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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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April 2, 2025

Charter School Board
Steel City Academy, Inc.
Lake County, Indiana

We have reviewed the audit report of the Steel City Academy, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of the Steel City 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.

In our opinion, Donovan CPAs 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 Steel City 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

Steel City Academy, Inc.

Financial Statements
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



Steel City Academy, Inc.

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Donovan CPAs

Independent Auditor's Report

The Board of Directors
Steel City Academy, Inc.
Gary, Indiana

Opinion

We audited the accompanying financial statements of Steel City Academy, Inc. (the School) which comprise the statements of financial position as of June 30, 2024 and 2023 and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and notes thereto, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also issued our report dated February 27, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "DONOVAN". The letters are in all caps and have a cursive, slightly slanted appearance.

Donovan CPAs
Indianapolis, Indiana
February 27, 2025

Steel City Academy, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash	\$ 1,930,668	\$ 1,475,814
Grants receivable	1,176,233	1,411,237
Prepaid expenses	1,663	6,919
Total current assets	3,108,564	2,893,970
Fixed Assets		
Land	140,000	140,000
Building and improvements	1,917,392	1,665,267
Furniture and equipment	787,499	731,352
Vehicles	72,319	72,319
Less: accumulated depreciation	(734,520)	(545,441)
Fixed assets, net	2,182,690	2,063,497
Operating Lease Right of Use Asset, Net	51,739	86,657
Total Assets	\$ 5,342,993	\$ 5,044,124
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of operating lease obligation	\$ 33,891	\$ 32,161
Current portion of notes payable	125,491	125,892
Accounts payable	79,553	48,685
Accrued payroll and related expenses	146,077	117,294
Total current liabilities	385,012	324,032
Long-Term Liabilities		
Operating lease obligation, net of current portion	17,848	54,496
Notes payable, net of current portion	720,459	849,446
Total long-term liabilities	738,307	903,942
Total Liabilities	1,123,319	1,227,974
Net Assets, Without Donor Restrictions	4,219,674	3,816,150
Total Liabilities and Net Assets	\$ 5,342,993	\$ 5,044,124

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

Steel City Academy, Inc.
Statements of Activities and Change in Net Assets
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenue and Support		
State education support	\$ 2,923,624	\$ 2,951,261
Grant revenue	4,183,579	3,943,797
Contributions	33	12,096
Student fees	43,101	7,127
Other income	92,543	8,832
Total revenue and support	<u>7,242,880</u>	<u>6,923,113</u>
Expenses		
Program services	5,779,868	5,609,157
Management and general	1,059,488	866,213
Total expenses	<u>6,839,356</u>	<u>6,475,370</u>
Change in Net Assets From Operations	403,524	447,743
Other Income		
Insurance reimbursement	<u>-</u>	<u>58,339</u>
Change in Net Assets	403,524	506,082
Net Assets, Beginning of Year	<u>3,816,150</u>	<u>3,310,068</u>
Net Assets, End of Year	<u>\$ 4,219,674</u>	<u>\$ 3,816,150</u>

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

Steel City Academy, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	\$ 2,909,919	\$ 765,562	\$ 3,675,481	\$ 3,008,904	\$ 585,167	\$ 3,594,071
Employee benefits	609,122	67,279	676,401	553,166	118,112	671,278
Student transportation	563,145	-	563,145	514,005	-	514,005
Repairs and maintenance	308,616	-	308,616	156,966	-	156,966
Food service	286,849	-	286,849	245,112	-	245,112
Professional services	148,045	85,150	233,195	136,735	49,543	186,278
Depreciation	189,079	-	189,079	149,367	-	149,367
Classroom, kitchen, and office supplies	149,473	864	150,337	204,030	5,654	209,684
Equipment	148,583	-	148,583	137,161	-	137,161
Staff development	83,468	56,400	139,868	92,123	40,392	132,515
Dual credit program	100,399	-	100,399	127,203	-	127,203
Occupancy	89,345	-	89,345	91,661	-	91,661
Information technology services	44,941	-	44,941	62,484	-	62,484
Insurance	40,967	-	40,967	37,113	-	37,113
Authorizer oversight fees	-	23,449	23,449	-	23,872	23,872
Interest	-	22,689	22,689	-	26,549	26,549
Loss on disposal of fixed assets	-	-	-	-	-	-
Other	107,917	38,095	146,012	93,127	16,924	110,051
Total functional expenses	\$ 5,779,868	\$ 1,059,488	\$ 6,839,356	\$ 5,609,157	\$ 866,213	\$ 6,475,370

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

Steel City Academy, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ 403,524	\$ 506,082
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	189,079	149,367
Changes in certain assets and liabilities:		
Grants receivable	235,004	(674,829)
Prepaid expenses	5,256	3,081
Accounts payable	30,868	34,574
Accrued payroll and related expenses	28,783	(91,639)
Net change in cash from operating activities	892,514	(73,364)
Investing Activities		
Purchases of fixed assets	(308,272)	(191,111)
Financing Activities		
Principal repayments on notes payable	(129,388)	(122,533)
Net Change in Cash	454,854	(387,008)
Cash, Beginning of Year	1,475,814	1,862,822
Cash, End of Year	\$ 1,930,668	\$ 1,475,814
Supplemental Information		
Cash paid for interest	\$ 22,689	\$ 26,549

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

Steel City Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Nature of Activities

Steel City Academy, Inc. (the School) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. The School served approximately 310 students in grades kindergarten through twelfth during the 2023-2024 school year (approximately 350 students during the 2022-2023 school year).

