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December 28, 2018


Charter School Board
Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
975 West 6th Avenue
Gary, IN 46402

We have reviewed the report prepared by Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy and opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy as of June 30, 2018 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 all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Drexel Foundation for Educational Excellence, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy, which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities and change in net assets (deficiency), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy as of June 30, 2018 and 2017, and the changes in its net assets (deficiency), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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, 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2018 on our consideration 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 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 initial "D".

Indianapolis, Indiana
December 19, 2018

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 947,100	\$ 1,524,643
Cash - restricted for debt service	247,500	232,500
Certificate of deposit	-	524,038
Grants receivable	504,406	406,757
Other receivables	14,500	154,183
Prepaid expenses	<u>165,593</u>	<u>189,101</u>
<i>Total current assets</i>	<u>1,879,099</u>	<u>3,031,222</u>
PROPERTY AND EQUIPMENT		
Land	859,886	859,886
Buildings and improvements	16,906,781	16,857,204
Furniture, fixtures, and equipment	4,406,880	4,104,675
Textbooks	251,688	4,872
Less: accumulated depreciation	<u>(8,576,140)</u>	<u>(7,751,370)</u>
<i>Property and equipment, net</i>	<u>13,849,095</u>	<u>14,075,267</u>
OTHER ASSETS		
Cash - restricted for debt service	<u>1,375,297</u>	<u>1,375,618</u>
TOTAL ASSETS	<u><u>\$ 17,103,491</u></u>	<u><u>\$ 18,482,107</u></u>
LIABILITIES AND NET ASSETS (DEFICIENCY)		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 330,000	\$ 310,000
Accounts payable and accrued expenses	<u>556,803</u>	<u>658,802</u>
<i>Total current liabilities</i>	<u>886,803</u>	<u>968,802</u>
LONG-TERM LIABILITIES		
Bonds payable, net of current portion	16,990,000	17,320,000
Less: unamortized debt issuance costs	<u>(613,726)</u>	<u>(642,305)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>16,376,274</u>	<u>16,677,695</u>
<i>Total liabilities</i>	17,263,077	17,646,497
NET ASSETS (DEFICIENCY), UNRESTRICTED	<u>(159,586)</u>	<u>835,610</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u><u>\$ 17,103,491</u></u>	<u><u>\$ 18,482,107</u></u>

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT		
State education support	\$ 8,007,603	\$ 8,221,599
Grant revenue	3,943,788	3,291,054
Student fees	115,438	153,952
Contributions	15,012	13,339
Interest	16,391	978
Other	16,500	64,189
	<u>12,114,732</u>	<u>11,745,111</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	10,581,313	9,296,268
Management and general	2,528,615	2,350,483
	<u>13,109,928</u>	<u>11,646,751</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS (DEFICIENCY)	(995,196)	98,360
NET ASSETS, BEGINNING OF YEAR	<u>835,610</u>	<u>737,250</u>
NET ASSETS (DEFICIENCY), END OF YEAR	<u>\$ (159,586)</u>	<u>\$ 835,610</u>

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.

d/b/a THEA BOWMAN LEADERSHIP ACADEMY

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Salaries, wages, and benefits	\$ 6,117,639	\$ 1,107,029	\$ 7,224,668	\$ 5,186,893	\$ 1,013,145	\$ 6,200,038
Staff development	324,188	-	324,188	37,102	-	37,102
Professional services	437,417	23,492	460,909	258,712	67,883	326,595
Repairs and maintenance	97,820	-	97,820	58,822	-	58,822
Authorizer oversight fees	-	173,850	173,850	-	177,062	177,062
Food service expense	480,169	-	480,169	687,695	-	687,695
Transportation	103,513	-	103,513	73,923	1,277	75,200
Academic and management services	-	995,498	995,498	-	779,868	779,868
Amortization	-	28,579	28,579	-	28,579	28,579
Classroom, kitchen, and office supplies	386,840	-	386,840	487,798	-	487,798
Occupancy	603,736	-	603,736	582,226	-	582,226
Depreciation	824,770	-	824,770	684,832	-	684,832
Interest	1,184,548	-	1,184,548	1,205,013	-	1,205,013
Insurance	-	151,657	151,657	-	194,822	194,822
Student fundraising	-	9,642	9,642	-	24,058	24,058
Other	20,673	38,868	59,541	33,252	63,789	97,041
	<u>20,673</u>	<u>38,868</u>	<u>59,541</u>	<u>33,252</u>	<u>63,789</u>	<u>97,041</u>
<i>Total functional expenses</i>	<u><u>\$ 10,581,313</u></u>	<u><u>\$ 2,528,615</u></u>	<u><u>\$ 13,109,928</u></u>	<u><u>\$ 9,296,268</u></u>	<u><u>\$ 2,350,483</u></u>	<u><u>\$ 11,646,751</u></u>

