



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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March 11, 2024

Charter School Board
East Chicago Urban Enterprise Academy, Inc.
Lake County, Indiana

We have reviewed the audit report of East Chicago Urban Enterprise Academy, Inc., which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of East Chicago Urban Enterprise Academy, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, CliftonLarsonAllen LLP prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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

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

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

Tammy R. White, CPA
Deputy State Examiner

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
East Chicago Urban Enterprise Academy, Inc.
East Chicago, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Chicago Urban Enterprise Academy, Inc. (the School), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes 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 financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in 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.

Emphasis of a Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023, the School adopted new accounting guidance for leases. The guidance requires leases to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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.

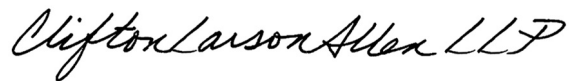
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are 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 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 have also issued our report dated February 14, 2024, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 14, 2024

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,199,265	\$ 831,928
Grants and Accounts Receivable	886,493	409,050
Prepaid Expenses	45,636	37,777
Total Current Assets	2,131,394	1,278,755
PROPERTY AND EQUIPMENT		
Buildings and Improvements	2,408,538	2,408,538
Furniture and Equipment	1,077,045	796,797
Less: Accumulated Depreciation	(1,755,065)	(1,518,404)
Property and Equipment, Net	1,730,518	1,686,931
OTHER ASSETS		
Security Deposit	7,803	63,698
Right-of-Use Asset - Operating	827,487	-
Total Other Assets	835,290	63,698
Total Assets	\$ 4,697,202	\$ 3,029,384
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 110,472	\$ 107,098
Accounts Payable and Accrued Expenses	441,076	309,723
Deferred Revenue	101,356	59,623
Current Portion of Lease Liability - Operating	265,383	-
Total Current Liabilities	918,287	476,444
LONG-TERM LIABILITIES		
Lease Liability - Operating	570,586	-
Notes Payable, Net of Current Portion	223,620	325,476
Total Long-term Liabilities	794,206	325,476
Total Liabilities	1,712,493	801,920
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Total Liabilities and Net Assets	\$ 4,697,202	\$ 3,029,384

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUE AND SUPPORT		
State Education Support	\$ 3,448,001	\$ 3,305,031
Grant Revenue	3,408,314	2,682,189
Student Fees	9,247	23,987
Contributions	1,277	7,656
Other Income	54,928	40,909
Total Revenue and Support	6,921,767	6,059,772
EXPENSES		
Program Services	5,123,581	4,321,676
Management and General	1,040,941	956,528
Total Expenses	6,164,522	5,278,204
CHANGE IN NET ASSETS	757,245	781,568
Net Assets - Beginning of Year	2,227,464	1,445,896
NET ASSETS - END OF YEAR	\$ 2,984,709	\$ 2,227,464

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 2,669,439	\$ 224,297	\$ 2,893,736	\$ 2,192,759	\$ 211,236	\$ 2,403,995
Employee Benefits	744,182	64,699	808,881	621,369	61,787	683,156
Professional Services	314,038	8,797	322,835	95,277	24,515	119,792
Depreciation	236,661	-	236,661	206,205	-	206,205
Classroom, Kitchen, and Office Supplies	358,177	-	358,177	434,076	-	434,076
Food Costs	177,061	-	177,061	237,770	-	237,770
Insurance	-	42,657	42,657	-	29,397	29,397
Occupancy	398,254	-	398,254	369,868	-	369,868
Authorizer Oversight Fees	-	66,146	66,146	-	68,748	68,748
Management Services	-	600,580	600,580	-	520,002	520,002
Property Rental and Maintenance	66,100	-	66,100	38,609	-	38,609
Contract Services	1,795	-	1,795	-	-	-
Interest	-	20,945	20,945	-	22,806	22,806
Advertising	-	12,077	12,077	-	18,037	18,037
Travel	24,294	-	24,294	13,587	-	13,587
Information Technology	95,917	-	95,917	75,266	-	75,266
Other	37,663	743	38,406	36,890	-	36,890
Total Functional Expenses	\$ 5,123,581	\$ 1,040,941	\$ 6,164,522	\$ 4,321,676	\$ 956,528	\$ 5,278,204

