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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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April 2, 2025

Charter School Board
The Hammond Urban Academy, Inc.
Lake County, Indiana

We have reviewed the audit report of The Hammond Urban Academy, Inc. which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of The Hammond Urban Academy, Inc. as of June 30, 2024, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 27 through 29. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears at the end of the report.

In our opinion, CliftonLarsonAllen LLP 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 The Hammond Urban Academy, 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

THE HAMMOND URBAN ACADEMY, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2024 AND 2023



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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Hammond Urban Academy, Inc.
Lake County, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hammond Urban Academy, Inc. (the School), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements 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 School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

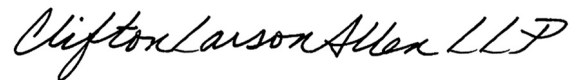
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2025, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Board of Directors
The Hammond Urban Academy, Inc.

Report on Comparative Information

The School's June 30, 2023 financial statements were audited by other auditors who expressed an unmodified audit opinion on the respective financial statements in their report dated December 21, 2023. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, within the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
February 25, 2025

THE HAMMOND URBAN ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,465,909	\$ 949,290
Grants Receivable	467,323	281,992
Student Fees Receivable, Net of Allowance for Credit Losses	22,265	58,165
Prepaid Expenses	235,197	168,682
Total Current Assets	2,190,694	1,458,129
PROPERTY AND EQUIPMENT		
Land	6,253,333	6,253,333
Building and Improvements	13,473,654	13,411,269
Furniture and Equipment	3,204,913	3,141,557
Textbooks	144,890	144,890
Vehicles	141,240	141,240
Less: Accumulated Depreciation	(9,637,720)	(9,119,551)
Property and Equipment, Net	13,580,310	13,972,738
OTHER ASSETS		
Right-of-Use Assets, Finance Lease, Net	435,061	570,719
Cash Restricted for Debt Service	1,052,566	960,038
Total Assets	\$ 17,258,631	\$ 16,961,624
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Right-of-Use Liabilities - Finance Lease, Current Portion	\$ 117,404	\$ 200,364
Notes Payable, Current Portion	567,698	452,698
Accounts Payable and Accrued Expenses	337,176	155,200
Deferred Revenue	19,474	50,584
Total Current Liabilities	1,041,752	858,846
LONG-TERM LIABILITIES		
Right-of-Use Liabilities - Finance Lease, Net of Current Portion	146,005	440,752
Notes Payable, Net of Current Portion	8,019,047	8,586,745
Less: Unamortized Debt Issuance Costs	(174,985)	(191,010)
Total Long-Term Liabilities	7,990,067	8,836,487
Total Liabilities	9,031,819	9,695,333
NET ASSETS		
Without Donor Restrictions	8,226,812	7,266,291
Total Liabilities and Net Assets	\$ 17,258,631	\$ 16,961,624

See accompanying Notes to Financial Statements.

THE HAMMOND URBAN ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
REVENUE AND SUPPORT		
State Education Support	\$ 4,550,224	\$ 4,329,763
Grant Revenue	3,129,839	2,799,548
Contributions	659,249	658,559
Student Fees	161,423	258,772
Other	339,660	103,133
Total Revenue and Support	8,840,395	8,149,775
EXPENSES		
Program Services	6,491,493	5,834,683
Management and General	1,388,381	1,310,302
Total Expenses	7,879,874	7,144,984
CHANGE IN NET ASSETS	960,521	1,004,791
Net Assets - Beginning of Year	7,266,291	6,261,500
NET ASSETS - END OF YEAR	\$ 8,226,812	\$ 7,266,291

See accompanying Notes to Financial Statements.

**THE HAMMOND URBAN ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 3,136,526	\$ 539,662	\$ 3,676,188
Employee Benefits	871,274	189,354	1,060,628
Depreciation and Amortization	552,029	97,417	649,446
Information Technology	462,848	81,679	544,527
Interest	384,574	67,866	452,440
Professional Services	121,970	202,023	323,993
Classroom and Office Supplies	270,878	20,314	291,192
Occupancy	142,321	25,115	167,436
Repairs and Maintenance	161,220	5,249	166,469
Staff Development	148,000	-	148,000
Food Costs	143,790	-	143,790
Authorizer Fees	-	122,986	122,986
Insurance	59,941	-	59,941
Other	36,122	36,716	72,838
	<u>\$ 6,491,493</u>	<u>\$ 1,388,381</u>	<u>\$ 7,879,874</u>
Total Functional Expenses	<u>\$ 6,491,493</u>	<u>\$ 1,388,381</u>	<u>\$ 7,879,874</u>

See accompanying Notes to Financial Statements.