The School is sponsored by the Indiana Charter School Board. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

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

- net assets without donor restrictions, which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

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

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Grants Receivable

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

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

Steel City Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Fixed Assets

Purchases of assets and expenditures which materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases are charged to expense as incurred. Depreciation on fixed assets is recorded using the straight-line method. Useful lives were determined as follows:

Building and improvements	39 years
Furniture and equipment	3 - 7 years
Vehicles	12 years

Taxes on Income

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

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2020 are open to audit for both federal and state purposes.

Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform to the presentation of the 2024 financial statements. There was no change to net assets previously reported as a result of the reclassifications.

Subsequent Events

The School evaluated subsequent events through February 27, 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 3 – Revenue Recognition

Revenue Recognition Policy

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and 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.

Steel City Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 3 – Revenue Recognition (Continued)

A significant portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grants is considered satisfaction of the performance obligations.

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

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

Disaggregation of Revenue

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

Note 4 – Notes Payable

Notes payable consist of the following as of June 30:

	2024	2023
Note payable to the State Board of Education, payable \$50,000 semi-annually (January 1 and July 1) plus interest at 1% per annum.	\$ 350,000	\$ 450,000
Note payable to The ARC Northwest Indiana, Inc., payable in monthly installments of \$3,386, including interest at 5.0% per annum, secured by the building. The note matures January 2036.	354,742	376,930
Note payable to the U.S. Small Business Administration, payable in monthly installments of \$641, including interest at 2.75% per annum. The note matures June 2050.	141,208	148,408
	845,950	975,338
Less: current portion	(125,491)	(125,892)
Long-term portion	\$ 720,459	\$ 849,446

Steel City Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 4 – Note Payable (Continued)

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

2025	\$	125,491
2026		128,430
2027		129,793
2028		81,223
2029		32,724
Thereafter		348,289
	<u>\$</u>	<u>845,950</u>

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

Note 5 – Commitments

The School operates under a charter granted by the Indiana Charter School Board (ICSB). As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School agreed to pay ICSB an authorizer oversight fee equal to .5% of state tuition payments received. Payments under this agreement were \$23,449 and \$23,872 for the years ended June 30, 2024 and 2023, respectively.

Note 6 – Leases

The School leases various equipment under a single operating lease agreement. An operating lease right-of-use asset and operating lease liability have been recorded using a discount rate equal to prime plus 2.00% as of the adoption date. This discount rate approximates the School's incremental borrowing rate. Costs under this lease totaled \$35,944 for both years ended June 30, 2024 and 2023.

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

2025	\$	35,944
2026		20,968
		<u>56,912</u>
Less: imputed interest		<u>(5,173)</u>
		51,739
Less: current portion		<u>(33,891)</u>
Long-term portion	<u>\$</u>	<u>17,848</u>

Steel City Academy, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 7 – Retirement Plans

Employees are eligible to participate in a 401(k) defined contribution retirement plan sponsored by the School. Under this plan, the School elected to match employee contributions up to 5% of compensation. Retirement plan expense under the plan was \$118,561 and \$81,822 for the years ended June 30, 2024 and 2023, respectively.

Note 8 – Risks and Uncertainties

The School provides educational instruction to students residing in Lake County, 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,

Bank deposits are maintained at Fifth Third Bank and are insured up to the FDIC insurance limit, which is regularly exceeded. As of June 30, 2024, approximately \$1.67 million in cash was uninsured.

Note 9 – Liquidity

The School's financial assets consist of cash and grants receivables totaling \$3,106,901 and \$2,887,051 as of June 30, 2024 and 2023, respectively, all of which are available to meet cash needs for general expenditures within a year.

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

Note 10 – Functional Expense Reporting

The costs of providing educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

Supplementary Information

Steel City Academy, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<u>Federal Grantor Agency/Pass-Through Entity/Cluster Title/Program Title/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 98,373
National School Lunch Program	10.555		168,928
Fresh Fruits and Vegetables Program	10.582		11,370
Total U.S. Department of Agriculture			<u>278,671</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A: Grants to Local Educational Agencies	84.01	S010A230014	427,049
Title II, Part A: Supporting Effective Instruction State Grants	84.367	S367A220013	38,259
Title IV, Student Support and Academic Enrichment Grants	84.424A	S424A230015	40,099
Special Education Cluster			
Special Education - Grants to States	84.027	23611-599-PN01	111,586
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425U210013	1,946,312
Total U.S. Department of Education			<u>2,563,305</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>			
Pass-through Indiana Department of Education			
Emergency Connectivity Fund Program	32.009		12,000
Total Federal Awards Expended			<u>\$ 2,853,976</u>

See independent auditor's report and notes to this schedule

Steel City Academy, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Steel City 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

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



Donovan CPAs

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Accounting Standards

The Board of Directors
Steel City Academy, Inc.
Gary, Indiana

We audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Steel City 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, and issued our report thereon dated February 27, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting which might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist which were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "DONOVAN". The letters are slightly slanted and connected, with a prominent loop at the end of the word.

Donovan CPAs
Indianapolis, Indiana
February 27, 2025



Donovan CPAs

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

The Board of Directors
Steel City Academy, Inc.
Gary, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited Steel City Academy, Inc.'s (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement which could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2024. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above which could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the School and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

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.

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Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in

internal control over compliance which might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance which we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist which were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Donovan CPAs
Indianapolis, Indiana
February 27, 2025

Steel City Academy, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Education Stabilization Fund Elementary and Secondary School Emergency Relief Fund

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

Steel City Academy, Inc.
Other Report
For the Year Ended June 30, 2024

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

Supplemental Audit Report of Steel City 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*.

Steel City Academy, Inc.
Schedule of Lead Auditor
For the Years Ended June 30, 2024 and 2023

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

Phone Number: (317) 844-8300

Fax Number: (317) 745-6545

Auditor Contact: Benjamin A. Lippert, CPA

Auditor Contact Title: Partner

Auditor Contact Email: blippert@cpadonovan.com