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets (deficiency)	\$ (995,196)	\$ 98,360
Adjustments to reconcile change in net assets (deficiency) to net cash provided by (used in) operating activities:		
Depreciation	824,770	684,832
Amortization	28,579	28,579
Change in certain assets and liabilities:		
Grants receivable	(97,649)	157,725
Other receivables	139,683	(113,921)
Prepaid expenses	23,508	(139,411)
Accounts payable and accrued expenses	<u>(101,999)</u>	<u>548,936</u>
<i>Net cash provided by (used in) operating activities</i>	<u>(178,304)</u>	<u>1,265,100</u>
INVESTING ACTIVITIES		
Cash out of certificate of deposit	524,038	-
Purchases of property and equipment	<u>(598,598)</u>	<u>(337,045)</u>
<i>Net cash used in investing activities</i>	<u>(74,560)</u>	<u>(337,045)</u>
FINANCING ACTIVITIES		
Principal repayment of bond payable	(310,000)	(295,000)
Increase (decrease) in cash restricted for debt service	<u>(14,679)</u>	<u>68,105</u>
<i>Net cash used in financing activities</i>	<u>(324,679)</u>	<u>(226,895)</u>
NET CHANGE IN CASH	(577,543)	701,160
CASH, BEGINNING OF YEAR	<u>1,524,643</u>	<u>823,483</u>
CASH, END OF YEAR	<u>\$ 947,100</u>	<u>\$ 1,524,643</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 1,184,548	\$ 1,205,013

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Trine University. During the 2017-2018 and 2016-2017 school years, the School served approximately 1,090 and 1,160 students, respectively, in kindergarten through twelfth grade. The School utilizes a Phalen Leadership Academy-Indiana, Inc. to provide leadership, management, operation, and maintenance services to the School.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash Equivalents – The School considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

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

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the school year in which educational services are rendered.

A 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.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 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:

Buildings and improvements	15 to 39 years
Furniture, fixtures, and equipment	3 to 7 years
Textbooks	4 years

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Debt Issuance Costs – The School incurred costs associated with securing financing under the Indiana Finance Authority Education Facilities Revenue Bond. Total costs incurred were \$857,349. Amortization is provided on a straight-line basis over the term of the bond (30 years). Accumulated amortization as of June 30, 2018 and 2017 was \$243,620 and \$215,044, respectively. Amortization expense for each of the years ended June 30, 2018 and 2017 was \$28,579. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs is presented as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income – Drexel Foundation for Educational Excellence, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2018 and 2017, 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 that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ended after 2014 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 19, 2018, 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 - GOING CONCERN CONSIDERATIONS

The School experienced a decline in enrollment of approximately 70 students during the year ended June 30, 2018. Despite the decrease in enrollment, total expenses increased approximately \$1,460,000 during the year ended June 30, 2018 compared to the prior year. These factors combined to cause expenses to exceed revenues by \$995,000. In addition, the School's cash and certificate of deposit balances decreased approximately \$1,100,000 as of June 30, 2018 compared to the prior year.

Management's focus during the 2017-2018 school year was on building a strong academic foundation, and as such, funds were spent on improving teacher/student ratios and special education curriculum. The 2018-2019 focus is on improving the School's financial performance while continuing to improve culture and academic progress. Management has four areas of focus: increasing enrollment, reducing expenses, aligning staff to enrollment, and building philanthropic support.

The School anticipates continuing as a going concern for the foreseeable future.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 3 - RESTRICTED CASH

The School holds two restricted cash accounts that are held to meet its bond obligations, as follows:

Current asset – cash restricted for debt service – The School transfers funds to this account on a quarterly basis to cover the semi-annual principal and interest payments on the bonds.

Other asset – cash restricted for debt service – This fund is reserved solely for the payment of principal and interest on the bonds in the event that other funding is unavailable to meet payment requirements.

NOTE 4 - BONDS PAYABLE

Bonds payable consists of Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2009. The bond principal is payable in annual installments that increase from \$230,000 to \$2,890,000 through October 2039. Interest payments are made semi-annually at rates that range from 6% to 7% in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements.

The bond obligation contains certain covenants that limit the School’s ability to create liens, incur indebtedness or guarantees, dispose of assets, or change the nature of the business. The bond obligation also contains financial maintenance covenants establishing a minimum debt service coverage ratio, and requiring financial reporting to the lender within certain timelines. The School was in compliance with these covenants as of June 30, 2018.

