDEA, Part B)			317,483	0
COVID-19 Special Education-Grants to States, (ARP - IDEA, Part B)	84.027X	22611-544-ARP	30,797	0
COVID-19 Special Education-Grants to States, (ARP - IDEA, Part B)	84.027X	22611-544-ARP	21,107	0
COVID-19 Special Education-Grants to States, (ARP - IDEA, Part B)	84.027X	22611-544-ARP	19,839	0
COVID-19 Special Education-Grants to States, (ARP - IDEA, Part B)			71,743	0
Special Education-Grants to States, (IDEA, Preschool)	84.173	22619-544-PN01	4,562	0
COVID-19 Special Education-Grants to States, (ARP - IDEA, Preschool)	84.173X	22619-544-ARP	2,550	0
Total Special Education Cluster (IDEA)			396,338	0
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act				
COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund	84.425D	S425D200013	20,499	0
COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund	84.425D	S425D200013	23,393	0
COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund	84.425D	S425D200013	3,568	0
Total COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund			47,460	0
COVID-19 Elementary & Secondary School Emergency Relief (ESSER II) Fund	84.425D	S425D210013	746,258	0
COVID-19 Elementary & Secondary School Emergency Relief (ESSER II) Fund	84.425D	S425D210013	256,992	0
COVID-19 Elementary & Secondary School Emergency Relief (ESSER II) Fund	84.425D	S425D210013	49,236	0
Total COVID-19 Elementary & Secondary School Emergency Relief (ESSER II) Fund			1,052,486	0
Total Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act			1,099,946	0
State Charter Schools				
State Charter School Facilities Incentive Grants	84.282D	S282D190002	234,906	0
Total State Charter School Facilities Incentive Grants			234,906	0
Total Department of Education			2,471,589	0

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, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
Department of Health and Human Services				
Passed through Indiana Family and Social Services				
Medicaid Cluster				
Medical Assistance Program (Medicaid; Title XIX)	93.778	1487048005	13,512	0
Medical Assistance Program (Medicaid; Title XIX)	93.778	1487048005	9,442	0
Medical Assistance Program (Medicaid; Title XIX)	93.778	1487048005	8,172	0
Total Medical Assistance Program			31,126	0
Total Medicaid Cluster			31,126	0
Total Department of Health and Human Services			31,126	0
Total Expenditures of Federal Awards			3,624,075	0

See accompanying notes to Schedule of Expenditures of Federal Awards.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

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, 2022. 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 \$21,537 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, 2022, 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 March 7, 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. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 2022-001.

The School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
March 7, 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

Opinion on Each Major Federal Program

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, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

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.

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-004, 2022-005, and 2022-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our 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 2022-002, 2022-003, 2022-04, and 2022-05 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
March 7, 2024

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTSFor the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

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: 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
------------------------------	------------------------------------

84.425	COVID-19 Education Stabilization Fund
--------	---------------------------------------

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

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2022

Section II - Financial Statement Findings

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. Specifically, the school is out of compliance with the textbook policy, average daily membership count requirements, and the required reporting deadline.

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 2021-001 in the audit of the financial statements for the year ended June 30, 2021.

View of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will begin implementing policies and procedures to comply with the uniform compliance requirements established by the State Board of Accounts by December 31, 2024.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs

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 Years 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.

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 2021-002 in the audit of the financial statements for the year ended June 30, 2021.

View of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The necessary written documentation to comply with the Uniform Guidance will be prepared by December 31, 2024.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs

MATERIAL WEAKNESS

2022-003 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 7/1/2021-6/30/22: K397

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 not a repeat finding.

View of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The necessary written documentation to comply will be prepared by December 31, 2024 as well as conducting internal quarterly audits of the food service invoices.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs

MATERIAL WEAKNESS AND NONCOMPLIANCE WITH LAWS AND REGULATIONS

2022-004 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

Federal Award Numbers and Years 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 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.

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, 2022 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 not a repeat finding.

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.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs

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 Years 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. In total, the support showed meals were underclaimed. Although there was a documented review of claims, the control did not prevent incorrect meal counts from being claimed and did not occur before claims were submitted.

Criteria: The supporting documentation did not agree to meals claimed on monthly claim reimbursements as required by 7 CFR Section 210.8.

Cause: Accurate support was not maintained for monthly claim reimbursements.

Effect: Monthly claim reimbursements were inaccurate.

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

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

View of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The necessary internal controls will be identified and implemented by June 30, 2024.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs

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

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

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

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

Criteria: The granting agency required recipients of the Education Stabilization Fund to submit a report providing information on the grants. The School filed the report approximately one month late, in violation of 2 CFR Section 200.239.

Cause: The School was inattentive to the requirements of the granting agency.

Effect: The School's Education Stabilization Fund report was late.

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

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

View of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The necessary internal controls will be identified and implemented by June 30, 2024.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2022

NONCOMPLIANCE WITH LAWS AND REGULATIONS

2021-001 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 begun implementing policies and procedures to comply with the uniform compliance requirements established by the State Board of Accounts and will continue to work toward total compliance.

MATERIAL WEAKNESS

2021-002 WRITTEN FEDERAL PROCEDURES

Federal Agency: Department of Education

Federal Program or Cluster: Child Nutrition Cluster
Title I Grants to Local Educational Agencies

Assistance Listing Number: 10.553, 10.555, 10.559, 84.425

Federal Award Numbers and year Award Periods 10/1/2020-9/30/21, 7/1/2020-6/30/21: K397
Award Period 3/13/20-9/30/22: S425C200018 and S425D200013

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: The School is still working on establishing comprehensive internal control documentation over federal programs.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

For the Year Ended June 30, 2022

NONCOMPLIANCE WITH LAWS AND REGULATIONS

2020-003 CASH MANAGEMENT

Federal Agency: Department of Agriculture

*Federal Program or
Cluster:* Child Nutrition Cluster

*Assistance Listing
Number:* 10.553, 10.555, 10.559

*Federal Award
Numbers and year* Award Periods 10/1/2020-9/30/21, 7/1/2020-6/30/21: K3977

Condition: The School's food service account balance exceeded the allowable average three months of operating expenses at June 30, 2021.

Recommendation: Review the school's food service account regularly to avoid excess cash balances.

Current Status: The School reviewed the cash balances of the food service annually and will review quarterly moving forward.

CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

OTHER REPORT

For the Year Ended June 30, 2022

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*.



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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, 2022

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, 2021 – June 30, 2022

The findings from the 2022 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 will be responsible for the corrective actions.

FINDINGS—FINANCIAL STATEMENT FINDINGS

NONCOMPLIANCE WITH LAWS AND REGULATIONS

- 2022-001 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 will begin implementing policies and procedures to comply with the uniform compliance requirements established by the State Board of Accounts by December 31, 2024.

FINDINGS—FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

- 2022-002 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. The necessary written documentation to comply with the Uniform Guidance will be prepared by December 31, 2024.



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2022-003 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. The necessary written documentation to comply will be prepared by December 31, 2024 as well as conducting internal quarterly audits of the food service invoices.

2022-004 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.

2022-005 Reporting

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

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The necessary internal controls will be identified and implemented by June 30, 2024.

2022-006 Reporting

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

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The necessary internal controls will be identified and implemented by June 30, 2024.



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Sincerely,

Mary Hunt

Mary Hunt

Interim CFO
February 7, 2024