



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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March 11, 2024

Charter School Board
Neighbors' Educational Opportunities, Inc.
Porter County, Indiana

We have reviewed the Supplemental Audit Report for Neighbors' Educational Opportunities, Inc. prepared by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report on page 3. Management's response is on page 5.

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

SUPPLEMENTAL AUDIT REPORT
NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
JULY 1, 2022 TO JUNE 30, 2023



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**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
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**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2022 TO JUNE 30, 2023**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President, Board of Directors	Francis Vega	07/01/22 - 06/30/23
Executive Director	Rebeca Reiner	07/01/22 - 06/30/23
Business Manager	Jennifer Jennings	07/01/22 - 06/30/23



INDEPENDENT AUDITORS' REPORT

School Officials
Neighbors' Educational Opportunities, Inc.
Portage, Indiana

We have audited the financial statements of Neighbors' Educational Opportunities, Inc. (the School) as of and for the year ended June 30, 2023, and have issued our report thereon dated February 14, 2024. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

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

CliftonLarsonAllen LLP

Indianapolis, Indiana
February 14, 2024

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2022 TO JUNE 30, 2023

PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

An audit adjustment related to the Employee Retention Credit (ERC) grant program for \$482,431 was detected as a result of audit procedures. The total ERC claim was recognized as revenue during the year ended June 30, 2023. However, based upon the timing of the amended 941 filings in December 2021, \$482,431 should have been recognized as grant receivable and grant revenue during the year ended June 30, 2022. As a result, these accounts were materially misstated and are considered a material weakness in internal controls. Proper procedures around grant receivables are an important element of internal controls.

Indiana Code 20-24-7-1 provides that "...The state examiner shall establish guidelines and prescribe reporting requirements for organizers under this section that are consistent with generally accepted accounting principles (GAAP)..."

Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records, and financial statements about incorrect decision making. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 10)

AVERAGE DAILY MEMBERSHIP (ADM) TESTING – ENROLLMENT DOCUMENTS

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE) for each student. In addition, the School has adopted a policy requiring additional documents to be obtained at enrollment. The process used did not result in maintaining consistent and complete enrollment records for one (1) student (fall) of the 28 tested for enrollment. The student enrollment file was unable to be located due to change in personnel at the School.

Records such as paper or electronic enrollment applications, as well as copies of birth certificates and proof of residency, etc. as determined by policy or normal practice by the school should be maintained (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2022 TO JUNE 30, 2023**

The contents of this report were discussed with Rebecca Reiner, Executive Director, and Jennifer Jennings, Business Manager, on January 24, 2024.

RESPONSE TO SUPPLEMENTAL AUDIT JULY 1, 2022-JUNE 30, 2023

**PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

We accept the material weakness in our application of our Employee Retention Credit (ERC) to GAAP, but would request this forum to cite mitigating circumstances. It would not be misleading to say that the COVID era federal programs presented a unique income measurement challenge in that they were unprecedented in their scope and complexity and will not likely recur. We considered the measurement effect of accruing the ERC grant when application was made but concluded that, because qualifications for applications changed repeatedly in the early weeks after announcement, and the whole program became increasingly controversial, it was not proper to accrue the grant revenue. Furthermore, reserving the entire award by providing for its possible denial leaves us in the same position as if we had never applied for ERC. The Internal Revenue Service (IRS) reviewed the applications, refunded the 4 periods covered, then decided to audit multiple other schools with the same claim, virtually admitting that they were making up the rules contemporaneously as they watched yet another program sink into fraud and manipulation. We only regret that GAAP principles aren't flexible enough to prevent a material weakness in complying with federal grant programs that, to this day, are being granted and revoked in arbitrary decisions. We also regret that strict adherence to GAAP principles require us to remove the ERC grants from revenue but include in expense the commissions that were paid to the contractor to prepare the grant application when they are contractually obligated to return the commissions if the grants are disallowed after audit.

**AVERAGE DAILY MEMEBERSHIP (ADM) TESTING-ENEROLLMENT
DOCUMENTS**

The Average Daily Membership (ADM) testing resulted in one student enrollment file that could not be located. Previously, paper enrollment forms were the sole source of student enrollment information that was used by Neighbors' New Vistas High School. As of the 2023-2024 school year, the school has switched to an online enrollment system through PowerSchool, the schools' Student Management System. This will store forms electronically in the student management system allowing the forms to be printed out as needed. This will help with file management.



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