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November 23, 2020

Charter School Board  
Career Academy of South Bend, Inc.  
3801 Crescent Circle  
South Bend, IN 46628


We have reviewed the audit report of Career Academy of South Bend, Inc., which was opined upon by Kruggel, Lawton & Company LLC, 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 Career Academy of South Bend, 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.

We call your attention to the findings in the report on pages 29 through 33. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. The Corrective Action Plan can be found on pages 39 through 40.

In our opinion, Kruggel, Lawton & Company LLC 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 Career Academy of South Bend, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner



**ANNUAL REPORT**  
**June 30, 2019**



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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**ANNUAL REPORT**

June 30, 2019

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 16
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	17
SUPPLEMENTARY INFORMATION	
Statements of Financial Position by Division	18 - 19
Statements of Activities by Division	20
Statements of Expenses by Division	21
FEDERAL AWARDS	
Schedule of Expenditures of Federal Awards	22
Notes to Schedule of Expenditures of Federal Awards	23
ADDITIONAL REQUIRED REPORTS AND INFORMATION	
Independent Auditor's Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	24 - 25
Independent Auditor's Report On Compliance For Each Major Program and On Internal Control Over Compliance Required By The Uniform Guidance	26 - 28
Schedule of Findings and Questioned Costs	29 - 33
Summary Schedule of Prior Audit Findings	34 - 37
OTHER REPORT	38



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Career Academy of South Bend, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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.

### **Auditor's 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 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 auditor's 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 auditor considers 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Career Academy of South Bend, Inc. as of June 30, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**


### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 October 27, 2020, on our consideration of Career Academy of South Bend, 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 the Career Academy of South Bend, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Career Academy of South Bend, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana  
October 27, 2020

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENTS OF FINANCIAL POSITION**

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	422,638	292,882
Accounts receivable	103,987	322,965
Grants receivable	1,414,581	978,564
Note receivable	0	20,000
Prepaid expenses	75,350	97,433
Inventory	19,991	22,680
<b>Total Current Assets</b>	<b>2,036,547</b>	<b>1,734,524</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	376,200	376,200
Buildings	26,012,518	25,919,892
Office furniture, equipment and vehicles	2,845,435	2,772,403
Computers and software	1,731,565	1,707,165
Construction in progress	27,004	26,754
<b>Total</b>	<b>30,992,722</b>	<b>30,802,414</b>
Accumulated depreciation	7,082,595	5,858,230
<b>Net Property and Equipment</b>	<b>23,910,127</b>	<b>24,944,184</b>
<b>TOTAL ASSETS</b>	<b>25,946,674</b>	<b>26,678,708</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	458,951	438,789
Accounts payable	378,543	113,395
Accrued payroll, benefits, and related taxes	28,671	173
Deferred revenue	21,978	77,519
Accrued interest	10,357	11,606
Other accrued expenses	15,567	27,026
<b>Total Current Liabilities</b>	<b>914,067</b>	<b>668,508</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	27,102,861	27,965,688
<b>TOTAL LIABILITIES</b>	<b>28,016,928</b>	<b>28,634,196</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTION</b>	<b>(2,070,254)</b>	<b>(1,955,488)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>25,946,674</b>	<b>26,678,708</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Federal grants	1,686,415	0	1,686,415
Non-federal grants	842,921	0	842,921
State education support	9,746,883	0	9,746,883
Contributions	7,215	0	7,215
Debt forgiveness income	450,000	0	450,000
Rent	500	0	500
Other income	39,145	0	39,145
Heroes Hangout	56,721	0	56,721
Student fees	222,261	0	222,261
In-kind donations	16,000	0	16,000
<b>Total Revenue</b>	<b>13,068,061</b>	<b>0</b>	<b>13,068,061</b>
<b>EXPENSES</b>			
Program Services:			
High School	4,120,072	0	4,120,072
Middle School	2,400,995	0	2,400,995
Primary School	5,314,188	0	5,314,188
<b>Total Program Services</b>	<b>11,835,255</b>	<b>0</b>	<b>11,835,255</b>
Management and General	1,347,572	0	1,347,572
<b>Total Expenses</b>	<b>13,182,827</b>	<b>0</b>	<b>13,182,827</b>
<b>CHANGE IN NET ASSETS</b>	<b>(114,766)</b>	<b>0</b>	<b>(114,766)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>(1,955,488)</b>	<b>0</b>	<b>(1,955,488)</b>
<b>NET ASSETS, END OF YEAR</b>	<b>(2,070,254)</b>	<b>0</b>	<b>(2,070,254)</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2018

	Without Donor Restriction	With Donor Restriction	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Federal grants	1,505,032	0	1,505,032
Non-federal grants	808,669	0	808,669
State education support	9,675,682	0	9,675,682
Contributions	37,319	0	37,319
Debt forgiveness income	1,800,000	0	1,800,000
Rent	1,000	0	1,000
Other income	59,656	0	59,656
Heroes Hangout	67,172	0	67,172
Student fees	276,249	0	276,249
In-kind donations	40,000	0	40,000
<b>Total Revenue</b>	<b>14,270,779</b>	<b>0</b>	<b>14,270,779</b>
<b>EXPENSES</b>			
Program Services:			
High School	3,780,244	0	3,780,244
Middle School	2,135,308	0	2,135,308
Primary School	5,528,193	0	5,528,193
<b>Total Program Services</b>	<b>11,443,745</b>	<b>0</b>	<b>11,443,745</b>
Management and General	1,435,479	0	1,435,479
<b>Total Expenses</b>	<b>12,879,224</b>	<b>0</b>	<b>12,879,224</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,391,555</b>	<b>0</b>	<b>1,391,555</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>(3,347,043)</b>	<b>0</b>	<b>(3,347,043)</b>
<b>NET ASSETS, END OF YEAR</b>	<b>(1,955,488)</b>	<b>0</b>	<b>(1,955,488)</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2019

