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January 27, 2020

Charter School Board
Southeast Neighborhood School of Excellence, Inc.
1601 S. Barth Avenue
Indianapolis, IN 46203

We have reviewed the audit report of Southeast Neighborhood School of Excellence, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Southeast Neighborhood School of Excellence, Inc. as of June 30, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Southeast Neighborhood School of Excellence, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Southeast Neighborhood School of Excellence, Inc., which comprise the statement of financial position as of June 30, 2019, 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.

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 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 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 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 Southeast Neighborhood School of Excellence, Inc. as of June 30, 2019, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of Southeast Neighborhood School of Excellence, Inc. for the year ended June 30, 2018, before the restatement described in Note 8, were audited by another auditor whose report dated October 17, 2018, expressed an unmodified opinion on those statements.

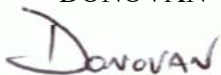
As part of our audit of the June 30, 2019 financial statements, we also audited the adjustment described in Note 8 that was applied to restate the June 30, 2018 financial statements. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2018 financial statements other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2018 financial statements as a whole.

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 18, 2019 on our consideration of Southeast Neighborhood School of Excellence, Inc.'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 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 Southeast Neighborhood School of Excellence, Inc.'s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
December 18, 2019

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,008,290	\$ 1,241,347
Grants receivable	97,413	54,371
Prepaid expenses	67,473	50,677
	<hr/>	<hr/>
<i>Total current assets</i>	1,173,176	1,346,395
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Building	6,197,839	5,974,569
Furniture and equipment	532,559	897,273
Textbooks and education materials	194,399	240,185
Computer software	47,056	53,937
Construction in progress	-	161,614
Less: accumulated depreciation	(1,172,821)	(1,366,376)
	<hr/>	<hr/>
<i>Property and equipment, net</i>	5,799,032	5,961,202
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 6,972,208</u>	<u>\$ 7,307,597</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 487,288	\$ 490,974
Accounts payable and accrued expenses	327,371	440,408
Refundable advance	63,478	80,696
	<hr/>	<hr/>
<i>Total current liabilities</i>	878,137	1,012,078
	<hr/>	<hr/>
NOTES PAYABLE, NET OF CURRENT PORTION	3,520,866	4,008,341
	<hr/>	<hr/>
<i>Total liabilities</i>	4,399,003	5,020,419
	<hr/>	<hr/>
NET ASSETS, WITHOUT DONOR RESTRICTIONS	2,573,205	2,287,178
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,972,208</u>	<u>\$ 7,307,597</u>

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
State education support	\$ 4,480,451	\$ 4,413,656
Grant revenue	1,608,620	1,633,631
Contributions	44,975	24,929
In-kind revenue	-	15,000
Other	1,060	609
	<u>6,135,106</u>	<u>6,087,825</u>
<i>Total revenue and support</i>		
	<u>6,135,106</u>	<u>6,087,825</u>
EXPENSES		
Program services	5,148,497	5,041,693
Management and general	700,582	680,900
	<u>5,849,079</u>	<u>5,722,593</u>
<i>Total expenses</i>		
	<u>5,849,079</u>	<u>5,722,593</u>
CHANGE IN NET ASSETS	286,027	365,232
NET ASSETS, BEGINNING OF YEAR	<u>2,287,178</u>	<u>1,921,946</u>
NET ASSETS, END OF YEAR	<u>\$ 2,573,205</u>	<u>\$ 2,287,178</u>

