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June 19, 2019

Charter School Board
Global Leadership Academy, Inc. d/b/a Steel City Academy
2650 W. 35th Avenue
Gary, IN 46408


We have reviewed the audit report of Global Leadership Academy Inc. d/b/a Steel City Academy which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Global Leadership Academy, Inc. d/b/a Steel City Academy as of June 30, 2017 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 the Emphasis of Matter Regarding Going Concern paragraph included in the Independent Auditors' Report and further detailed in Note 2.

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 Global Leadership Academy, Inc. d/b/a Steel City Academy, 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.


Paul D. Joyce, CPA
State Examiner

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report
For the Year Ended June 30, 2017



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Global Leadership Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Global Leadership Academy, Inc. d/b/a Steel City Academy (the "School"), which comprise the statement of financial position as of June 30, 2017, 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.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 School'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 Global Leadership Academy, Inc. d/b/a Steel City Academy as of June 30, 2017, and the changes in its net assets (deficiency), functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As discussed in Note 2 to the financial statements, the School had significant unfavorable financial results which raise substantial doubt about its ability to continue as a going concern. Management's intentions with respect to this matter are also described in Note 2. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

DONOVAN

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

Indianapolis, Indiana
May 28, 2019

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 627,682
Grants receivable	135,502
Prepaid expenses	<u>6,329</u>
<i>Total current assets</i>	<u>769,513</u>

PROPERTY AND EQUIPMENT

Land	140,000
Building and improvements	764,043
Furniture and equipment	123,888
Construction in progress	143,010
Less: accumulated depreciation	<u>(34,528)</u>
<i>Property and equipment, net</i>	<u>1,136,413</u>

TOTAL ASSETS

\$ 1,905,926

LIABILITIES AND NET DEFICIENCY

CURRENT LIABILITIES

Current portion of notes payable	\$ 70,477
Accounts payable and accrued expenses	<u>322,998</u>
<i>Total current liabilities</i>	393,475

LONG-TERM LIABILITIES

Notes payable, net of current portion	<u>1,658,723</u>
<i>Total liabilities</i>	2,052,198

NET DEFICIENCY

(146,272)

TOTAL LIABILITIES AND NET DEFICIENCY

\$ 1,905,926

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Year Ended June 30, 2017

REVENUE AND SUPPORT

State education support	\$ 1,113,903
Grant revenue	509,621
Contributions	29,884
Student fees	1,426
Other income	54

<i>Total revenue and support</i>	1,654,888
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EXPENSES

Program services	1,522,808
Management and general	352,844

<i>Total expenses</i>	1,875,652
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CHANGE IN NET ASSETS (DEFICIENCY)	(220,764)
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NET ASSETS, BEGINNING OF YEAR	74,492
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NET DEFICIENCY, END OF YEAR	\$ (146,272)
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GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 703,589	\$ 218,900	\$ 922,489
Employee benefits	134,447	48,531	182,978
Staff development	-	9,759	9,759
Professional services	202,204	14,053	216,257
Repairs and maintenance	47,755	-	47,755
Food service	132,152	-	132,152
Equipment	13,034	-	13,034
Classroom, kitchen, and office supplies	65,465	15,637	81,102
Occupancy	32,779	-	32,779
Information technology services	55,809	1,593	57,402
Depreciation	34,528	-	34,528
Interest	-	28,212	28,212
Insurance	25,167	-	25,167
Advertising	-	8,988	8,988
Other	75,879	7,171	83,050
	<u>75,879</u>	<u>7,171</u>	<u>83,050</u>
<i>Total functional expenses</i>	<u>\$ 1,522,808</u>	<u>\$ 352,844</u>	<u>\$ 1,875,652</u>

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

OPERATING ACTIVITIES

Change in net assets (deficiency)	\$ (220,764)
Adjustments to reconcile change in net assets (deficiency) to net cash used in operating activities:	
Depreciation	34,528
Changes in certain assets and liabilities:	
Grants receivable	(89,478)
Prepaid expenses	(6,329)
Accounts payable and accrued expenses	<u>172,018</u>
<i>Net cash used in operating activities</i>	<u>(110,025)</u>

INVESTING ACTIVITIES

Purchases of property and equipment	<u>(511,859)</u>
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FINANCING ACTIVITIES

Proceeds from notes payable	1,250,000
Principal repayment on notes payable	<u>(18,813)</u>
<i>Net cash provided by financing activities</i>	<u>1,231,187</u>

NET CHANGE IN CASH

609,303

CASH, BEGINNING OF YEAR

18,379

CASH, END OF YEAR

\$ 627,682

SUPPLEMENTAL INFORMATION

Cash paid for interest	\$ 28,212
Construction in progress in accounts payable	143,010

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Global Leadership Academy, Inc. d/b/a Steel City Academy (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. During the 2016-2017 school year, the School served approximately 155 students in seventh and ninth grade. The School is sponsored by the Indiana Charter School Board. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

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

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

A portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Cash and Cash Equivalents – For the purpose of the statement of cash flows, the School considers all short-term highly-liquid assets with a maturity of three months or less to be cash equivalents. The School did not have any cash equivalents as of June 30, 2017.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs 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.