	<u>Program Services</u>			<u>Total</u>	<u>Supporting</u>	<u>Total</u>
	<u>High</u>	<u>Middle</u>	<u>Primary</u>		<u>Services</u>	
	<u>School</u>	<u>School</u>	<u>School</u>		<u>Management</u>	
					<u>and General</u>	
Salaries and wages	1,961,431	1,428,591	2,655,181	6,045,203	742,661	6,787,864
Employee benefits	383,819	268,680	539,018	1,191,517	150,400	1,341,917
Payroll taxes	134,931	110,395	205,702	451,028	84,399	535,427
Advertising expense	0	0	0	0	50,623	50,623
Bank charges	237	234	277	748	1,376	2,124
Information technology	6,280	4,080	15,137	25,497	9,293	34,790
Insurance	0	0	0	0	102,766	102,766
Interest expense	155,616	0	151,192	306,808	0	306,808
Student transportation	13,881	6,172	11,012	31,065	0	31,065
Equipment	15,847	9,477	22,286	47,610	22,315	69,925
Supplies	234,824	108,204	209,020	552,048	17,673	569,721
Other	20,546	6,676	7,022	34,244	4,283	38,527
Professional fees	157,172	127,915	162,732	447,819	155,258	603,077
Property taxes	1,023	0	194	1,217	0	1,217
Rent	34,119	24,661	57,776	116,556	0	116,556
Repairs and maintenance	42,270	30,956	69,832	143,058	0	143,058
Travel	19,143	10,284	7,559	36,986	3,790	40,776
Bad debt expense	20,000	0	0	20,000	0	20,000
Office expense	3,458	2,584	5,716	11,758	17	11,775
Food cost	208,639	154,670	310,307	673,616	2,352	675,968
Occupancy	133,182	98,568	208,820	440,570	0	440,570
Staff development and recruitment	8,577	7,520	17,447	33,544	366	33,910
Depreciation	565,077	1,328	657,958	1,224,363	0	1,224,363
<b>Total Functional Expenses</b>	<b>4,120,072</b>	<b>2,400,995</b>	<b>5,314,188</b>	<b>11,835,255</b>	<b>1,347,572</b>	<b>13,182,827</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2018

	<u>Program Services</u>			<u>Total</u>	<u>Supporting</u>	<u>Total</u>
	<u>High</u>	<u>Middle</u>	<u>Primary</u>		<u>Services</u>	
	<u>School</u>	<u>School</u>	<u>School</u>		<u>Management</u>	
					<u>and General</u>	
Salaries and wages	1,698,561	1,291,603	2,732,397	5,722,561	809,048	6,531,609
Employee benefits	318,744	239,489	531,545	1,089,778	197,403	1,287,181
Payroll taxes	124,546	100,821	209,098	434,465	62,173	496,638
Advertising expense	0	0	0	0	88,745	88,745
Bank charges	7	6	5	18	3,319	3,337
Information technology	21,905	14,041	35,568	71,514	10,152	81,666
Insurance	0	0	0	0	86,393	86,393
Interest expense	157,639	0	154,494	312,133	7,509	319,642
Student transportation	13,342	7,554	11,058	31,954	0	31,954
Equipment	35,541	10,074	23,308	68,923	12,208	81,131
Supplies	161,577	67,248	236,105	464,930	19,226	484,156
Other	21,667	9,981	11,403	43,051	2,805	45,856
Professional fees	173,444	84,860	161,410	419,714	123,065	542,779
Property taxes	1,614	0	0	1,614	0	1,614
Rent	18,832	12,124	29,422	60,378	0	60,378
Repairs and maintenance	37,387	29,874	55,538	122,799	109	122,908
Travel	43,984	6,913	8,910	59,807	1,467	61,274
Food cost	171,224	122,812	243,085	537,121	5,032	542,153
Occupancy	140,731	104,498	211,343	456,572	0	456,572
Staff development and recruitment	29,201	33,410	27,182	89,793	6,825	96,618
Depreciation	610,298	0	846,322	1,456,620	0	1,456,620
<b>Total Functional Expenses</b>	<b>3,780,244</b>	<b>2,135,308</b>	<b>5,528,193</b>	<b>11,443,745</b>	<b>1,435,479</b>	<b>12,879,224</b>

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	(114,766)	1,391,555
Adjustments to reconcile change in assets to net cash from operating activities:		
Depreciation	1,224,363	1,456,620
Gain on sale of property and equipment	0	(924)
Bad debt expense	20,000	0
Debt forgiveness income	(450,000)	(1,800,000)
Adjustments for changes in operating assets and liabilities:		
Accounts receivable	198,978	(213,673)
Grants receivable	(436,017)	(94,008)
Note receivable	20,000	(20,000)
Prepaid expenses	22,083	(55,972)
Inventory	2,689	(15,026)
Accounts payable	265,148	(44,741)
Accrued payroll, benefits, and related taxes	28,498	(3,541)
Deferred revenue	(55,541)	74,603
Accrued interest	242,770	255,136
Other accrued expenses	(11,459)	(22,122)
<b>Net Cash Flows from Operating Activities</b>	<b>956,746</b>	<b>907,907</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(190,306)	(641,637)
Proceeds from sale of property and equipment	0	9,900
<b>Net Cash Flows used in Investing Activities</b>	<b>(190,306)</b>	<b>(631,737)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	8,186	200,000
Principal payments on long-term debt	(644,870)	(542,916)
<b>Net Cash Flows used in Financing Activities</b>	<b>(636,684)</b>	<b>(342,916)</b>
<b>CHANGE IN CASH</b>	<b>129,756</b>	<b>(66,746)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>292,882</b>	<b>359,628</b>
<b>CASH AT END OF YEAR</b>	<b>422,638</b>	<b>292,882</b>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOWS</b>		
Interest paid	64,038	64,506

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# **CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

### **NATURE OF BUSINESS**

Career Academy of South Bend, Inc. (the "School") is a public benefit not-for-profit School incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24. During the years ended June 30, 2019 and 2018, the School was sponsored by Trine University.

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

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **BASIS OF PRESENTATION**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting.

The School adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restriction.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. These net assets may be used at the discretion of the School's management and board of directors.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, were by the donor has stipulated the funds be maintained in perpetuity.