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 2,587,777	\$ 349,460	\$ 2,937,237	\$ 2,614,625	\$ 340,839	\$ 2,955,464
Employee benefits	700,383	91,876	792,259	699,236	89,143	788,379
Professional services	339,598	147,528	487,126	273,902	141,742	415,644
Food costs	355,299	-	355,299	325,697	-	325,697
Depreciation	272,943	-	272,943	251,391	-	251,391
Student transportation	228,398	-	228,398	215,990	-	215,990
Occupancy	209,558	-	209,558	204,226	-	204,226
Equipment	190,679	-	190,679	169,441	-	169,441
Interest	119,777	-	119,777	86,450	-	86,450
Classroom and office supplies	103,292	12,188	115,480	82,449	15,248	97,697
Insurance	-	52,674	52,674	-	49,891	49,891
Staff development	36,948	1,680	38,628	94,105	1,885	95,990
Advertising	-	19,669	19,669	-	10,029	10,029
Loss on disposal of property and equipment	-	1,925	1,925	-	-	-
Travel and meetings	152	369	521	235	233	468
Other	3,693	23,213	26,906	23,946	31,890	55,836
<i>Total functional expenses</i>	<u>\$ 5,148,497</u>	<u>\$ 700,582</u>	<u>\$ 5,849,079</u>	<u>\$ 5,041,693</u>	<u>\$ 680,900</u>	<u>\$ 5,722,593</u>

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 286,027	\$ 365,232
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	272,943	251,391
Loss on disposal of property and equipment	1,925	-
Changes in certain assets and liabilities:		
Grants receivable	(43,042)	3,355
Prepaid expenses	(16,796)	1,598
Accounts payable and accrued expenses	(33,380)	(464,214)
Refundable advance	<u>(17,218)</u>	<u>70,916</u>
 <i>Net cash provided by operating activities</i>	 <u>450,459</u>	 <u>228,278</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(192,355)</u>	<u>(254,138)</u>
FINANCING ACTIVITIES		
Proceeds from notes payable	-	733,950
Principal repayments on notes payable	<u>(491,161)</u>	<u>(502,204)</u>
 <i>Net cash provided by (used in) financing activities</i>	 <u>(491,161)</u>	 <u>231,746</u>
NET CHANGE IN CASH	(233,057)	205,886
CASH, BEGINNING OF YEAR	<u>1,241,347</u>	<u>1,035,461</u>
CASH, END OF YEAR	<u><u>\$ 1,008,290</u></u>	<u><u>\$ 1,241,347</u></u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 119,815	\$ 116,570
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchases of property and equipment in accounts payable and accrued expenses	\$ -	\$ 32,946
Purchases of construction in process in accounts payable and accrued expenses	-	46,711
Purchases of construction in process in notes payable	-	622,976
Contributions of property and equipment	-	15,000

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Southeast Neighborhood School of Excellence, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates as a public charter school under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. The School served approximately 590 students in grades kindergarten through eight during the 2018-2019 school year.

Financial Statement Presentation – Effective with the June 30, 2019 year end, the School adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires changes to the financial reporting model for not-for-profit entities, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires additional disclosures regarding the liquidity of financial assets. ASU 2016-14 must be applied on a retrospective basis. Net assets as of June 30, 2019 and 2018 were without donor restrictions.

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 schools receive an amount per student in relation to the funding received by other public schools in the same geographic areas. 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 year in which educational services are rendered.

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

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2019 and 2018.

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 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 small equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment, Continued – Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Building	40 years
Furniture and equipment	3 years
Textbooks and education materials	4 years
Computer software	3 years

Taxes on Income – Southeast Neighborhood School of 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, 2019 and 2018, 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 ending after 2015 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 18, 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.

Reclassifications – Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net assets.

NOTE 2 - REFUNDABLE ADVANCE

The School has been awarded grants to provide educational instruction that are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The School had refundable grant advances in excess of expenditures of \$63,478 and \$80,696 as of June 30, 2019 and 2018, respectively.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 3 - LEASES

The School leases certain equipment under operating leases with various monthly payments expiring through fiscal year 2023. Total expense under these operating leases was \$68,680 and \$57,545 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments for all operating leases with initial non-cancellable lease terms in excess of one year are as follows for the years ending June 30:

2020	\$	47,639
2021		34,453
2022		31,669
2023		4,833

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Mortgage loan payable to Old National Bank, payable in monthly installments of \$6,310 including interest at 4.75% per annum through February 2026, secured by School facilities.	\$ 430,999	\$ 484,556
Common School Loan payable to State Board of Education, payable in semi-annual installments of \$151,828 including interest at 1% per annum through July 2026, secured by School facilities.	2,277,423	2,581,079
Mortgage loan payable to Old National Bank, payable in monthly installments of \$16,150 including interest at 5.25% per annum through October 2027, secured by School facilities.	1,299,732	1,420,988
Note payable in monthly installments of \$6,375, including interest at 3.5%, repaid in full during the year ended June 30, 2019. Secured by all property and assets.	-	12,692
	4,008,154	4,499,315
Less: current portion	<u>(487,288)</u>	<u>(490,974)</u>
Long-term portion	\$ <u>3,520,866</u>	\$ <u>4,008,341</u>

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 4 - NOTES PAYABLE, Continued

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

2020	\$	487,288
2021		497,231
2022		507,488
2023		512,910
2024		529,523
Thereafter		<u>1,473,714</u>
	\$	<u>4,008,154</u>

The mortgage notes payable to Old National Bank contain a financial covenant requiring the School to maintain an annual cash flow coverage ratio of not less than 1.10 to 1.00. The School was in compliance with this financial covenant as of June 30, 2019 and 2018.

NOTE 5 - RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits 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. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 10.5% of compensation for electing teaching faculty to TRF and 14.2% of compensation for other electing employees to PERF. 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, 2018 (the latest year reported), both TRF and PERF were approximately more than 80% funded. Retirement plan expense under all plans was \$314,717 and \$317,703 for the years ended June 30, 2019 and 2018, respectively.

NOTE 6 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Marion 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.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 6 - RISKS AND UNCERTAINTIES, Continued

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2019 and 2018, all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at Old National Bank are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceed the FDIC insurance limit.

NOTE 7 - LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2019 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash and grants receivable. Financial assets at June 30, 2019 totaled \$1,105,703, all of which are available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 - 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. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

NOTE 9 - PRIOR PERIOD ADJUSTMENT

Net assets as of July 1, 2017 and June 30, 2018 have been adjusted to correct a calculation error in previously-reported depreciation expense and accumulated depreciation. The total impact on net assets as of June 30, 2018 was a reduction of \$72,556.

SUPPLEMENTARY INFORMATION

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

<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		\$ 113,347
National School Lunch Program			
National School Lunch Fund	10.555		314,668
Commodities - noncash assistance	10.555		12,584
Summer Food Service Program for Children	10.559		<u>3,610</u>
<i>Total Child Nutrition Cluster</i>			444,209
Fresh Fruit and Vegetable Program	10.582		<u>25,623</u>
<i>Total U.S. Department of Agriculture</i>			<u>469,832</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	18611-001-PN01	458,102
Title II, Part A; Supporting Effective Instruction State Grants	84.367	7000-S367A180013	49,599
Title III, Part A; English Language Acquisition State Grants	84.365	0118-098-PN01	3,571
Student Support and Academic Enrichment Program	84.424	2018-424-319	37,033
Special Education Cluster			
Special Education Preschool Grants	84.173	19619-502-PN01	2,011
Special Education Grants to States	84.027	19611-502-PN01	<u>111,058</u>
<i>Total U.S. Department of Education</i>			<u>661,374</u>
<i>Total federal awards expended</i>			<u>\$ 1,131,206</u>

See independent auditors' report and accompanying notes to this schedule

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Southeast Neighborhood School of Excellence, Inc. (the "School") under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, 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. Noncash assistance is reported in the period it is received by the School using values reported by the passthrough entity.

NOTE 3 - INDIRECT COST RATE

The School has 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
Southeast Neighborhood School of 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 Southeast Neighborhood School of Excellence, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2019, 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 have issued our report thereon dated December 18, 2019.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

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

Indianapolis, Indiana
December 18, 2019



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
Southeast Neighborhood School of Excellence, Inc.

Report on Compliance for Each Major Federal Program

We have audited Southeast Neighborhood School of Excellence, Inc.'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 the School's major federal programs for the year ended June 30, 2019. 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 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, the School 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, 2019.

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. 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 18, 2019

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
10.559	National School Lunch Program
	Summer Food Service Program for Children

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.