**THE HAMMOND URBAN ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 2,502,408	\$ 519,147	\$ 3,021,555
Employee Benefits	698,225	162,509	860,734
Depreciation and Amortization	704,023	124,239	828,262
Information Technology	495,349	87,415	582,764
Interest	424,100	74,841	498,941
Classroom and Office Supplies	283,729	7,676	291,405
Professional Services	101,813	151,741	253,554
Occupancy	163,764	28,899	192,663
Staff Development	153,043	-	153,043
Authorizer Fees	-	119,646	119,646
Food Costs	115,066	-	115,066
Repairs and Maintenance	102,598	-	102,598
Insurance	40,445	-	40,445
Bad Debt	19,000	-	19,000
Other	31,120	34,188	65,308
	<u>\$ 5,834,683</u>	<u>\$ 1,310,302</u>	<u>\$ 7,144,984</u>
Total Functional Expenses	<u>\$ 5,834,683</u>	<u>\$ 1,310,302</u>	<u>\$ 7,144,984</u>

See accompanying Notes to Financial Statements.

THE HAMMOND URBAN ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 960,521	\$ 1,004,791
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization Expense	649,446	828,262
Amortization of Debt Issuance Costs	16,025	16,025
Change in Operating Assets and Liabilities:		
Grants Receivable	(185,331)	(107,259)
Student Fees Receivable, Net of Allowance	35,900	(58,165)
Prepaid Expenses and Other Assets	(159,043)	(117,972)
Accounts Payable and Accrued Expenses	181,976	(221,638)
Deferred Revenue	(31,110)	33,857
Net Cash Provided by Operating Activities	1,468,384	1,377,901
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(125,741)	(194,296)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(452,698)	(652,698)
Principal Payments on Finance Lease Obligations	(371,423)	(337,587)
Net Cash Used by Financing Activities	(824,121)	(990,285)
 NET CHANGE IN CASH	518,522	193,320
Cash - Beginning of Year	1,909,328	1,716,008
 CASH - END OF YEAR	\$ 2,427,850	\$ 1,909,328
 CASH - END OF YEAR		
Cash - Unrestricted	\$ 1,465,909	\$ 949,290
Cash - Restricted for Debt Service	1,052,566	960,038
Total Cash - End of Year	\$ 2,518,475	\$ 1,909,328
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 259,190	\$ 685,712

See accompanying Notes to Financial Statements.

THE HAMMOND URBAN ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hammond Urban Academy, Inc. (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Calumet College of St. Joseph (Calumet). The charter is effective until June 2028 and is renewable thereafter by mutual consent. The School is dedicated to providing the highest quality level of education to students in grades six to twelve by implementing state of the art technology and research-based instruction in an environment conducive to learning. The School served approximately 550 students during the 2023-2024 school year (560 students during the 2022-2023 school year).

Financial Statement Presentation

The School reports its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – which include unrestricted resources available for the operating objectives of the School; and

Net Assets With Donor Restrictions – which represent resources restricted by donors for specific time or purpose.

As of June 30, 2024 and 2023, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A 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. Amounts received prior to incurring qualifying expenditures are reported as Deferred Revenues in the consolidated statement of financial position. As of June 30, 2024, 2023, and 2022, the School has \$19,474, \$50,584, and \$16,727 of conditional grants that have not been recognized as revenue in the consolidated statement of activities and change in net assets because conditions have not been met.

THE HAMMOND URBAN ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Contributions and Donations, Grant Revenue, and Student Fees

The School receives income from contributions and donations, grant revenue, and student fees that support certain school activities. Grant revenues relate primarily to activities funded under federal programs and legislation enacted by the state of Indiana. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to Net Assets Without Donor Restrictions and reported in the consolidated statement of activities and change in net assets as Net Assets Released from Restrictions. The School, did not have any net assets with donor restrictions as of June 30, 2024 and 2023.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. As of June 30, 2024 and 2023, there were no cash equivalents.