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 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	39 years
Furniture and equipment	3 to 7 years

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Global Leadership Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 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. Since the School commenced operations in 2017, all tax years are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through May 28, 2019, 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 CONSIDERATION

As reflected in the accompanying financial statements, the School incurred a significant loss during the year ended June 30, 2017 and had a net deficiency of \$146,272 as of June 30, 2017. As of June 30, 2018, current liabilities exceeded current assets by approximately \$464,000. Included in current liabilities at June 30, 2018 are payroll taxes payable to governmental agencies in excess of \$240,000. These factors contribute to a heavy burden of current obligations that the School does not have liquid assets to pay which therefore raise substantial doubt about the School's ability to continue as a going concern.

The School plans to address these concerns through a strategic effort to 1) increase student enrollment, 2) identify and pursue additional sources of income, and 3) renegotiate contracts and cut costs. Each effort is described below.

The School has an aggressive recruiting plan in place to increase student enrollment. Student enrollment is expected to increase among the current grade levels, as well as through the addition of new grade levels as the School continues to add grades each year until ultimately becoming a full K-12 educational institution. Since the School's inception, it has experienced growth in student enrollment every year. Enrollment has grown from 155 students during the 2016-2017 school year to 447 students during the 2018-2019 school year. Due to spacing constraints, the School will be forced to take on additional debt to expand the building to accommodate the growth in enrollment, however, the School has instituted other cost-cutting measures to ensure all variable costs are kept to a minimum.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - GOING CONCERN CONSIDERATION, Continued

The School has also been on an active campaign to increase its donor base and community partnerships. In the 2018-2019 school year, this campaign has led to funding of the after-school program and funding of year-end field trips for the students, resulting in approximately \$60,000 in savings in the budget. The School has also increased its social media presence which has resulted in more than \$5,000 in donations in the 2018-2019 school year. The School's finance department and Board are both actively searching for and applying for operational grants in addition to the grants funded through the Indiana Department of Education.

The School is also in the process of renegotiating some of its current contracts and opening up for bid other contracts to ensure more competitive contract pricing and terms. Management has put measures in place to closely watch the budget and cash flow.

Management believes the measures it has taken will allow the School to continue as a going concern in the foreseeable future.

NOTE 3 - PRIOR PERIOD FINANCIAL ACTIVITY

Prior to the year ended June 30, 2017 (the School's first year of operations), the School received income from grants and contributions to fund necessary startup costs. The School had a cash balance of \$18,379, grants receivable of \$46,024, land of \$140,000, building and improvements of \$376,072, accounts payable and accrued expenses of \$7,970, note payable of \$498,013, and net assets of \$74,492 as of July 1, 2016.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 4 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2017:

Note payable to IFF, payable in monthly installments of \$2,161, including interest at 6.375% per annum, secured by substantial all School assets. The note matures March 2022, with a balloon payment of approximately \$190,000 due upon maturity.	\$ 244,079
Note payable to the State Board of Education, payable \$50,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, first installment due January 1, 2018	1,000,000
Note payable to The ARC Northwest Indiana, Inc., payable in monthly installments that increase from \$2,103 at inception to \$3,386 in 2019, including interest at 5.116% per annum, secured by the building. The note matures August 2020, with a balloon payment of \$440,000 due upon maturity.	485,121
	1,729,200
Less: current portion	(70,477)
	\$ 1,658,723

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

2018	\$ 70,477
2019	126,744
2020	130,121
2021	551,568
2022	300,290
Thereafter	550,000
	\$ 1,729,200

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.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 - RETIREMENT PLANS

The School offers retirement benefits provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plan, the School contributed the full 11% of compensation for eligible teaching faculty. Should the School elect to withdraw from TRF, the School 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, 2017 (the latest year reported), both TRF and PERF were more than 80% funded.

In lieu of TRF, employees are eligible to participate in a Section 401(k) defined contribution retirement plan sponsored by the School. Under this plan, the School has elected to match employee contributions up to 5% of compensation.

Retirement plan expense under the plans was \$36,715 for the year ended June 30, 2017.

NOTE 6 - 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 has agreed to pay ICSB an annual administrative fee equal to .5% of state tuition payments received. Payments under this agreement were \$3,943 for the year ended June 30, 2017.

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 that 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.

NOTE 8 - FUNCTIONAL EXPENSE REPORTING

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
OTHER REPORT
For the Year Ended June 30, 2017

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

Supplemental Audit Report of
Global Leadership Academy, Inc. d/b/a Steel City Academy

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*.