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 757,245	\$ 781,568
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Noncash Lease Expense	8,482	-
Depreciation	236,661	206,205
Loss on sale of equipment	-	4,784
Changes in Operating Assets and Liabilities:		
Grants Receivable	(477,443)	99,832
Prepaid Expenses	(7,859)	(27,691)
Security Deposit	55,895	(55,167)
Accounts Payable and Accrued Expenses	131,353	(130,211)
Deferred Revenue	41,733	59,623
Net Cash Provided by Operating Activities	746,067	938,943
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(280,248)	(203,326)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(98,482)	(103,949)
NET CHANGE IN CASH	367,337	631,668
Cash - Beginning of Year	831,928	200,260
CASH - END OF YEAR	\$ 1,199,265	\$ 831,928
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 20,945	\$ 22,806

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

East Chicago Urban Enterprise 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 serving approximately 419 students in grades kindergarten through eighth and is sponsored by Ball State University.

Accounting 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. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2023 and 2022, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

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.

Cash

The School considers all demand accounts to be cash.

Grants Receivable and Revenue

Grants receivable and revenue relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Contributions, Grants, and Fees

The School receives income from contributions, student fees, and fundraising events that support certain school activities. 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 statements of activities and change in net assets as net assets released from restrictions.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

East Chicago Urban Enterprise Academy, Inc. has received a determination from the U.S. Treasury Department stating that 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, 2023 and 2022, no accounting for federal and state income taxes was 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 be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is 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 has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Property and Equipment

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

<u>Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and Improvements:	\$25,000	5 to 40 Years
Furniture and Equipment:		
Individual Items:	\$5,000	3 to 7 Years
Aggregate of Similar or Identical Items on a Single Purchase Order:	\$12,500	3 to 7 Years

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Reclassifications

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The School evaluated subsequent events through February 14, 2024, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

Change in Accounting Principles

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The School has elected to adopt the package of practical expedients available in the year of adoption. The School has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

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 School has elected to recognize payments for short-term leases with a lease term 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.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease 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 judgement.

NOTE 2 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Mortgage note payable in monthly installments of \$10,538 including interest at 4.75% through February 2022, thereafter payable in monthly installments of \$10,437 including interest at a variable rate based on One-Year Treasury Constant Maturity rate plus margin of 3.00%, adjustable annually, through March 2026, secured by a mortgage on School facilities and all School assets.	\$ 334,092	\$ 432,574
Less: Current Portion	<u>(110,472)</u>	<u>(107,098)</u>
Long-Term Portion	<u>\$ 223,620</u>	<u>\$ 325,476</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 110,472
2025	119,641
2026	103,979
Total	<u>\$ 334,092</u>

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 LEASES

ASC Topic 842 – 2023

The School leases various equipment and facilities from third parties under a long-term, noncancelable lease agreement. The leases expire at various times through 2026. In the normal course of business, it is expected that this lease will be renewed or replaced by similar leases. Lease expense associated with all third-party leases was \$286,919 for the year ended June 30, 2023.

Lease Cost:	
Operating Lease Cost	\$ 286,919
Other Information:	
Operating Cash Flows from Operating Leases	\$ 287,437
Weighted-Average Remaining Lease Term - Operating Leases	3 Years
Weighted-Average Discount Rate - Operating Leases	2.87%

A maturity analysis of annual discounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>
2024	\$ 285,407
2025	284,830
2026	279,218
2027	23,296
Undiscounted Cash Flows	872,751
Less: Present Value Discount	(36,782)
Total Present Value	<u>\$ 835,969</u>
Short-Term Lease Liability	\$ 265,383
Long-Term Lease Liability	570,586
Total	<u>\$ 835,969</u>

ASC Topic 840 – 2022

The School leases its building from a party related through a common board of directors, and modular classrooms and equipment from unrelated parties, all under operating leases. Total expense under these operating leases was \$280,063 for the years ended June 30, 2022.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 LEASES (CONTINUED)

ASC Topic 840 – 2022 (Continued)

Future minimum lease payments for all operating leases with initial, noncancellable lease terms in excess of one year are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 75,840
2024	75,840
2025	75,840
2026	75,840
2027	12,640
Total	<u>\$ 316,000</u>

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 7.5% of compensation for teaching faculty to TRF and 11.2% of compensation for other employees of PERF. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2022 (the latest year reported), TRF and PERF were approximately 95% and 85% funded, respectively.