Cash Restricted for Debt Service

The bond loan agreements require deposits in an escrow account as a debt service reserve. The deposits were funded from the proceeds of the bonds and are included in cash restricted for debt service on the statements of financial position.

Grants Receivable

Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the state of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for credit loss is deemed necessary.

Student Fees Receivable

Student fees receivable relate to fees charged to students for various curricular materials and other fees and are reviewed for collectability on an annual basis. The School extends credit to customers in the normal course of business. As of June 30, 2024, 2023, and 2022, the School had \$22,265, \$58,165, and \$-0-, respectively of student fees receivable, net of allowance for credit loss.

**THE HAMMOND URBAN ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Fees Receivable (Continued)

An allowance for credit loss in student fee receivable is established based upon an annual review of the collectability of the underlying student accounts. The School uses a combination of historical loss experience, current economic conditions, and forward-looking information to estimate credit losses for financial assets. The School considers various factors such as borrower creditworthiness and probability of default to estimate credit losses. The allowance represents management's estimate of the amount of student fees receivable balances for which a loss is probable. Actual losses are charged against the allowance. The allowance for credit loss is increased through charges to expense and recoveries of fees previously charged to the allowance. The accompanying statements of financial position reflect an allowance for credit losses of \$19,000 as of June 30, 2024 and 2023.

Debt Issuance Costs

Costs associated with debt issuance are amortized over the life of the related debt obligation using the straight-line method. Amortization of deferred loan costs totaled \$16,025 for both years ended June 30, 2024 and 2023 and is included in interest expense.

Property and Equipment

Purchases of assets and expenditures which materially increase value or extend useful lives are capitalized and are included in the accounts at cost. The School has a capitalization threshold of \$5,000. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is computed using the straight-line method for property and equipment over the following estimated useful lives:

Building and Improvements	30 to 40 Years
Furniture and equipment	3 to 5 Years
Textbooks	5 Years
Vehicles	5 Years

Leases

The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position.

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

THE HAMMOND URBAN ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The School has elected to recognize payments for short-term leases with a lease of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the School has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The School has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

The School lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the School considers factors such as if the School has obtained substantially all of the rights to the underlying asset through exclusivity, if the School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Taxes on Income

The School received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2024 and 2023, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2021 are open to audit for both federal and state purposes.

THE HAMMOND URBAN ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

During the year ended June 30, 2024 the School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 20216-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The School this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the School’s financial statements but did change how the allowance for credit losses is determined.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The School evaluated subsequent events through February 25, 2025, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 NOTES PAYABLE

Notes payable consisted of the following as of June 30:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Note payable to City of Hammond, issued through Economic Development Revenue Bonds, Series 2016B, payable in semi-annual installments ranging from \$70,000 to \$475,000, plus interest at 5.00%, secured by building, maturing August 2035	\$ 7,730,000	\$ 7,840,000
Common School Loan, payable to state of Indiana in semi-annual installments of \$171,349, plus interest at 1.00%, maturing July 2026.	<u>856,745</u>	<u>1,199,443</u>
Total	8,586,745	9,039,443
Less: Current Portion	<u>(567,698)</u>	<u>(452,698)</u>
Total Long-Term Portion	<u><u>\$ 8,019,047</u></u>	<u><u>\$ 8,586,745</u></u>

THE HAMMOND URBAN ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2 NOTES PAYABLE (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 567,698
2026	577,698
2027	786,349
2028	645,000
Thereafter	6,010,000
Total	<u>\$ 8,586,745</u>

NOTE 3 LEASES

The School leases various equipment from third parties under long-term, noncancelable lease agreements. The leases expire at various times through 2029. In the normal course of business, it is expected that this lease will be renewed or replaced by similar leases.

	<u>2024</u>	<u>2023</u>
Lease Cost:		
Finance Lease Cost:		
Amortization of Right-of-Use Assets	\$ 215,852	\$ 210,669
Interest on Lease Liabilities	23,482	44,859
Total Lease Cost	<u>\$ 239,334</u>	<u>\$ 255,528</u>
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	\$ 23,482	\$ 44,859
Financing Cash Flows from Finance Leases	\$ (98,950)	\$ 192,460
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities:	\$ 64,078	\$ -
Weighted-Average Remaining Lease Term - Finance Leases	2.1 Years	3.1 Years
Weighted-Average Discount Rate - Finance Leases	5.98%	5.60%

The required minimum capital lease payments and present value of future minimum lease payments are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 129,962
2026	128,243
2027	21,906
2028	1,120
2029	374
Total Minimum Lease Payments	<u>281,605</u>
Less: Amount Representing Interest	<u>(18,196)</u>
Present Value of Future Minimum Lease Payments	263,409
Less: Current Portion	<u>(117,404)</u>
Long-Term Portion	<u>\$ 146,005</u>

THE HAMMOND URBAN ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 RETIREMENT PLANS

Retirement benefits for School employees are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Substantially all full-time employees are eligible to participate.

