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March 16, 2020

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, 2018 to June 30, 2019. 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, 2019 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 Years Ended June 30, 2019 and 2018



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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 statements of financial position as of June 30, 2019 and 2018, the related statements of activities and change in net 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 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. as of June 30, 2019 and 2018, and the changes in net 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 February 5, 2020 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.

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



Indianapolis, Indiana
February 5, 2020

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 83,240	\$ 33,042
Accounts receivable		
Grants	26,707	208,292
Other	39,793	-
Prepaid expenses	-	5,000
	<hr/>	<hr/>
<i>Total current assets</i>	149,740	246,334
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Land	140,000	140,000
Building and improvements	1,593,667	1,593,667
Furniture and equipment	280,780	280,780
Less: accumulated depreciation	(217,912)	(122,930)
	<hr/>	<hr/>
<i>Property and equipment, net</i>	1,796,535	1,891,517
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,946,275</u>	<u>\$ 2,137,851</u>
LIABILITIES AND NET DEFICIENCY		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 136,796	\$ 126,599
Accounts payable	362,474	124,630
Accrued payroll and related expenses	311,557	218,198
Payroll tax liability from prior years	214,434	240,949
	<hr/>	<hr/>
<i>Total current liabilities</i>	1,025,261	710,376
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<hr/> 1,399,134	<hr/> 1,531,979
	<hr/>	<hr/>
<i>Total liabilities</i>	2,424,395	2,242,355
	<hr/>	<hr/>
NET DEFICIENCY, WITHOUT DONOR RESTRICTIONS	(478,120)	(104,504)
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET DEFICIENCY	<u>\$ 1,946,275</u>	<u>\$ 2,137,851</u>

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET DEFICIENCY
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
State education support	\$ 3,532,126	\$ 2,339,445
Grant revenue	1,222,688	1,339,510
Contributions	31,368	31,697
Student fees	11,245	-
Other income	28,567	27,747
	<u>4,825,994</u>	<u>3,738,399</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	4,434,100	3,198,050
Management and general	765,510	498,581
	<u>5,199,610</u>	<u>3,696,631</u>
<i>Total expenses</i>		
CHANGE IN NET DEFICIENCY	(373,616)	41,768
NET DEFICIENCY, BEGINNING OF YEAR	<u>(104,504)</u>	<u>(146,272)</u>
NET DEFICIENCY, END OF YEAR	<u><u>\$ (478,120)</u></u>	<u><u>\$ (104,504)</u></u>

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
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	\$ 2,147,243	\$ 509,841	\$ 2,657,084	\$ 1,620,189	\$ 269,622	\$ 1,889,811
Employee benefits	583,539	81,193	664,732	324,337	64,562	388,899
Staff development	23,646	11,302	34,948	10,386	12,407	22,793
Professional services	62,471	50,448	112,919	32,293	50,479	82,772
Student transportation	514,040	-	514,040	316,040	-	316,040
Repairs and maintenance	84,038	-	84,038	98,176	-	98,176
Food service	383,273	-	383,273	260,053	-	260,053
Equipment	43,305	-	43,305	47,874	-	47,874
Classroom, kitchen, and office supplies	180,905	19,272	200,177	108,298	7,899	116,197
Occupancy	115,788	-	115,788	120,876	-	120,876
Information technology services	66,547	30,024	96,571	90,509	2,279	92,788
Depreciation	94,982	-	94,982	88,402	-	88,402
Interest	-	37,455	37,455	-	44,731	44,731
Insurance	25,568	-	25,568	11,550	-	11,550
Advertising	-	986	986	-	20,032	20,032
Other	108,755	24,989	133,744	69,067	26,570	95,637
<i>Total functional expenses</i>	<u>\$ 4,434,100</u>	<u>\$ 765,510</u>	<u>\$ 5,199,610</u>	<u>\$ 3,198,050</u>	<u>\$ 498,581</u>	<u>\$ 3,696,631</u>

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net deficiency	\$ (373,616)	\$ 41,768
Adjustments to reconcile change in net deficiency to net cash provided by operating activities:		
Depreciation	94,982	88,402
Changes in certain assets and liabilities:		
Grants receivable	181,585	(72,790)
Other receivable	(39,793)	-
Prepaid expenses	5,000	1,329
Accounts payable	237,844	247,631
Accrued payroll and related expenses	93,359	(27,821)
Payroll tax liability from prior years	<u>(26,515)</u>	<u>183,979</u>
 <i>Net cash provided by operating activities</i>	 172,846	 462,498
INVESTING ACTIVITIES		
Purchases of property and equipment	-	(986,516)
FINANCING ACTIVITIES		
Principal repayment on notes payable	<u>(122,648)</u>	<u>(70,622)</u>
NET CHANGE IN CASH	50,198	(594,640)
CASH, BEGINNING OF YEAR	<u>33,042</u>	<u>627,682</u>
CASH, END OF YEAR	<u>\$ 83,240</u>	<u>\$ 33,042</u>
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 37,455	\$ 44,731

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

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 2018-2019 school year, the School served approximately 425 students in seventh through eleventh grades. 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.