#### **USE OF ESTIMATES**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **CASH AND CASH EQUIVALENTS**

For purposes of the Statements of Cash Flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at local banks and is insured up to the limits of the FDIC. It is common for cash to exceed insured limits in the ordinary course of business.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### ACCOUNTS RECEIVABLE

Accounts receivable is stated at the amount management expects to collect from outstanding balances and is presented net of the allowance for doubtful accounts. Management has determined that no allowance for doubtful accounts is required at June 30, 2019 or 2018. Factors considered in determining collectibility include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and credit to accounts receivable. Interest is not typically charged on past due accounts.

### 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

Donations of property and equipment are recorded as current support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service. The School reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. There were no donated assets for the years ended June 30, 2019 and 2018.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements, and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss arising from the disposition is reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ended June 30, 2019 and 2018 was \$1,224,363 and \$1,456,620, respectively. Construction in progress of \$27,004 and \$26,754 was not depreciated as of June 30, 2019 and 2018, respectively.

A summary of the range of lives by asset category is as follows:

Buildings	39 years
Office furniture and equipment	7 years
Computer hardware and software	3 years

### REVENUE RECOGNITION

Revenues generally come from resources provided 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 educational services are rendered.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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.

### CONTRIBUTIONS

The School records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are received. Contributions primarily consist of debt forgiveness by the School's founder.

### DONATED SERVICES AND MATERIALS

FASB ASC Topic 958-605 states that in order to recognize donated services as contributions in the School's financial statements the services must require specialized skills, be provided by individuals who possess those skills, and typically need to be purchased if not contributed. In-kind donations on the Statements of Activities represent services received from the founder's attorney.

Material gift-in-kind items used in the School's programs and donated goods distributed are recorded as income and expense at the time the items are received, which is normally also the time they are placed into service or distributed.

### ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the years ended June 30, 2019 and 2018 were \$50,623 and \$88,745, respectively.

### FUNCTIONAL EXPENSES

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities. Costs are directly assigned to program or management and general based on the nature of the cost. There were no fundraising expenditures for the years ended June 30, 2019 or 2018.

### INCOME TAXES

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the School is not a private foundation within the meaning of Section 509(a).

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

The Income Taxes Topic FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740 requires an enterprise to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The School recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the School has concluded that there are no uncertain tax positions requiring recognition in the financial statements. The evaluation was performed for all federal and state tax periods still subject to examination. The School's 2015 through 2017 federal and state exempt School returns remain subject to examination by the IRS and state taxing authorities.

### CONCENTRATION OF CREDIT RISK

Financial instruments with potential credit risk consists principally of cash and cash equivalents and accounts receivable. Concentration of credit risk with respect to cash and cash equivalents generally relates to deposits held at the bank which may exceed the amount of insurance provided on the deposits and the potential inability to access liquidity in the financial institutions where the cash and cash equivalents are concentrated. The risk is managed as the cash and cash equivalents may be redeemed upon demand and are maintained in a financial institution with reputable credit and, therefore, bear minimal credit risk. Grants receivable potentially subjects the School to a concentration of credit risk. Virtually all of the School's outstanding grants receivable was due from federal grant agencies as of June 30, 2019 and 2018.

### NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School adopted the ASU and adjusted the presentation of these financial statements to comply with this ASU in the year ended June 30, 2019.

### RECLASSIFICATIONS

Certain items in the June 30, 2018 financial statements have been reclassified to conform with the June 30, 2019 presentation. The reclassifications have no effect on total assets, liabilities, net assets, changes in net assets, or net cash flows as previously reported.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 2 - LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Unsecured note payable to The Garatoni Family Foundation, maturing on July 31, 2025, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum.	15,602,613	16,094,330
Note payable to Larry Garatoni, maturing on July 31, 2025, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum. The note is subordinate to the note to the City of South Bend due September 2030. The note is secured by substantially all assets of the School with the exception of the technology assets that were financed by the note to the City of South Bend as described below.	8,579,021	8,493,223
Note payable to Crescent Michiana Properties, LLC, in monthly installments of \$8,520, including interest at 7.25% per annum through December 2021. The note is secured by land and building property and is guaranteed by the Garatoni Family Foundation.	218,862	301,935
Unsecured note payable to the Indiana Common School Fund in the original amount of \$2,754,301, bearing interest at a rate of 1% per annum through December 2026, at which time the note must have been paid in full. Payments are made by deductions from any monies due to the School as its distributive share from State Tuition Support.	2,058,914	2,333,506
An interest free note payable to the City of South Bend in the original amount of \$715,000. The note is payable in annual installments of \$20,000 through 2023, \$25,000 through 2025, \$30,000 through 2027, and \$40,000 through 2030, with a balloon payment of \$365,000 in February 2031. The note is guaranteed by the Garatoni-Smith Family Foundation.	675,000	695,000
Note payable to the City of South Bend which required interest only monthly payments through October 2017, at which time monthly principal payments commenced. Interest is charged at 4% and the note matures in September 2030. The note also requires an annual service fee in the amount of .005% of the outstanding principal balance at the end of each twelve month period. The note is subject to various positive and negative covenants with which the School is in compliance at June 30, 2019. The note is secured by technology equipment and related technology infrastructure purchased with the proceeds of the note.	319,428	341,476
Note payable to Providence Capital Network, LLC in the original amount of \$200,000. The note is payable in annual installments of \$54,993, including interest charged at 3.98% through July 2020. The note is secured by technology equipment purchased with the proceeds of the note.	107,974	145,007
<b>Total</b>	<b>27,561,812</b>	<b>28,404,477</b>
<b>Current portion of long-term debt</b>	<b>458,951</b>	<b>438,789</b>
<b>Net long-term debt</b>	<b>27,102,861</b>	<b>27,965,688</b>

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Long-term debt, less current portion, is scheduled to mature as follows for the years ending June 30:

2021	470,204
2022	352,956
2023	320,397
2024	323,701
Thereafter	25,635,603
<b>Total</b>	<b>27,102,861</b>

Interest expense for the years ended June 30, 2019 and 2018 was \$306,808 and \$319,642, including \$246,586 and \$256,571 that is aggregated into the notes due to the Garatoni Family Foundation and Larry Garatoni at June 30, 2019 and 2018, respectively.

