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March 8, 2024

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

We have reviewed the audit report of Steel City Academy, Inc. which was opined upon by Donovan CPAs, 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 Steel City 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, Donovan CPAs prepared the audit report in accordance with 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

**STEEL CITY ACADEMY, INC.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Steel City Academy, Inc.

### **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, 2023 and 2022 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, 2023 and 2022 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 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 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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## **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 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, 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 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.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized initial "D".

Indianapolis, Indiana  
February 27, 2024

**STEEL CITY ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,475,814	\$ 1,862,822
Grants receivable	1,411,237	736,408
Prepaid expenses	6,919	10,000
	<hr/>	<hr/>
<i>Total current assets</i>	2,893,970	2,609,230
	<hr/>	<hr/>
<b>PROPERTY AND EQUIPMENT</b>		
Land	140,000	140,000
Building and improvements	1,665,267	1,665,267
Furniture and equipment	731,352	540,241
Vehicles	72,319	72,319
Less: accumulated depreciation	(545,441)	(396,074)
	<hr/>	<hr/>
<i>Property and equipment, net</i>	2,063,497	2,021,753
	<hr/>	<hr/>
<b>OPERATING LEASE RIGHT OF USE ASSET, NET</b>	86,657	-
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 5,044,124</u>	<u>\$ 4,630,983</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of operating lease obligation	\$ 32,161	\$ -
Current portion of notes payable	125,892	124,711
Accounts payable	48,685	14,111
Accrued payroll and related expenses	117,294	208,933
	<hr/>	<hr/>
<i>Total current liabilities</i>	324,032	347,755
	<hr/>	<hr/>
<b>LONG-TERM LIABILITIES</b>		
Operating lease obligation, net of current portion	54,496	-
Notes payable, net of current portion	849,446	973,160
	<hr/>	<hr/>
<i>Total long-term liabilities</i>	903,942	973,160
	<hr/>	<hr/>
<i>Total liabilities</i>	1,227,974	1,320,915
	<hr/>	<hr/>
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	3,816,150	3,310,068
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,044,124</u>	<u>\$ 4,630,983</u>

See independent auditors' report and accompanying notes to the financial statements

**STEEL CITY ACADEMY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 2,951,261	\$ 3,471,523
Grant revenue	3,943,797	3,732,362
Contributions	12,096	11,209
Student fees	7,127	7,863
Other income	8,832	6,602
	<u>6,923,113</u>	<u>7,229,559</u>
<i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	5,609,157	4,897,792
Management and general	866,213	761,053
	<u>6,475,370</u>	<u>5,658,845</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	447,743	1,570,714
<b>OTHER INCOME</b>		
Insurance reimbursement	58,339	-
	<u>506,082</u>	<u>1,570,714</u>
<b>CHANGE IN NET ASSETS</b>		
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,310,068</u>	<u>1,739,354</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,816,150</u>	<u>\$ 3,310,068</u>

See independent auditors' report and accompanying notes to the financial statements

**STEEL CITY ACADEMY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>			<u>2022</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 2,981,654	\$ 585,167	\$ 3,566,821	\$ 2,605,249	\$ 564,939	\$ 3,170,188
Employee benefits	553,166	118,112	671,278	509,355	84,193	593,548
Student transportation	514,005	-	514,005	356,963	-	356,963
Food service	245,112	-	245,112	175,046	-	175,046
Classroom, kitchen, and office supplies	204,030	5,654	209,684	178,334	7,352	185,686
Professional services	136,735	49,543	186,278	316,682	33,634	350,316
Staff development	119,373	40,392	159,765	43,949	18,320	62,269
Repairs and maintenance	156,966	-	156,966	109,148	-	109,148
Depreciation	149,367	-	149,367	149,741	-	149,741
Equipment	137,161	-	137,161	101,540	-	101,540
Dual credit program	127,203	-	127,203	13,784	-	13,784
Occupancy	91,661	-	91,661	98,417	-	98,417
Information technology services	62,484	-	62,484	90,501	-	90,501
Insurance	37,113	-	37,113	33,962	-	33,962
Interest	-	26,549	26,549	-	27,677	27,677
Authorizer oversight fees	-	23,872	23,872	-	18,555	18,555
Loss on disposal of property and equipment	-	-	-	46,340	-	46,340
Other	93,127	16,924	110,051	68,781	6,383	75,164
<i>Total functional expenses</i>	<u>\$ 5,609,157</u>	<u>\$ 866,213</u>	<u>\$ 6,475,370</u>	<u>\$ 4,897,792</u>	<u>\$ 761,053</u>	<u>\$ 5,658,845</u>

See independent auditors' report and accompanying notes to the financial statements

**STEEL CITY ACADEMY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 506,082	\$ 1,570,714
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	149,367	149,741
Loss on disposal of property and equipment	-	46,340
Changes in certain assets and liabilities:		
Grants receivable	(674,829)	(466,905)
Prepaid expenses	3,081	26,950
Accounts payable	34,574	(20,905)
Accrued payroll and related expenses	<u>(91,639)</u>	<u>(38,839)</u>
 <i>Net cash provided by (used in) operating activities</i>	 (73,364)	 1,267,096
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(191,111)	(512,631)
<b>FINANCING ACTIVITIES</b>		
Principal repayments on notes payable	<u>(122,533)</u>	<u>(120,081)</u>
<b>NET CHANGE IN CASH</b>	(387,008)	634,384
<b>CASH, BEGINNING OF YEAR</b>	<u>1,862,822</u>	<u>1,228,438</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,475,814</u>	<u>\$ 1,862,822</u>
 <b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 26,549	\$ 27,677

See independent auditors' report and accompanying notes to the financial statements

**STEEL CITY ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

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

General – 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 over 350 and 400 students during the 2022-2023 and the 2021-2022 school years, respectively. Grades served included kindergarten through twelfth. 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.