Retirement plan expense was \$212,227 and \$176,944 for the years ended June 30, 2023 and 2022, respectively.

NOTE 5 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$66,146 and \$68,748 for the years ended June 30, 2023 and 2022, respectively. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

The School has contracted with The Leona Group, LLC to provide financial, management, administrative and educational programming services. Under the terms of the agreement, the School agrees to pay an amount equal to 10% of revenues, as defined, for such services. The contract will expire June 30, 2026. Payments under this agreement were \$600,580 and \$523,581 for the years ended June 30, 2023 and 2022, respectively.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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. Any changes in state or federal legislation could significantly impact 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 that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2023, substantially all of the receivable balance was due from the state of Indiana. In addition, bank deposits are maintained primarily at Peoples Bank, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit.

NOTE 7 FUNCTIONAL EXPENSE REPORTING

The cost 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 has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation between these categories of expenses was required.

NOTE 8 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2023 and 2022 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash and grants receivable. Financial assets at June 30, 2023 and 2022 total \$2,085,758 and \$1,240,978, respectively, all of which are available to meet cash needs for general expenditures within one year.

While the School has \$2,085,758 and \$1,240,978 in financial assets available to meet cash needs for general expenditures within one year, it also has \$916,060 and \$476,444 in current liabilities as of June 30, 2023 and 2022, 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.

**EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
OTHER REPORT
JUNE 30, 2023**

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

Supplemental Audit Report of
East Chicago Urban Enterprise 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*.



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
East Chicago Urban Enterprise Academy, Inc.
East Chicago, 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 East Chicago Urban Enterprise Academy (the School), which comprise the statement of financial position at June 30, 2023, 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 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

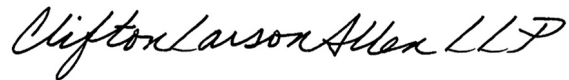
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are 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 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 14, 2024



**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
East Chicago Urban Enterprise Academy
East Chicago, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Chicago Urban Enterprise Academy's (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' 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 that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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; 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 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' 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' 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 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 compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 14, 2024

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

Federal Agency/Pass-Through Agency/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed-through Indiana Department of Education -				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	211970	\$ -	\$ 103,116
Cash Assistance - National School Lunch Program	10.555	211960	-	268,151
After School Snack Program	10.555	210900	-	3,008
Total Child Nutrition Cluster			-	374,274
Pandemic EBP Local Level Costs	10.649	210980	-	628
Total U.S. Department of Agriculture			-	374,902
Department of Education				
Passed-through Indiana Department of Education:				
Title I, Part A 2122	84.010	221530	-	23,901
Title I, Part A 2223	84.010	231530	-	532,401
Total Title I, Part A			-	556,303
Special Education Cluster (IDEA):				
Special Education Grants to States IDEA, Part B 2223	84.027	220450	-	90,864
Special Education Grants to States IDEA, Part B Preschool	84.027	220450	-	1,457
Special Education Grants to States IDEA, ARP	84.027X	220450	-	291
IDEA Part B 611 Total			-	92,612
Special Education Preschool Grants	84.173X	220450	-	193
Total Special Education Cluster			-	92,805
Supporting Effective Instruction State Grants, Title II - Part A:				
Title II, Part A 2122	84.367	220520	-	7,990
Title II, Part A 2223	84.367	230520	-	38,495
Total Title II, Part A			-	46,485

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2023

Federal Agency/Pass-Through Agency/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Federal Expenditures
Department of Education (Continued)				
Passed-through Indiana Department of Education (Continued):				
Student Support & Academic Enrichment - Title IV:				
Title IV 2122	84.424	220750	\$ -	\$ 19,668
Title IV 2223	84.424	230750	-	8,501
Total Title IV			<u>-</u>	<u>28,169</u>
Education Stabilization Fund Program:				
COVID-19 ESSER Formula Fund II	84.425D	213712	-	486,286
COVID-19 ESSER Formula Fund III - ARP	84.425U	211012	-	1,263,338
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	201200	-	3,810
Total Education Stabilization Fund Program			<u>-</u>	<u>1,753,434</u>
 Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,852,099</u>

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of East Chicago Urban Enterprise Academy, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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 East Chicago Urban Enterprise Academy, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of East Chicago Urban Enterprise Academy, Inc.

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. 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.

The School has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



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