### NOTE 3 - LIQUIDITY AND AVAILABILITY

The School has working capital of \$1,122,480 and \$1,066,016 and average days cash on hand of 13 and 9 as of December 31, 2019 and 2018, respectively.

The table below represents financial assets available for general expenditures within one year at December 31:

	<u>2019</u>	<u>2018</u>
Cash	422,638	292,882
Accounts receivable	103,987	322,965
Grants receivable	1,414,581	978,564
Note receivable	0	20,000
<b>Financial assets available to meet general expenditures within one year:</b>	<b>1,941,206</b>	<b>1,614,411</b>

The School does not have any restricted net assets. The School's founder periodically provides financial support to the School as necessary.

### NOTE 4 - OPERATING LEASES

The School leases certain items of equipment under operating leases. In June 2019, the School terminated equipment leases that provided for monthly lease payments in the amount of \$3,254 through July 2020. Lease expense under operating leases was \$39,046 for each of the years ended June 30, 2019 and 2018. The early termination cost was \$45,554. The School entered into a new equipment lease with an unrelated third party in August 2019 requiring monthly payments of \$1,910 through July 2024.

### NOTE 5 - RELATED PARTY TRANSACTIONS

The Garatoni Foundation and Larry Garatoni, individually periodically provide financing to the School. Larry Garatoni is the President of the School's Board of Directors and the Chief Executive Officer of HQ Investments Corporation, which manages the investments of The Garatoni Family Foundation. The School also received contributions through debt forgiveness totaling \$450,000 and \$1,800,000 from The Garatoni Family Foundation in the years ended June 30, 2019 and 2018, respectively.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 6 - RETIREMENT PLANS

The School's certified employees are covered by the Indiana State Teacher's Retirement Fund ("TRF"), which is a multiple employer defined benefit retirement plan governed by the State of Indiana and administrated by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Employees are eligible as of their hire date. The School made contributions of 7.5% of employee gross wages to the fund during the year. If the School withdrew from TRF, the School could receive a withdrawal fee. The School's contributions are an insignificant percentage of the total contributions received by TRF.

Alternatively, employees can opt to participate in a section 401(k) retirement plan offered through Freedom Retirement Plan Consultants, Inc. in lieu of participating in TRF. The School also contributes 7.5% of compensation to the 401(k) plan.

Substantially all full-time employees are eligible to participate in either plan. Retirement expense under both plans was \$415,324 and \$391,500 for the years ended June 30, 2019 and June 30, 2018, respectively.

### NOTE 7 - LEGAL AND OTHER CONTINGENCIES

The School is subject to various legal proceeding and claims that arise in the ordinary course of business. In accordance with generally accepted accounting principles, the School records a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. There is significant judgment required in both the probability determinations and as to whether an exposure can be reasonably estimated. In management's opinion, the School does not have a potential liability related to any current legal proceeding and claims that would individually or in aggregate materially adversely affect financial conditions or operating results. However, the outcomes of legal proceedings and claims brought against the School are subject to significant uncertainty. Should the School fail to prevail in any of these legal matters, or should several of these legal matters be resolved against the School in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

In the normal course of operations, the School receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Included in the School's Statements of Financial Position are costs of property and equipment obtained with federal funds. Consequently, there is a continuing federal interest in the related property and equipment. The property and equipment may not (1) be used for any purpose inconsistent with the statute and any program regulations governing the award under which the property and equipment was acquired; (2) mortgaged or otherwise used as collateral without written permission; or (3) sold or transferred to another party without written permission. The cost of property and equipment obtained with federal funds included in the Statements of Financial Position was \$235,676 at both June 30, 2019 and 2018.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 8 - SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 27, 2020, the date the financial statements were available to be issued. As described in Note 4, the School entered into a new equipment lease with an unrelated third party in August 2019. On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and the impact on its financial condition, liquidity, tenants, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020. Although the School cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the School’s results of future operations, financial position, and liquidity in fiscal year 2020. The School was required to cease on-site learning in March 2020 and has operated e-learning classes when necessary based on requirements of state and local government agencies. On-site learning resumes when possible. No other events or transactions occurred during this period which require recognition or disclosure in the financial statements.



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

We have audited the financial statements of Career Academy of South Bend, Inc. as of and for the years ended June 30, 2019 and 2018, and our report thereon dated October 27, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information, including the statements of financial position, activities, and functional expenses by division, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel, Lawton &amp; Company LLC'.

Certified Public Accountants

Elkhart, Indiana  
October 27, 2020

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FINANCIAL POSITION BY DIVISION**

June 30, 2019

(with comparative totals at June 30, 2018)

(See Independent Auditor's Report on Supplementary Information)

<u>ASSETS</u>	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Central Office</u>	<u>Eliminations</u>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>							
Cash	(965,094)	2,060,357	3,707,531	(4,380,156)	0	422,638	292,882
Accounts receivable	3,438	(5,065)	32,143	73,471	0	103,987	322,965
Grants receivable	281,773	491,007	643,630	(1,829)	0	1,414,581	978,564
Note receivable	0	0	0	0	0	0	20,000
Prepaid expenses	24,717	10,768	2,766,826	18,039	(2,745,000)	75,350	97,433
Inventory	5,583	5,529	8,879	0	0	19,991	22,680
<b>Total Current Assets</b>	<b>(649,583)</b>	<b>2,562,596</b>	<b>7,159,009</b>	<b>(4,290,475)</b>	<b>(2,745,000)</b>	<b>2,036,547</b>	<b>1,734,524</b>
<b>PROPERTY AND EQUIPMENT</b>							
Land	233,200	0	143,000	0	0	376,200	376,200
Buildings	12,231,580	0	13,780,938	0	0	26,012,518	25,919,892
Office furniture, equipment and vehicles	1,466,267	11,158	1,368,010	0	0	2,845,435	2,772,403
Computers and software	827,889	0	903,676	0	0	1,731,565	1,707,165
Construction in progress	26,829	0	175	0	0	27,004	26,754
<b>Total</b>	<b>14,785,765</b>	<b>11,158</b>	<b>16,195,799</b>	<b>0</b>	<b>0</b>	<b>30,992,722</b>	<b>30,802,414</b>
Accumulated depreciation	4,170,392	1,328	2,910,875	0	0	7,082,595	5,858,230
<b>Net Property and Equipment</b>	<b>10,615,373</b>	<b>9,830</b>	<b>13,284,924</b>	<b>0</b>	<b>0</b>	<b>23,910,127</b>	<b>24,944,184</b>
<b>TOTAL ASSETS</b>	<b>9,965,790</b>	<b>2,572,426</b>	<b>20,443,933</b>	<b>(4,290,475)</b>	<b>(2,745,000)</b>	<b>25,946,674</b>	<b>26,678,708</b>

