



STATE OF INDIANA
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March 11, 2024

Charter School Board
URBAN ACT Academy, Inc.
Marion County, Indiana

We have reviewed the audit report of URBAN ACT 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 URBAN ACT 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.

We call your attention to Substantial Doubt About the Entity's Ability to Continue as a Going Concern paragraph included in the *Independent Auditors' Report*.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 3.

In our opinion, Donovan CPAs 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 URBAN ACT 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 black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

URBAN ACT 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
URBAN ACT Academy, Inc.

Opinion

We audited the financial statements of URBAN ACT 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.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

In October 2022, the School received notification from Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools ("IPS"), that the Innovation Network Charter School Agreement will not be renewed at the conclusion of the initial term, June 30, 2023. The Board of Directors of the School elected to terminate School operations as of that date. The not-for-profit organization continues to exist and there are no immediate plans to dissolve it. Our opinion is not modified with respect to this matter.

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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 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 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 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 audits were conducted for the purpose of forming an 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* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards 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 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the School recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$2,070,618 and \$1,266,931 for the years ended June 30, 2023 and 2022, respectively. These amounts represent approximately 23% of total revenue and support and 28% total expenses for the year ended June 30, 2023 (21% of both revenue and support and total expenses for the year ended June 30, 2022). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management as presented. Our opinion is not modified with respect to this matter.

DONOVAN



Indianapolis, Indiana
February 27, 2024

URBAN ACT ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,983,390	\$ 954,993
Grants receivable	740,150	289,648
Prepaid expenses	<u>-</u>	<u>12,399</u>
<i>Total current assets</i>	<u>2,723,540</u>	<u>1,257,040</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	-	338,562
Less: accumulated depreciation	<u>-</u>	<u>(147,828)</u>
<i>Property and equipment, net</i>	<u>-</u>	<u>190,734</u>
TOTAL ASSETS	<u><u>\$ 2,723,540</u></u>	<u><u>\$ 1,447,774</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 46,969	\$ 72,867
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>2,676,571</u>	<u>1,374,907</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,723,540</u></u>	<u><u>\$ 1,447,774</u></u>

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

URBAN ACT 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>
REVENUE AND SUPPORT		
Student-based allocation funding from Indianapolis Public Schools	\$ 2,927,091	\$ 2,790,660
In-kind contributions from Indianapolis Public Schools	2,070,618	1,266,931
Grants	3,922,959	2,017,945
Contributions	3,263	35,194
Interest	59	77
Other	5,434	44,546
	<u>8,929,424</u>	<u>6,155,353</u>
 <i>Total revenue and support</i>		
EXPENSES		
Program services	6,173,632	4,657,910
Management and general	1,454,128	1,488,604
	<u>7,627,760</u>	<u>6,146,514</u>
 <i>Total expenses</i>		
CHANGE IN NET ASSETS	1,301,664	8,839
NET ASSETS, BEGINNING OF YEAR	<u>1,374,907</u>	<u>1,366,068</u>
NET ASSETS, END OF YEAR	<u>\$ 2,676,571</u>	<u>\$ 1,374,907</u>

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

URBAN ACT 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>
In-kind expenses:						
Occupancy	\$ 1,038,873	\$ -	\$ 1,038,873	\$ 797,051	\$ -	\$ 797,051
Student transportation	304,887	-	304,887	148,782	-	148,782
Repairs and maintenance	635,528	-	635,528	279,117	-	279,117
Security services	-	49,519	49,519	-	41,981	41,981
Public engagement	-	41,811	41,811	-	-	-
<i>Total in-kind expenses</i>	<u>1,979,288</u>	<u>91,330</u>	<u>2,070,618</u>	<u>1,224,950</u>	<u>41,981</u>	<u>1,266,931</u>
Direct expenses:						
Salaries and wages	2,326,580	964,635	3,291,215	1,939,632	1,054,501	2,994,133
Professional services	388,232	277,360	665,592	276,430	279,489	555,919
Employee benefits	359,842	67,733	427,575	362,006	72,670	434,676
Food costs	283,323	-	283,323	223,027	-	223,027
Repairs and maintenance	229,622	-	229,622	226,457	-	226,457
Classroom and office supplies	147,975	21,511	169,486	193,843	11,032	204,875
Staff development	126,333	-	126,333	41,565	-	41,565
Information technology	70,750	-	70,750	60,339	-	60,339
Depreciation	67,712	-	67,712	61,839	-	61,839
Insurance	42,635	-	42,635	24,024	-	24,024
Equipment	2,986	-	2,986	2,052	-	2,052
Advertising	-	660	660	-	3,904	3,904
Loss on disposal of property and equipment	123,022	-	123,022	-	-	-
Other	25,332	30,899	56,231	21,746	25,027	46,773
<i>Total direct expenses</i>	<u>4,194,344</u>	<u>1,362,798</u>	<u>5,557,142</u>	<u>3,432,960</u>	<u>1,446,623</u>	<u>4,879,583</u>
<i>Total functional expenses</i>	<u>\$ 6,173,632</u>	<u>\$ 1,454,128</u>	<u>\$ 7,627,760</u>	<u>\$ 4,657,910</u>	<u>\$ 1,488,604</u>	<u>\$ 6,146,514</u>

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

URBAN ACT ACADEMY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,301,664	\$ 8,839
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	67,712	61,839
Loss on disposal of property and equipment	123,022	-
Changes in certain assets and liabilities:		
Grants receivable	(450,502)	(145,124)
Prepaid expenses	12,399	(1,244)
Accounts payable and accrued expenses	<u>(25,898)</u>	<u>(83,891)</u>
 <i>Net cash provided by (used in) operating activities</i>	 1,028,397	 (159,581)
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>-</u>	<u>(169,060)</u>
NET CHANGE IN CASH	1,028,397	(328,641)
CASH, BEGINNING OF YEAR	<u>954,993</u>	<u>1,283,634</u>
CASH, END OF YEAR	<u>\$ 1,983,390</u>	<u>\$ 954,993</u>

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

URBAN ACT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – URBAN ACT Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operated as a public charter school under Indiana Code 20-24 and was sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The School served approximately 310 students in grades kindergarten through eighth during the 2022-2023 school year (300 students during the 2021-2022 school year).