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, therefore the net deficiency as of and for the year ended June 30, 2018 has been restated to comply with ASU 2016-14.

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 – 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 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.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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 and improvements	39 years
Furniture and equipment	3 to 7 years

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 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. Since the School commenced operations in 2017, all tax years are open to audit for both federal and state purposes.

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 deficiency. 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.

Reclassifications – Certain expenses in the statement of functional expenses for the year ended June 30, 2018 were reclassified to match the 2019 groupings. The reclassifications had no effect on net deficiency as of June 30, 2018.

Subsequent Events – The School evaluated subsequent events through February 5, 2020, 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.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 2 - GOING CONCERN CONSIDERATION

As reflected in the accompanying financial statements, during the year ended June 30, 2019, the School's expenses exceeded revenues by approximately \$374,000. At June 30, 2019, current liabilities exceeded current assets by approximately \$875,000. Included in current liabilities at June 30, 2019 are prior year payroll taxes payable to governmental agencies in excess of \$214,000.

In addition, the School had a net deficiency of approximately \$478,000 at June 30, 2019. The School also has a note payable of approximately \$462,000 maturing and payable in full within one year of the date of this report. Finally, the School originally budgeted for an additional operating cash flow deficit of \$415,000 for the 2019-2020 school year. 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 revenue sources, 3) apply for a revolving line of credit and restructure existing debt, and 4) renegotiate contracts and reduce expenses. Each effort is described by management in the sections below.

Increase Student Enrollment

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 478 students during the 2019-2020 school year. Budgeted enrollment for 2020-2021 school year is estimated to be approximately 550 students or more, based upon facility capacity.

Identify and Pursue Additional Revenue Sources

The School has also been focusing on strengthening its donor base and community partnerships. During 2019-2020, the School engaged in a Giving Tuesday Campaign which raised upwards of \$10,000. The Executive Director has started a Strategic Planning Committee focused on additional grant writing and securing donations from community partners and private donors. The School plans to host events to share the Steel City Story and both the academic and community impact of its unique organization. The Executive Director has begun to cultivate strong relationships with private donors that have included school tours and presentations to secure funding. As the School prepares for school year 2020-2021, it plans to launch a long-term capital campaign for facilities renovations. The School is also actively searching for and applying for operational grants in addition to the grants funded through the Indiana Department of Education. Lastly, the School will be adding an athletic and book rental fee which are expected to add minimally \$52,000 in unrestricted revenue.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 2 - GOING CONCERN CONSIDERATION, Continued

Apply For a Revolving Line of Credit and Restructure Existing Debt

The School is currently in the application process for a revolving line of credit that will alleviate current cash flow constraints which are mainly attributed to the timing gap between expenditure and cash receipt related to federal and state grants which operate on a reimbursement basis. This will allow the School to pay vendors in a timely fashion and carry the liability at a low interest rate. The School is also in discussions surrounding restructuring notes payable in consideration of balloon payments due during the 2020-2021 school year. The School will be actively seeking funding of approximately \$750,000 to consolidate the notes payable into a more affordable and controllable payment structure.

Renegotiate Contracts and Reduce Expenses

The School has reduced operating expenses during the 2019-2020 school year to end the school year with a breakeven budget. The School decreased salaries and benefits \$115,000 to achieve a more sustainable and cost-effective student ratio as well as reduced transportation costs by over \$100,000 by guiding students to utilize public options and combining routes based upon ridership. The School expects to reduce expenses by an additional \$157,000 by reducing operational and instructional supplies, updating actual figures based on employees opting into retirement packages and reducing external professional development options. As part of the annual budgeting process, the finance team will be reviewing all expenses with a focus on reducing non-essential or non-programmatic expenses first and then focusing on compensation and benefits school wide with the goal of a breakeven budget for the 2020-2021 school year.