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FINANCIAL POSITION BY DIVISION**

June 30, 2019

(with comparative totals at June 30, 2018)

(See Independent Auditor's Report on Supplementary Information)

	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Central Office</u>	<u>Eliminations</u>	<u>2019</u>	<u>2018</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>							
<b>CURRENT LIABILITIES</b>							
Current portion of long-term debt	141,474	0	317,477	0	0	458,951	438,789
Accounts payable	108,438	75,477	152,593	42,035	0	378,543	113,395
Accrued payroll, benefits, and related taxes	0	0	366	28,305	0	28,671	173
Deferred revenue	9,681	12,297	0	0	0	21,978	77,519
Accrued interest	0	0	10,357	0	0	10,357	11,606
Other accrued expenses	34	2,756,542	(1,253)	5,244	(2,745,000)	15,567	27,026
<b>Total Current Liabilities</b>	<b>259,627</b>	<b>2,844,316</b>	<b>479,540</b>	<b>75,584</b>	<b>(2,745,000)</b>	<b>914,067</b>	<b>668,508</b>
<b>LONG-TERM LIABILITIES</b>							
Long-term debt	12,562,908	0	14,539,953	0	0	27,102,861	27,965,688
<b>Total Long-Term Liabilities</b>	<b>12,562,908</b>	<b>0</b>	<b>14,539,953</b>	<b>0</b>	<b>0</b>	<b>27,102,861</b>	<b>27,965,688</b>
<b>TOTAL LIABILITIES</b>	<b>12,822,535</b>	<b>2,844,316</b>	<b>15,019,493</b>	<b>75,584</b>	<b>(2,745,000)</b>	<b>28,016,928</b>	<b>28,634,196</b>
<b>UNRESTRICTED NET ASSETS</b>							
Total Net Assets	(2,856,745)	(271,890)	5,424,440	(4,366,059)	0	(2,070,254)	(1,955,488)
<b>Total Net Assets</b>	<b>(2,856,745)</b>	<b>(271,890)</b>	<b>5,424,440</b>	<b>(4,366,059)</b>	<b>0</b>	<b>(2,070,254)</b>	<b>(1,955,488)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>9,965,790</b>	<b>2,572,426</b>	<b>20,443,933</b>	<b>(4,290,475)</b>	<b>(2,745,000)</b>	<b>25,946,674</b>	<b>26,678,708</b>

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF ACTIVITIES BY DIVISION**

For the Year Ended June 30, 2019 (with comparative totals for the Year Ended June 30, 2018)

(See Independent Auditor's Report on Supplementary Information)

	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Central Office</u>	<u>Eliminations</u>	<u>2019 Amount</u>	<u>2018 Amount</u>
REVENUES:							
Federal grants	405,941	466,883	813,591	0	0	1,686,415	1,505,032
Non-federal grants	230,467	238,621	373,833	0	0	842,921	808,669
State education support	2,563,330	2,529,769	4,653,784	0	0	9,746,883	9,675,682
Contributions	6,194	0	1,021	0	0	7,215	37,319
Debt forgiveness income	450,000	0	0	0	0	450,000	1,800,000
Rent	500	0	0	0	0	500	1,000
Other income	35,873	1,134	2,138	0	0	39,145	59,656
Heroes Hangout	0	0	56,721	0	0	56,721	67,172
Student fees		50,759	45,985	0	0	222,261	276,249
In-kind donations	0	0	0	16,000	0	16,000	40,000
<b>Total Revenues</b>	<b>3,817,822</b>	<b>3,287,166</b>	<b>5,947,073</b>	<b>16,000</b>	<b>0</b>	<b>13,068,061</b>	<b>14,270,779</b>
<b>EXPENSES</b>	<b>4,120,078</b>	<b>2,400,995</b>	<b>5,314,182</b>	<b>1,347,572</b>	<b>0</b>	<b>13,182,827</b>	<b>12,879,224</b>
<b>CHANGE IN NET ASSETS</b>	<b>(302,256)</b>	<b>886,171</b>	<b>632,891</b>	<b>(1,331,572)</b>	<b>0</b>	<b>(114,766)</b>	<b>1,391,555</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>(2,554,489)</b>	<b>(1,158,061)</b>	<b>4,791,549</b>	<b>(3,034,487)</b>	<b>0</b>	<b>(1,955,488)</b>	<b>(3,347,043)</b>
<b>NET ASSETS, END OF YEAR</b>	<b>(2,856,745)</b>	<b>(271,890)</b>	<b>5,424,440</b>	<b>(4,366,059)</b>	<b>0</b>	<b>(2,070,254)</b>	<b>(1,955,488)</b>

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF EXPENSES BY DIVISION**

For the Year Ended June 30, 2019 (with comparative totals for the Year Ended June 30, 2018)

(See Independent Auditor's Report on Supplementary Information)