Future maturities of the bonds are as follows for the years ending June 30:

2019	\$	330,000
2020		350,000
2021		375,000
2022		395,000
2023		420,000
Thereafter		<u>15,450,000</u>
Total	\$	<u>17,320,000</u>

NOTE 5 - LEASES

The School conducts its elementary school operations from facilities leased under a noncancelable operating lease that expires in January 2021. The lease provides for an initial minimum annual rental payment of approximately \$133,000, which increases by three percent each year. The minimum annual rental payment was based on an enrollment of 300 students. There is an additional monthly charge for each student in excess of 300. The School also leases certain items of equipment under leases that are accounted for as operating leases. The equipment leases extend through December 2021.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 5 - LEASES, Continued

Expected lease payments are as follows for the years ending June 30:

2019	\$	250,512
2020		254,631
2021		154,093
2022		3,700

NOTE 6 - RETIREMENT PLAN

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Substantially all full-time employees are eligible to participate. INPRS acts as a common administrative and investment agent for units of state and local government in Indiana. Contribution requirements are determined by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF. The contribution to PERF for other employees was 11.2%. Participants are required to contribute 3% of compensation to an annuity saving account that can be withdrawn when the participant terminates employment. The School voluntarily makes this contribution on behalf of the participants.

Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2017 (the latest year reported), both TRF and PERF were more than 80% funded.

Retirement plan expense was approximately \$353,000 and \$340,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - COMMITMENTS

The School operates under a charter granted by Trine University. As the sponsoring organization, Trine University exercises certain oversight responsibilities. Under this charter, the School agreed to pay to Trine University an annual administrative fee equal to 3% of state tuition payments received. The charter is effective through June 30, 2019 and is renewable thereafter by mutual consent. Payments under this agreement were \$173,850 and \$177,062 for the years ended June 30, 2018 and 2017, respectively.

The School has contracted with Phalen Leadership Academy-Indiana, Inc. to provide leadership, management, operation, and maintenance services. Under the terms of the agreement, the School agreed to pay an amount equal to 10.3% of revenues, as defined, for such services in 2018 (6.5% in 2017). Management fee expense under this contract was \$995,498 and \$779,868 for the years ended June 30, 2018 and 2017, respectively. The contract is effective through June 30, 2021.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 7 - COMMITMENTS, Continued

The School has contracted with a professional employer organization (PEO) to manage its human resource requirements. Under this contract, the School leases its employees from the PEO, and reimburses the PEO for all personnel costs, including salaries and benefits.

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides education services to families residing in Lake and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. 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 that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2018 and 2017, substantially all of the grants receivable balance was due from the State of Indiana. In addition, a majority of cash deposits are maintained at BMO Harris Bank, and frequently exceed the FDIC insurance limit.

NOTE 9 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain expenses have been allocated between program services and management and general expenses.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA 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		\$ 54,143
National School Lunch Program	10.555		<u>340,459</u>
<i>Total for federal grantor agency</i>			<u>394,602</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	18-9460 17-9460	1,808,412
Special Education Cluster			
Special Education - Grants to States	84.027	14217-505- PN01 18611-505- PN01	384,311
Improving Teacher Quality State Grants	84.367	S367A160013 S367A150013	<u>586,510</u>
<i>Total for federal grantor agency</i>			<u>2,779,233</u>
Total federal awards expended			<u>\$ 3,173,835</u>

See independent auditors' report and accompanying notes to this schedule

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Drexel Foundation for Educational Excellence, Inc. under programs of the federal government for the year ended June 30, 2018. 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 Drexel Foundation for Educational Excellence, Inc., it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Drexel Foundation for Educational Excellence, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



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
Drexel Foundation for Educational Excellence, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Drexel Foundation for Educational Excellence, Inc., d/b/a Thea Bowman Leadership Academy (the "School"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets (deficiency), functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2018.

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 that are 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that 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 Drexel Foundation for Educational Excellence, Inc.'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, prominent initial "D".

Indianapolis, Indiana
December 19, 2018



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
Drexel Foundation for Educational Excellence, Inc.

Report on Compliance for Each Major Federal Program

We have audited Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy's (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2018. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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Opinion on Each Major Federal Program

In our opinion, Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Indianapolis, Indiana
December 19, 2018

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Part A Cluster Grants to Local Educational Agencies

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.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
OTHER REPORT
For the Year Ended June 30, 2018

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

Supplemental Audit Report of Drexel Foundation for Educational Excellence, 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*.