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, 2023 and 2022, 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, 2023 and 2022.

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 doubtful accounts is deemed necessary.

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. Routine maintenance and repairs, minor replacement costs, and equipment purchases are charged to expense as incurred.

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:

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

**STEEL CITY ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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, 2023 and 2022, 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 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, 2019 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 27, 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.

**NOTE 2 - 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.

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.

**STEEL CITY ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**NOTE 3 - NOTES PAYABLE**

Notes payable consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Note payable to the State Board of Education, payable \$50,000 semi-annually (January 1 and July 1) plus interest at 1% per annum.	\$ 450,000	\$ 550,000
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.	376,930	397,971
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.	<u>148,408</u>	<u>149,900</u>
	975,338	1,097,871
Less: current portion	<u>(125,892)</u>	<u>(124,711)</u>
Long-term portion	<u>\$ 849,446</u>	<u>\$ 973,160</u>

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

2024	\$ 125,892
2025	127,130
2026	128,430
2027	129,793
2028	81,223
Thereafter	<u>382,870</u>
<i>Total principal maturities</i>	<u>\$ 975,338</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 4 - COMMITMENT**

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 \$23,872 and \$18,555 for the years ended June 30, 2023 and 2022, respectively.

**STEEL CITY ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**NOTE 5 - LEASES**

Lease Accounting Standard – Effective July 1, 2022, the School adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 replaced previous lease guidance under U.S. GAAP and aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statements of financial position and disclosing key information about leasing arrangements. The School elected to apply the transition alternative allowed under ASU 2018-11. Under this election, the entity recognizes a cumulative effect adjustment to the opening balance of net assets as of the adoption date. Management determined no cumulative effect adjustment to net assets was necessary; there is no difference in rent expense under the new standard. The entity applied the provisions of ASU 2016-02 as of the adoption date.

Operating 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 and \$33,632 for the years ended June 30, 2023 and 2022, respectively.

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

2024	\$	35,944
2025		35,944
2026		20,968
		92,856
Less: imputed interest		(6,199)
Total lease liability		86,657
Less: current portion		(32,161)
Long-term portion	\$	54,496

**NOTE 6 - 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 \$87,767 and \$72,840 for the years ended June 30, 2023 and 2022, respectively.

**STEEL CITY ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**NOTE 7 - 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, deposits maintained at Fifth Third Bank and are insured up to the FDIC insurance limit. As of June 30, 2023 and 2022 and regularly throughout the years then ended, cash deposits at Fifth Third Bank exceeded FDIC insurance limits.

**NOTE 8 - LIQUIDITY**

The School's financial assets consist of cash and grants receivables totaling \$2,887,051 and \$2,599,230 as of June 30, 2023 and 2022, 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 9 - 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.

**NOTE 10 - SUBSEQUENT EVENT**

On October 16th, 2023, the School entered into a purchase sale agreement for a new school building located at 1988 Polk Street, Gary, IN 46407 in the amount of \$250,000. As of the date of this report, the School is in the due diligence phase of the process and the purchase has not yet been finalized.

SUPPLEMENTARY INFORMATION

**STEEL CITY ACADEMY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2023**

<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		\$ 79,238
National School Lunch Program	10.555		<u>195,929</u>
<i>Total U.S. Department of Agriculture</i>			<u>275,167</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A220014	527,898
Title II, Part A: Supporting Effective Instruction State Grants	84.367	S367A220013	50,334
Title IV, Student Support and Academic Enrichment Grants	84.424A	S424A220015	45,408
Special Education Cluster			
Special Education - Grants to States	84.027	23611-599-PN01	88,866
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	1,052,175
Elementary and Secondary School Emergency Relief Fund	84.425D	S425U210013	<u>1,096,746</u>
<i>Total U.S. Department of Education</i>			<u>2,861,427</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>			
Pass-through Indiana Department of Education			
Emergency Connectivity Fund Program	32.009		<u>49,419</u>
<i>Total Federal Awards Expended</i>			<u>\$ 3,186,013</u>

See independent auditors' report and accompanying notes to this schedule

**STEEL CITY ACADEMY, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2023**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (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, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, 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 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

The Board of Directors  
Steel City Academy, Inc.

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, 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 issued our report thereon dated February 27, 2024.

### 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.

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## **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.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized initial "D".

Indianapolis, Indiana  
February 27, 2024



# Donovan CPAs

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors  
Steel City Academy, Inc.

### **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, 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 which 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 (*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 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 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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## ***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 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 Auditors' 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.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana  
February 27, 2024

**STEEL CITY ACADEMY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2023**

***Financial Statements***

Type of auditors' 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 auditors' 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:

Assistance Listing Number

Name of Federal Program or Cluster

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.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended June 30, 2023**

FINDING 2022-001 DAVIS-BACON COMPLIANCE  
SIGNIFICANT DEFICIENCY

Federal Program: Education Stabilization Fund  
Elementary and Secondary School Emergency Relief Fund

Assistance Listing Number: 84.425D

Condition

The School entered into an agreement with a contractor for building renovations, paid with funds from the Education Stabilization Fund. A formal contract including the provisions of the Davis-Bacon Act was not put into place.

Current Status

Corrective action has been taken.

FINDING 2022-002 EQUIPMENT AND REAL PROPERTY MANAGEMENT  
SIGNIFICANT DEFICIENCY

Federal Program: Education Stabilization Fund  
Elementary and Secondary School Emergency Relief Fund

Assistance Listing Number: 84.425D

Condition

The School completed an inventory of its equipment for the year ended June 30, 2022. However, this inventory was not compared to the School's record of equipment and real property purchased with federal funds.

Current Status

Corrective action has been taken.