	<u>High School</u>	<u>Middle School</u>	<u>Primary School</u>	<u>Central Office</u>	<u>Eliminations</u>	<u>2019 Amount</u>	<u>2018 Amount</u>
Salaries and wages	1,961,431	1,428,591	2,655,181	742,661	0	6,787,864	6,531,609
Employee benefits	383,819	268,680	539,018	150,400	0	1,341,917	1,287,181
Payroll taxes	134,931	110,395	205,702	84,399	0	535,427	496,638
Advertising expense	0	0	0	50,623	0	50,623	88,745
Bank charges	237	234	277	1,376	0	2,124	3,337
Information technology	6,280	4,080	15,137	9,293	0	34,790	81,666
Insurance	0	0	0	102,766	0	102,766	86,393
Interest expense	155,616	0	151,192	0	0	306,808	319,642
Student transportation	13,881	6,172	11,012	0	0	31,065	31,954
Equipment	15,847	9,477	22,286	22,315	0	69,925	81,131
Supplies	234,824	108,204	209,020	17,673	0	569,721	484,156
Other	20,546	6,676	7,022	4,283	0	38,527	45,856
Professional fees	157,172	127,915	162,732	155,258	0	603,077	542,779
Property taxes	1,023	0	194	0	0	1,217	1,614
Rent	34,119	24,661	57,776	0	0	116,556	60,378
Repairs and maintenance	42,270	30,956	69,832	0	0	143,058	122,908
Travel	19,143	10,284	7,559	3,790	0	40,776	61,274
Bad debt expense	20,000	0	0	0	0	20,000	0
Office expense	3,458	2,584	5,716	17	0	11,775	0
Food cost	208,639	154,670	310,307	2,352	0	675,968	542,153
Occupancy	133,188	98,568	208,814	0	0	440,570	456,572
Staff development and recruitment	8,577	7,520	17,447	366	0	33,910	96,618
Depreciation	565,077	1,328	657,958	0	0	1,224,363	1,456,620
<b>Total Expenses</b>	<b>4,120,078</b>	<b>2,400,995</b>	<b>5,314,182</b>	<b>1,347,572</b>	<b>0</b>	<b>13,182,827</b>	<b>12,879,224</b>

## FEDERAL AWARDS

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2019

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>	<b>Expenditures to Subrecipients</b>
<b>Department of Agriculture</b>				
<b>Passed-through the Indiana Department of Education</b>				
<b>Child Nutrition Cluster</b>				
School Breakfast Program	10.553	K397	170,411	0
National School Lunch Program	10.555	K397	320,580	0
Total Child Nutrition Cluster			490,991	0
<b>Child and Adult Care Food Program</b>				
After School Hours Supper Program	10.558	K397	85,090	0
After School Hours Snack Program	10.558	K397	63,790	0
Total Child and Adult Care Food Program			148,880	0
<b>Total United State Department of Agriculture</b>			639,871	0
<b>Department of Education</b>				
<b>Passed-through the Indiana Department of Education</b>				
<b>Title I, Part A</b>				
Title I Grants to Local Educational Agencies	84.010	S010A180014	308,808	0
Title I Grants to Local Educational Agencies	84.010	S010A180014	165,981	0
Title I Grants to Local Educational Agencies	84.010	S010A180014	125,711	0
Total Title I, Part A			600,500	0
<b>Title II, Part A Supporting Effective Instruction State Grants</b>				
Title II, Part A Supporting Effective Instruction State Grants	84.367	S367A170013	33,369	0
Title II, Part A Supporting Effective Instruction State Grants	84.367	S367A170013	12,596	0
Title II, Part A Supporting Effective Instruction State Grants	84.367	S367A170013	9,856	0
Total Title II, Part A			55,821	0
<b>Title IV, Part A</b>				
Student Support and Academic Enrichment Program	84.424	S424A170015	40,408	0
Student Support and Academic Enrichment Program	84.424	S424A180015	22,057	0
Student Support and Academic Enrichment Program	84.424	S424A180015	3,854	0
Student Support and Academic Enrichment Program	84.424	S424A180015	6,895	0
Total Title IV, Part A			73,214	0
<b>Special Education Cluster (IDEA)</b>				
Special Education-Grants to States, (IDEA, Part B)	84.027	19611-544-PN01	143,411	0
Special Education-Grants to States, (IDEA, Part B)	84.027	19611-544-PN01	93,512	0
Special Education-Grants to States, (IDEA, Part B)	84.027	19611-544-PN01	63,274	0
Total Special Education-Grants to States (IDEA, Part B)			300,197	0
Special Education-Preschool Grants (IDEA, Preschool)	84.173	19619-588-PN01	4,499	0
Total Special Education Cluster IDEA			304,696	0
<b>Total Department of Education</b>			1,034,231	0
<b>Department of Health and Human Services</b>				
<b>Passed through Indiana Family and Social Services</b>				
Medical Assistance Program (Medicaid; Title XIX)	93.778	1487048005	6,146	0
Medical Assistance Program (Medicaid; Title XIX)	93.778	1487048005	2,850	0
Medical Assistance Program (Medicaid; Title XIX)	93.778	1487048005	3,317	0
Total Medical Assistance Program			12,313	0
<b>Total Department of Health and Human Services</b>			12,313	0
<b>Total Expenditures of Federal Awards</b>			1,686,415	0

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO 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 ("Schedule") includes the federal award activity of Career Academy of South Bend, 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, changes in net assets, or cash flows of the School.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following costs principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allocable or are limited as to reimbursement.
2. The School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ADDITIONAL REQUIRED REPORTS AND  
INFORMATION



INDEPENDENT AUDITOR'S 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*

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

We have audited, 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, the financial statements of Career Academy of South Bend, Inc. (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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 October 27, 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-002.

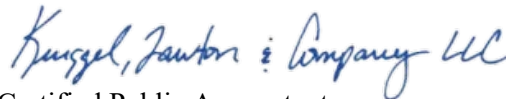
## **Career Academy of South Bend, Inc.'s Response to Findings**

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana  
October 27, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited Career Academy of South Bend, Inc.'s (the "School") compliance with the types of compliance requirements described in the *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 auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the School's compliance.

## **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.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-004. Our opinion on each major federal program is not modified with respect to this matter.

The School's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that will not be identified. We did identify certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2019-003 that we consider to be a material weakness.

The School's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana  
October 27, 2020

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**For the Year Ended June 30, 2019

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? Yes

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section

200.516(a)? Yes

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

84.027, 84.173

Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

### SIGNIFICANT DEFICIENCY

2019-001

#### DOCUMENT RETENTION

*Condition:*

There were deficiencies in the internal control system of the School related to document retention.