Contribution requirements of plan members are established by the INPRS Board. Under the plans, the School contributes 9% of compensation for teaching faculty to TRF and 14.2% of compensation for other employees to PERF. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2023 (the latest year reported), TRF and PERF were approximately 95% and 85% funded, respectively.

Retirement plan expenses were \$263,156 and \$264,107 for the years ended June 30, 2024 and 2023, respectively.

NOTE 5 COMMITMENT

The School operates under a charter granted by Calumet College of St. Joesph. As the sponsoring organization, Calumet College of St. Joesph exercises oversight responsibilities. Under this charter, the School agreed to pay to Calumet College of St. Joesph an annual administrative fee equal to 3% of state tuition support. Payments under this agreement were \$122,986 and \$119,646 for the years ended June 30, 2024 and 2023, respectively. The charter remains in effect until June 30, 2028.

NOTE 6 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Lake and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at various financial institutions are insured up to the Federal Deposit Insurance Corporation (FDIC) insurance limit. As of June 30, 2024 and 2023 and regularly throughout the years then ended, the School's cash balance exceeded the Federal Deposit Insurance Corporation (FDIC) limit.

THE HAMMOND URBAN ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 7 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2024 and 2023 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial position. The School's financial assets include cash and grants receivable. Financial assets at June 30, 2024 and 2023 total \$1,955,497 and \$1,289,447, respectively, all of which are available to meet cash needs for general expenditures within one year.

While the School has \$1,955,497 and \$1,289,447 in financial assets available to meet cash needs for general expenditures within one year, it also has \$1,153,502 and \$858,846 in current liabilities as of June 30, 2024 and 2023, respectively, which must be paid using these available financial assets, future year state tuition support, or some combination of the two.

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 FUNCTIONAL EXPENSE REPORTING

The costs of providing educational instruction have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School categorized expenses as program services or management and general according to the underlying nature of the expense. Certain categories of expenses are attributed to more than one program or supporting function. These expenses, which include depreciation and amortization, interest, occupancy, and information technology, are allocated on a square footage basis. Salaries and wages and employee benefits are allocated on the basis of estimates of time and effort. Management evaluates these allocations on an annual basis.

**THE HAMMOND URBAN ACADEMY, INC.
OTHER REPORT
JUNE 30, 2024**

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

Supplemental Audit Report of The Hammond Urban Academy, 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*.

THE HAMMOND URBAN ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/ Project Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Amounts Passed-Through to Subrecipients	Total Federal Awards Expended
U.S. Department of Agriculture:				
Pass-Through Indiana Department of Education:				
Children Nutrition Cluster:				
National School Lunch Program	10.555	N/A	\$ -	\$ 81,216
National School Breakfast Program	10.553	N/A	-	13,581
Total U.S. Department of Agriculture			-	94,797
U.S. Department of Education:				
Pass-Through Indiana Department of Education:				
Title I, Part A:				
Grants to Local Educational Agencies	84.010	S010A230014	-	343,356
Grants to Local Educational Agencies	84.010	S010A220014	-	51,344
Total 84.010			-	394,700
Special Education Cluster:				
Special Education - Grants to States	84.027	22611-538-PN01	-	21,310
Special Education - Grants to States	84.027	23611-538-PN01	-	135,712
Special Education - Grants to States	84.027	23611-538-PN01	-	-
Total 84.027			-	157,022
Charter School Program				
Charter School Program	84.282D	S282D230002	-	270,163
Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	-	245,085
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	-	763,189
Elementary and Secondary School Emergency Relief Fund	84.425W	S425W210013	-	1,106
Total 84.425			-	1,009,380
Total U.S. Department of Education			-	1,831,265
Total Federal Awards Expended			\$ -	\$ 1,926,062

See accompanying Notes to Schedule of Expenditures of Federal Awards.