The Board 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 - PAYROLL TAX LIABILITY

In the early stages of the School's operations, management was unaware of its obligation to remit payroll taxes withheld from employees' pays to the proper federal and state agencies. As a result, the School accrued significant balances owed to these agencies for withheld taxes dating back to the third quarter of calendar year 2016. The School has since contacted the agencies to correct the mistake and has agreed to a repayment plan effective January 2020, which consists of monthly payments of \$5,000. The balances owed pertaining to this matter are \$266,186 and \$240,949 as of June 30, 2019 and 2018, respectively.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 4 - NOTES PAYABLE

The notes payable consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
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 interest rate recalculates after five and ten years at a rate equal to the greater of the U.S. Treasury yield plus 3% or 6.375%. The note matures February 2032.	\$ 223,453	\$ 233,766
Note payable to the State Board of Education, payable \$50,000 semi-annually (January 1 and July 1) plus interest at 1% per annum.	850,000	950,000
Note payable to The ARC Northwest Indiana, Inc., payable in monthly installments of \$3,386, 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.	462,477	474,812
	1,535,930	1,658,578
Less: current portion	(136,796)	(126,599)
Long-term portion	\$ 1,399,134	\$ 1,531,979

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

2020	\$ 136,796
2021	551,250
2022	113,550
2023	114,440
2024	115,388
Thereafter	504,506
	\$ 1,535,930

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 Years Ended June 30, 2019 and 2018

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, 2018 (the latest year reported), both TRF and PERF were more than 80% funded.

In lieu of TRF, employees are eligible to participate in a 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 \$75,405 and \$43,316 for the years ended June 30, 2019 and 2018, respectively.

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 \$9,960 and \$9,115 for the years ended June 30, 2019 and 2018, respectively.

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.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 8 - LEASES

On June 30, 2019, the School entered into an operating lease of equipment. There was no lease expense for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments are as follows for the years ending June 30:

2020	\$	42,000
2021		42,000
2022		42,000

NOTE 9 - 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 statements of financial position. The School's financial assets include cash, grants receivable, and accounts receivable. Financial assets at June 30, 2019 total \$149,740 all of which are available to meet cash needs for general expenditures within a year. The School has significant current obligations as of June 30, 2019. The deficit of financial assets over current obligations is in excess of \$875,000.

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.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
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		\$ 98,150
National School Lunch Program			
National School Lunch Fund	10.555		204,762
Commodities – noncash assistance	10.555		<u>15,490</u>
<i>Total U.S. Department of Agriculture</i>			<u>318,402</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Grants to Local Educational Agencies			
	84.010	18-9980	81,924
		19-9980	362,718
Special Education Cluster			
Special Education - Grants to States	84.027	19611-599 PN01	65,394
Charter Schools Program	84.282	A58-8-18OT 4722	32,295
Supporting Effective Instruction State Grants	84.367		46,488
Student Support & Academic Enrichment Grants	84.424		<u>19,617</u>
<i>Total U.S. Department of Education</i>			<u>608,436</u>
<i>Total Federal Awards Expended</i>			<u>\$ 926,838</u>

See independent auditors' report and accompanying notes to this schedule

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
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 Global Leadership Academy, Inc. d/b/a Steel City Academy (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 Global Leadership Academy, Inc., it is not intended to and does not present the financial position, changes in net deficiency, functional expenses, or cash flows of the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST RATE

The School 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
Global Leadership Academy, 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 Global Leadership Academy, Inc., d/b/a Steel City Academy (the "School"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net 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 February 5, 2020.

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 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, looped 'D' and a trailing flourish.

Indianapolis, Indiana
February 5, 2020



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
Global Leadership Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited Global Leadership Academy, Inc. d/b/a Steel City 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, 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 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, Global Leadership Academy, Inc. d/b/a Steel City 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, 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
February 5, 2020

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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:	

CFDA Number

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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II. Financial Statement Findings

No matters are reportable.

III. Financial Statement Findings

No matters are reportable.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2019

MATERIAL WEAKNESS

FINDING NO. 2018-001 DOCUMENT RETENTION

Condition

Due to staff turnover, the School did not retain adequate documentation to allow for reconciliation between expenses applied to the grants and revenues recognized under the grants. This resulted in delays, which caused the single audit reporting package and data collection form to be submitted late to the Federal Audit Clearinghouse (“FAC”). The final expenditure report submitted at the completion of the 2017 grant (file named “Annual Expenditure Report – FINAL”) did not reflect actual expenditures by budget category due to this lack of documentation. Expenditures by expense class in total agreed to the budget. Additionally, the School was unable to provide documentation of paraprofessional qualifications or to show that staff applied to the grant were instructing students deemed eligible for Title I services under the targeted assistance program.

Recommendation

We recommend the School implement a process to ensure documentation is retained to allow for the timely completion of the audit and verification of compliance with the guidelines of its federal grants.

Current Status

The School was in compliance for the year ended June 30, 2019. No further action is required.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
OTHER REPORT
For the Year Ended June 30, 2019

The reports presented herein were 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*.