The School had an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools ("IPS"), to operate a charter school within an IPS building. IPS elected not to renew the agreement when it expired on June 30, 2023. Under the agreement, IPS pays the School the amount the School would receive from the State of Indiana for state basic tuition support and complexity grant funding as if the School were a traditional charter school. The School closed effective the end of the 2022-2023 school year. The non-profit organization continues to exist and there are no immediate plans to dissolve it.

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 School prepares its financial statements 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 consist 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 over \$5,000 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 small 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 life for furniture and equipment is 5 years. With the closure of the school at June 30, 2023, the remaining net book value of furniture and equipment was written off and a loss on disposal of \$123,022 was recorded.

URBAN ACT 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 – As discussed in Note 1, the majority of the School’s revenue and support was provided by IPS as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School received monthly funding from IPS in accordance with a student-based allocation formula. Funding include both fixed and variable components. The variable funding depends upon certain attributes including the number of students, student grades, poverty status, and other factors. 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 and expenses 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.

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

URBAN ACT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 3 - VALUATION OF IN-KIND SERVICES

The School recorded in-kind contributions and offsetting expenses from IPS totaling \$2,070,618 and \$1,266,931 during the years ended June 30, 2023 and 2022, respectively. These in-kind transactions represent approximately 23% of total revenue and support and 28% of total expenses for the year ended June 30, 2023 (21% of both total revenue and support and total expenses for 2022). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented.

The only in-kind contributions received by the School are from IPS and are disaggregated on the statements of activities and change in net assets. There are no restrictions set on these amounts.

NOTE 4 - COMMITMENTS

The School operated under a charter granted by OEI. As the sponsoring organization, OEI exercised certain oversight responsibilities. Beginning during the School's 2021-2022 school year, OEI had the right to assess a fee equal to 1% of the student-based allocation funding from IPS received by the School. No management fees were assessed during the years ended June 30, 2023 and 2022.

The charter agreement with OEI required the School to establish an escrow account of no less than \$30,000 should a dissolution occur. The balance of the escrow account is included in the cash balance on the statements of financial position.

NOTE 5 - RETIREMENT PLANS

The School maintains a defined contribution Section 401(k) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make contributions at its discretion. Alternatively, an employee may participate in the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan sponsored by the State of Indiana and administered by the Indiana Public Retirement System Board. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2023, TRF was approximately 88% funded. For the years ended June 30, 2023 and 2022, the School contributed 6% of defined compensation to each employee's retirement plan account of choice. Retirement plan expense was \$25,003 and \$27,229 for the years ended June 30, 2023 and 2022, respectively.

URBAN ACT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 6 - RISKS AND UNCERTAINTIES

With the termination of the Innovation Network Charter School agreement, the School lost its primary source of revenue. The non-profit organization continues to exist, however, with no school operations to support it and no sources of funding, a significant risk exists to the continuing operations of the non-profit organization.

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2023 and 2022, the majority of the receivable balance was due from the State of Indiana. In addition, deposits are maintained at Chase Bank and are insured up to the FDIC insurance limit. As of June 30, 2023 and 2022, and regularly throughout the years, the cash balance at Chase Bank exceeded the \$250,000 federally-insured limit.

NOTE 7 - LIQUIDITY

Financial assets held by the School include cash and grants receivable totaling \$2,723,540 and \$1,244,641 as of June 30, 2023 and 2022, respectively. Except for the \$30,000 dissolution escrow account, the entire balance of financial assets is available to meet cash needs for general expenditures within one 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 8 - FUNCTIONAL EXPENSE REPORTING

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

SUPPLEMENTARY INFORMATION

URBAN ACT 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		\$ 94,195
National School Lunch Program	10.555		<u>254,326</u>
<i>Total U.S. Department of Agriculture</i>			<u>348,521</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Education Agencies	84.010	S010A200014	95,947
Title I, Part A; Grants to Local Education Agencies	84.010	S010A210014	315,141
Title I, Part A; School Improvement Grants	84.010		110,095
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A220013	26,120
Title IV, Part A; Student Support and Academic Enrichment	84.424A	S424A220015	20,177
Special Education Cluster			
Special Education Preschool Grants	84.173X	22619-622-ARP	911
Special Education Preschool Grants	84.173A	23619-622-PN01	1,507
Special Education - Grants to States	84.027A	23611-622-PN01	84,761
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	324,327
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	<u>2,091,529</u>
<i>Total U.S. Department of Education</i>			<u>3,070,515</u>
<i>Total federal awards expended</i>			<u>\$ 3,419,036</u>

See independent auditors' report and accompanying notes to this schedule

URBAN ACT 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 URBAN ACT Academy, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2023. The information in the 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, change 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
URBAN ACT 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 URBAN ACT 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control which might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control 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 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 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 letters are cursive and slightly slanted to the right.

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
URBAN ACT Academy, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited URBAN ACT 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.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee 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 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 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 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

URBAN ACT ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

I. Summary of Auditors' Results

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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D & 84.425U	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?	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

URBAN ACT ACADEMY, INC.
OTHER REPORT
For the Year Ended 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 URBAN ACT 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*.