THE HAMMOND URBAN ACADEMY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Hammond Urban Academy, Inc. (the School) under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of the School.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The School elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
The Hammond Urban Academy, Inc.
Lake County, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Hammond Urban Academy, Inc. (the School), which comprise the statement of financial position at June 30, 2024, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2025.

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 opinions 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Board of Directors
The Hammond Urban Academy, Inc.

We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 we consider to be a significant deficiency.

Report on Compliance and Other Matters

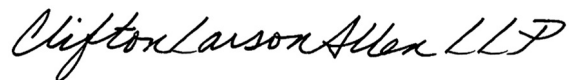
As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2024-002.

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 the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 25, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
The Hammond Urban Academy, Inc.
Hammond, Indiana

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited The Hammond Urban Academy, 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, 2024. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Education Stabilization Fund (84.425)

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 Education Stabilization Fund (84.425) for the year ended June 30, 2024.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe 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 Schools's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Qualified Opinion on Education Stabilization Fund (84.425)

As described in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding the Education Stabilization Fund (84.425) as described in the finding number 2024-002 Allowable Cost.

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.

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Schools'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 Schools'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 Schools'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 other 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 2024-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require 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 Auditors' 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 and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

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.


Board of Directors
The Hammond Urban Academy, Inc.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to internal control over compliance 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the School as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We have issued our report thereon, dated February 25, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 25, 2025

**THE HAMMOND URBAN ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? X yes _____ none reported
3. Noncompliance material to basic financial statements noted? X yes _____ no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? X yes _____ no
 - Significant deficiency(ies) identified? X yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Qualified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes _____ no

Identification of Major Programs

Assistance Listing Number(s)

84.425U, 84.425D, 84.425W

Name of Federal Program or Cluster

Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes X no

**THE HAMMOND URBAN ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

2024 – 001: Financial Statement Preparation and Audit Adjustments

Type of Finding: Choose from the following:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: The board and management share the ultimate responsibility for the School's internal control system and financial statement reporting. While it is acceptable to outsource various accounting functions, the responsibility for internal control and financial statement reporting cannot be outsourced. A significant audit adjustment was proposed and posted through the audit process. The adjustment was a necessary step in ensuring the financial statements were fairly stated in accordance with accounting principles generally accepted in the United States of America.

Criteria or specific requirement: In an ideal control setting, the School would have a comprehensive control procedure to ensure that the financial statements, including disclosures are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable accounting principles generally accepted in the United States of America.

Effect: It is possible that a misstatement of the School's financial statements could occur and not be prevented or detected by the School's internal control.

Cause: The School's controls were not able to detect the adjustments made as part of the audit. The School does not have a comprehensive review process to ensure that the financial statements, including disclosures, are complete and accurate.

Repeat Finding: No.

Recommendation: We recommend the board and management work with their bookkeeping company to develop a process to review and identify such items in a timely manner.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

Section III – Findings and Questioned Costs – Major Federal Programs

2024 – 002 Allowable Costs

Federal Agency:	U.S. Department Education
Federal Program Name:	Education Stabilization Fund
Assistance Listing Number:	84.425U, 84.425D, 84.425W
Pass-Through Agency:	Indiana Department of Education
Pass-Through Numbers:	S425U210013, S425D210013, S425W210013
Award Period:	July 1, 2023 – June 30, 2024

**THE HAMMOND URBAN ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2024 – 002 Allowable Costs (Continued)

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Material Noncompliance

Criteria or specific requirement: The Compliance Supplement requires that compensation for personal services be charged to the federal grant based upon approved actual time worked on the program and not based on an allocation or budget (2 CFR 200.430(i)).

Condition: While performing audit procedures, it was noted that payroll expenses were charged to the grant program based upon an allocation from the budget and not on approved and/or certified time worked in the program.

Questioned costs: \$234,052

Context: During the process of obtaining an understanding of internal controls and processing of payroll expenditures, we noted payroll was not reviewed to ensure the expense charged to the grants was accurate based upon approved actual time spent in the program.

Cause: Salary figures for salaried employees were charged to the federal grant based on unapproved work actually performed for the program.