We were unable to verify support for one school lunch and one food service cash receipt transaction.

*Criteria:*

The School is required to design, implement and maintain a system 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.

*Cause:*

The supporting documentation for the selected transactions were misplaced and unable to be located.

*Effect:*

It was not possible to ensure that the receipt transactions were classified properly.

*Recommendation:*

The School should review best practice guidelines pertaining to document retention and implement the necessary controls.

*Identification of repeat findings:*

This finding is a repeat finding previously included as finding number 2018-003 in the audit of the financial statements for the year ended June 30, 2018.

*View of Responsible Officials and Planned Corrective Actions:*

Management agrees with the finding and will review internal control procedures in order to ensure retention of necessary documentation. Management will adopt a document retention policy by December 31, 2020.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

#### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2019-002                      UNIFORM COMPLIANCE GUIDELINES - STATE BOARD OF ACCOUNTS

*Condition:*                      The School is out of compliance with uniform compliance requirements established by the Indiana State Board of Accounts.

*Criteria:*                        The School is required to comply with the uniform compliance guidelines established by the Indiana State Board of Accounts under Ind. Code § 5-11-1-24.

*Cause:*                            The School was inattentive to the compliance guidelines mentioned above.

*Effect:*                            The School is not in Compliance with guidelines for charter schools which could cause issues with the School's charters.

*Recommendation:*            The School should implement controls in order to comply with the Uniform Compliance Guidelines set forth by the Indiana State Board of Accounts.

*Identification of repeat findings:*      This finding is a repeat finding previously included as finding number 2018-004 in the audit of the financial statements for the year ended June 30, 2018.

*View of Responsible Officials and Planned Corrective Actions:*      Management agrees with the finding and will begin implementing policies and procedures to comply with the uniform compliance requirements established by the State Board of Accounts.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

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### Section III - Federal Award Findings and Questioned Costs

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#### MATERIAL WEAKNESS

2019-003	WRITTEN FEDERAL PROCEDURES
<i>Federal Agency:</i>	Department of Education
<i>Federal Program or Cluster:</i>	Title I Grants to Local Educational Agencies Special Education Cluster
<i>CFDA Number:</i>	84.010, 84.027, 84.173
<i>Federal Award Numbers and Years</i>	Award Period 7/1/2018-6/30/2019: S010A180014 Award Period 7/1/2018-9/30/20: 19611-544-PN01 (2019), 19619-588-PN01 (2019)
<i>Condition:</i>	The School's accounting and procedures manual did not include written policies or procedures that address all applicable compliance areas under the Uniform Guidance; for instance, cash management, allowable costs, and period of performance.
<i>Criteria:</i>	The School must establish and maintain effective internal controls over Federal awards that provide reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.
<i>Cause:</i>	The School was inattentive to all of the requirements in the Uniform Guidance.
<i>Effect:</i>	The absence of documented policies and procedures could result in noncompliance with the terms of federal awards.
<i>Recommendation:</i>	The School should document and adhere to written policies and procedures that reflect current OMB requirements under the Uniform Guidance. This accounting and procedures manual should be monitored and revised annually as necessary.
<i>Identification of repeat findings:</i>	This finding is a repeat finding previously included as finding number 2018-005 in the audit of the financial statements for the year ended June 30, 2018.
<i>View of Responsible Officials and Planned Corrective Actions:</i>	Management agrees with the finding. The necessary written documentation to comply with the Uniform Guidance will be prepared by Decemer 31, 2020.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

#### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2019-004                      LATE FILING OF REPORTING PACKAGE TO FEDERAL AUDIT  
CLEARINGHOUSE

*Federal Agency:*                      Department of Education  
*Federal Program or*                      Title I Grants to Local Educational Agencies  
*Cluster:*                                      Special Education Cluster  
*CFDA Number:*                              84.010, 84.027, 84.173

*Federal Award*                              Award Period 7/1/2018-6/30/19:  
*Numbers and Years*                      S010A180014  
Award Period 7/1/2018-9/30/20:  
19611-544-PN01 (2019), 19619-588-PN01 (2019)

*Condition:*                                      The reporting package due March 31, 2020 was submitted late.

*Criteria:*                                        The Uniform Guidance requires reporting packages to be submitted within  
the earlier of 30 days of report issuance or 9 months of the fiscal year end.

*Cause:*    The School was inattentive to all of the requirements in the Uniform  
Guidance.

*Effect:*    The compliance audit of the period ended June 30, 2020 will be determined  
to be high risk.

*Recommendation:*                              Management should ensure reports are filed timely within regulatory  
guidelines.

*Identification of*                                      This finding is a repeat finding previously included as finding number 2018-  
*repeat findings:*                                      007 in the June 30, 2018 financial statements.

*View of Responsible*                                      Management agrees with the finding and will begin drafting the necessary  
*Officials and Planned*                                      written documentation to comply with the Uniform Guidance.  
*Corrective Actions:*

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2019

### MATERIAL WEAKNESS

2018-001 CUTOFF

*Condition:* The School recorded non-federal grant receipts subsequent to year end that related to non-federal grant expenditures incurred during the year ended June 30, 2018 as revenue in fiscal year end June 30, 2019.

*Recommendation:* We recommended that management review grant and revenue recognition standards for nonprofit entities under GAAP and apply proper cutoff procedures prospectively.

*Current Status:* Management reviews revenue at year end for proper cutoff. Procedures will be updated by the end of 2020.

### SIGNIFICANT DEFICIENCY

2018-002 SEGREGATION OF DUTIES

*Condition:* There were deficiencies in the internal control system of the School pertaining to cash receipts.

During our audit of the financial statements for the year ended June 30, 2017, we noted that the School did not have controls in place to ensure proper segregation of duties surrounding cash receipts. Management represented that controls were implemented during the fiscal year ended June 30, 2018 to properly segregate these duties, however, based on our audit, there was no verifiable evidence indicating a change in controls.

*Recommendation:* The School should implement controls that can be verified and traced to the responsible individual.