Effect: The organization has not fully followed compliance attributes with the allowable costs principles set forth by the Compliance Supplement related to allocation of salaries being charged based on approved time worked for a program. Personnel need to reinforce policies to ensure control procedures are in place to ensure salaries charged to a grant are appropriately based on actual approved time worked in a program.

Repeat Finding: No.

Recommendation: We recommend the School ensure policies and procedures for payroll expenditures for grant programs be charged to the federal grant based on approved hours worked in the program.

Views of responsible officials: There is no disagreement with the audit finding.

2024 – 003 Equipment and Real Property Management

Federal Agency:	U.S. Department Education
Federal Program Name:	Education Stabilization Fund
Assistance Listing Number:	84.425U, 84.425D, 84.425W
Pass-Through Agency:	Indiana Department of Education
Pass-Through Numbers:	S425U210013, S425D210013, S425W210013
Award Period:	July 1, 2023 – June 30, 2024

THE HAMMOND URBAN ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2024 – 003 Equipment and Real Property Management (Continued)

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matter

Criteria or specific requirement: Per 2 CFR 200.313(d)(2), a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. Per Uniform Guidance 2 CFR 200.303, nonfederal entities receiving federal awards are required to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: The School has had a lapse of greater than two years between physical inventories.

Context: During the testing of Equipment for Real Property Management, we noted that the School had an interval between physical inventories that was greater than two years.

Questioned costs: None

Cause: The School has gone through leadership changes over the past few years in the business office that is responsible for compliance requirements and the inventory observation has not been completed in the transition period.

Effect: The equipment was not inventoried within the two-year timeframe

Repeat finding: No

Recommendation: The School should ensure proper policies and procedures are in place to monitor the physical inventory requirements and ensure the physical inventory is completed and documented.

Views of responsible officials: There is no disagreement with the audit finding.



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Hammond Academy of Science and Technology

THE HAMMOND URBAN ACADEMY, INC. CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2024

U.S. Department of Education

The Hammond Urban Academy, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2024.

Audit period: July 01, 2023 - June 30, 2024

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2024-001 Financial Statement Preparation and Audit Adjustments

Recommendation: We recommend the board and management work with their bookkeeping company to develop a process to review and identify such items in a timely manner.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: CFO will be responsible for reconciling balance sheet accounts and coordinating with bookkeeping firm to record any adjusting entries prior to final issuance of financial statements.

Name(s) of the contact person(s) responsible for corrective action: Deborah S. Czmiel

Planned completion date for corrective action plan: July 15, 2025

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

U.S. Department of Education

2024-002 Allowable Costs

Recommendation: We recommend the School ensure policies and procedures for payroll expenditures for grant programs be charged to the federal grant based on approved hours worked in the program.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: For federally funded employees, CFO will complete semiannual certifications to validate federal grant based payroll expenses. Time and Distribution logs will be used for any part time federally funded employees.

Name(s) of the contact person(s) responsible for corrective action: Deborah S. Czmiel

Planned completion date for corrective action plan: 05/31/2025

U.S. Department of Education

2024-003 Equipment and real Property Management

Recommendation: The School should ensure proper policies and procedures are in place to monitor the physical inventory requirements and ensure the physical inventory is completed and documented.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: A physical inventory of capital assets will be done in the spring/summer of 2025 and every other year after. Adjustments to financials will be recorded as necessary upon completion of physical inventory. A Capital (Fixed) Asset policy will be created and presented to Board for approval.

Name(s) of the contact person(s) responsible for corrective action: Deborah S. Czmiel

Planned completion date for corrective action plan: 06/30/2025

If the U.S. Department of Education has questions regarding this plan, please call Deborah S. Czmiel, CFO at 219-852-0500.



Hammond Academy of Science and Technology

THE HAMMOND URBAN ACADEMY, INC. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2024

United States Department of Education

The Hammond Urban Academy, Inc. respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2023.

Audit period: July 01, 2022 – June 30, 2023

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2023 – 001 Reporting

Condition: The United States Department of Education required the submission of a report covering the period July 1, 2021 to June 30, 2022 outlining the various uses of Elementary and Secondary School Emergency Relief Funds. The School was unable to provide support for how the amounts submitted in the report were calculated. Totals reported for expenses were not in line with totals expended during the period.

Status: Corrective action taken.

If the United States Department of Education has questions regarding this schedule, please call Deborah Czmiel at (219) 852-0500.