*Current Status:* The School hired an additional staff member in the finance department to segregate cash receipts collection and entry into the accounting software. The staff member's employment began July 1, 2019. Controls are functioning. The School Accountant will update written procedures by the end of 2020.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2019

#### SIGNIFICANT DEFICIENCY

2018-003                      DOCUMENT RETENTION

*Condition:*                      There were deficiencies in the internal control system of the School related to document retention.

*Recommendation:*              The School should review best practice guidelines pertaining to document retention and implement the necessary controls.

*Current Status:*                      Procedures will be reviewed and updated by the end of 2020.

#### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2018-004                      UNIFORM COMPLIANCE GUIDELINES - STATE BOARD OF ACCOUNTS

*Condition:*                      The School is out of compliance with uniform compliance requirements established by the Indiana State Board of Accounts.

*Recommendation:*              The School should implement controls in order to comply with the Uniform Compliance Guidelines set forth by the Indiana State Board of Accounts.

*Current Status:*                      Written policies and procedures are in process and will be updated by the end of 2020.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2019

### MATERIAL WEAKNESS

2018-005

WRITTEN FEDERAL PROCEDURES

*Federal Agency:* Department of Education  
*Federal Program or Cluster:* Title I Grants to Local Educational Agencies  
Special Education Clusters  
*CFDA Number:* 84.010  
84.027, 84.173  
*Federal Award Numbers and year* Award Period 7/1/2017-6/30/2018:  
S010A170014  
Award Period 7/1/2017-9/30/2019:  
S010A170014  
Award Period 8/1/2017-9/30/19:  
18611-544-PN01 (2018), 18619-544-PN01 (2018)

*Condition:* The School's accounting and procedures manual did not include written policies or procedures that address all applicable compliance areas under the Uniform Guidance; for instance, cash management, allowable costs, and period of performance.

*Recommendation:* The School should document and adhere to written policies and procedures that reflect current OMB requirements under the Uniform Guidance. This accounting and procedures manual should be monitored and revised annually as necessary.

*Current Status:* Written documentation will be reviewed and updated by the end of 2020.

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## CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2019

#### SIGNIFICANT DEFICIENCY

2018-006	DRAW REQUEST REVIEW
<i>Federal Agency:</i>	Department of Education
<i>Federal Program or Cluster:</i>	Special Education Cluster
<i>CFDA Number:</i>	84.027, 84.173
<i>Federal Award Numbers and year</i>	Award Period 7/1/2017-6/30/2019: 18611-544-PN01, 18619-544-PN01
<i>Condition:</i>	An unallowed cost was included in the calculation of a federal draw request that had not yet been submitted.
<i>Recommendation:</i>	The School should review and modify the internal controls and assigned responsibilities as necessary to ensure only costs allowed under the grant are included in draw requests.
<i>Current Status:</i>	The cost included was a coding error. There are two reviews of the draws before submission. Procedures will be updated and documented by the end of 2020.

#### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2018-007	LATE FILING OF REPORTING PACKAGE TO FEDERAL AUDIT CLEARINGHOUSE
<i>Federal Agency:</i>	Department of Education
<i>Federal Program or Cluster:</i>	Title I Grants to Local Educational Agencies, Special Education Cluster
<i>CFDA Number:</i>	84.010 84.027, 84.173
<i>Federal Award Numbers and year</i>	Award Period 7/1/2017-6/30/2018: S010A170014 Award Period 7/1/2017-9/30/2019: 18611-544-PN01, 18619-544-PN01 (2018)
<i>Condition:</i>	The reporting package due March 31, 2019 was submitted late.
<i>Recommendation:</i>	Management should ensure reports are filed timely within regulatory guidelines.
<i>Current Status:</i>	The School will be back on track and filing on time when the June 30, 2020 audit is completed prior to December 31, 2020.

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**OTHER REPORT**

For the Year Ended June 30, 2019

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

Supplemental Audit Report of Career Academy of South Bend, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.



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[www.CareerAcademySB.com](http://www.CareerAcademySB.com)

## CORRECTIVE ACTION PLAN

Cognizant or Oversight Agency for Audit: Department of Education

Career Academy of South Bend, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Krugger, Lawton & Company, LLC  
210 S. Michigan St, Ste 200  
South Bend, IN 46601

Audit period: July 1, 2018 – June 30, 2019

The findings from the 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. The business manager, Kim Richardson, will be responsible for the corrective actions.

## FINDINGS—FINANCIAL STATEMENT AUDIT

### SIGNIFICANT DEFICIENCY

#### 2019-001 Document Retention

**Recommendation:** The School should review best practice guidelines pertaining to document retention and implement the necessary controls.

**Views of Responsible Officials and Planned Corrective Actions:** We agree with the finding and management will review internal control procedures in order to ensure retention of necessary documentation. We will adopt a document retention policy by December 31, 2020.

## NONCOMPLIANCE WITH LAWS AND REGULATIONS

#### 2019-002 Uniform Compliance Guidelines – State Board of Accounts

**Recommendation:** The School should implement controls in order to comply with the Uniform Compliance Guidelines set forth by the Indiana State Board of Accounts.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will begin implementing policies and procedures to comply with the uniform compliance requirements established by the State Board of Accounts.



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## FINDINGS—DEPARTMENT OF EDUCATION AUDIT

### MATERIAL WEAKNESS

2019-003 Title I Grants to Local Educational Agencies—CFDA No. 84.010. Special Education Cluster - 84.027, 84.173.

Recommendation: The School should document and adhere to written policies and procedures that reflect current OMB requirements under the Uniform Guidance. This accounting and procedures manual should be monitored and revised annually as necessary.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The necessary written documentation to comply with the Uniform Guidance will be prepared by December 31, 2020.

### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2019-004 Title I Grants to Local Educational Agencies—CFDA No. 84.010. Special Education Cluster – 84.027, 84.173

Recommendation: Management should ensure reports are filed timely within regulatory guidelines.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and we will begin drafting the necessary written documentation to comply with the Uniform Guidance.

Sincerely,

A handwritten signature in black ink that reads "Kim Richardson". The signature is written in a cursive, flowing style.

Kim Richardson,  
Business Manager