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March 18, 2021

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

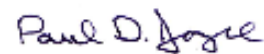
We have reviewed the audit report of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy as of June 30, 2020 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 finding on pages 20 through 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 23.

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 Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy was prepared in accordance with the guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

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

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2020 and 2019



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy

Report on the Financial Statements

We have audited the accompanying financial statements of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy as of June 30, 2020 and 2019, and the changes in its 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 Matter

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 25, 2021 on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
February 25, 2021

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,967,370	\$ 1,109,209
Cash - restricted for debt service	281,250	262,500
Grants receivable	238,986	544,938
Prepaid expenses	<u>91,593</u>	<u>84,055</u>
<i>Total current assets</i>	<u>2,579,199</u>	<u>2,000,702</u>
PROPERTY AND EQUIPMENT		
Land	859,886	859,886
Buildings and improvements	16,936,568	16,911,568
Furniture, fixtures, and equipment	4,706,440	4,475,142
Textbooks	311,353	301,476
Less: accumulated depreciation	<u>(10,228,118)</u>	<u>(9,436,587)</u>
<i>Property and equipment, net</i>	<u>12,586,129</u>	<u>13,111,485</u>
OTHER ASSETS		
Cash - restricted for debt service	<u>1,406,181</u>	<u>1,391,857</u>
TOTAL ASSETS	<u><u>\$ 16,571,509</u></u>	<u><u>\$ 16,504,044</u></u>
LIABILITIES AND NET DEFICIENCY		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ -	\$ 350,000
Accounts payable and accrued expenses	913,347	1,272,614
Refundable advance - Paycheck Protection Program	<u>387,530</u>	<u>-</u>
<i>Total current liabilities</i>	<u>1,300,877</u>	<u>1,622,614</u>
LONG-TERM LIABILITIES		
Bonds payable, net of current portion	16,640,000	16,640,000
Less: unamortized bond issuance costs	<u>(556,568)</u>	<u>(585,147)</u>
<i>Total long-term liabilities, net of unamortized bond issuance costs</i>	<u>16,083,432</u>	<u>16,054,853</u>
<i>Total liabilities</i>	17,384,309	17,677,467
NET DEFICIENCY, WITHOUT DONOR RESTRICTIONS	<u>(812,800)</u>	<u>(1,173,423)</u>
TOTAL LIABILITIES AND NET DEFICIENCY	<u><u>\$ 16,571,509</u></u>	<u><u>\$ 16,504,044</u></u>

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET DEFICIENCY
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
State education support	\$ 7,905,437	\$ 7,879,436
Grant revenue	3,281,769	3,294,758
Student fees	34,673	88,946
Contributions	9,195	9,868
Interest	14,780	22,520
Other	65,736	56,476
	<u>11,311,590</u>	<u>11,352,004</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	9,291,453	9,970,803
Management and general	2,382,984	2,395,038
	<u>11,674,437</u>	<u>12,365,841</u>
<i>Total expenses</i>		
CHANGE IN NET DEFICIENCY FROM OPERATIONS	(362,847)	(1,013,837)
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	<u>723,470</u>	<u>-</u>
CHANGE IN NET DEFICIENCY	360,623	(1,013,837)
NET DEFICIENCY, BEGINNING OF YEAR	<u>(1,173,423)</u>	<u>(159,586)</u>
NET DEFICIENCY, END OF YEAR	<u>\$ (812,800)</u>	<u>\$ (1,173,423)</u>

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.

d/b/a THEA BOWMAN LEADERSHIP ACADEMY

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2020 and 2019

	2020			2019		
	<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, wages, and benefits	\$ 4,528,645	\$ 754,957	\$ 5,283,602	\$ 5,538,359	\$ 795,901	\$ 6,334,260
Interest	1,171,068	-	1,171,068	1,191,021	-	1,191,021
Academic and management services	-	1,114,864	1,114,864	-	1,095,396	1,095,396
Classroom, kitchen, and office supplies	1,012,687	-	1,012,687	429,645	-	429,645
Depreciation	791,531	-	791,531	860,447	-	860,447
Professional services	441,866	129,173	571,039	500,593	153,821	654,414
Occupancy	581,887	-	581,887	574,897	-	574,897
Food service expense	463,345	-	463,345	518,620	-	518,620
Authorizer oversight fees	-	227,600	227,600	-	172,440	172,440
Repairs and maintenance	162,858	-	162,858	92,145	-	92,145
Staff development	23,884	-	23,884	150,227	-	150,227
Insurance	-	142,378	142,378	-	152,237	152,237
Transportation	72,319	1,707	74,026	58,833	1,844	60,677
Advertising	-	7,355	7,355	-	8,568	8,568
Student fundraising	-	-	-	-	4,034	4,034
Other	41,363	4,950	46,313	56,016	10,797	66,813
<i>Total functional expenses</i>	<u>\$ 9,291,453</u>	<u>\$ 2,382,984</u>	<u>\$ 11,674,437</u>	<u>\$ 9,970,803</u>	<u>\$ 2,395,038</u>	<u>\$ 12,365,841</u>

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net deficiency	\$ 360,623	\$ (1,013,837)
Adjustments to reconcile change in net deficiency to net cash provided by operating activities:		
Depreciation	791,531	860,447
Paycheck Protection Program note payable forgiveness income	(723,470)	-
Amortization	28,579	28,579
Change in certain assets and liabilities:		
Grants receivable	305,952	(40,532)
Other receivables	-	14,500
Prepaid expenses	(7,538)	81,538
Accounts payable and accrued expenses	<u>(359,267)</u>	<u>715,811</u>
<i>Net cash provided by operating activities</i>	<u>396,410</u>	<u>646,506</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(266,175)</u>	<u>(122,837)</u>
FINANCING ACTIVITIES		
Principal repayment of bond payable	(350,000)	(330,000)
Proceeds from Paycheck Protection Program note payable	<u>1,111,000</u>	<u>-</u>
<i>Net cash provided by (used in) financing activities</i>	<u>761,000</u>	<u>(330,000)</u>
NET CHANGE IN CASH	891,235	193,669
CASH, BEGINNING OF YEAR	<u>2,763,566</u>	<u>2,569,897</u>
CASH, END OF YEAR	<u>\$ 3,654,801</u>	<u>\$ 2,763,566</u>
CASH, END OF YEAR		
Cash - unrestricted	\$ 1,967,370	\$ 1,109,209
Cash - restricted for debt service	<u>1,687,431</u>	<u>1,654,357</u>
<i>Total cash, end of year</i>	<u>\$ 3,654,801</u>	<u>\$ 2,763,566</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 1,142,489	\$ 1,162,442

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving grades kindergarten through twelve and is sponsored by Trine University. The School served approximately 1,075 students during both the 2019-2020 and the 2018-2019 school years. The School utilizes Phalen Leadership Academy-Indiana, Inc. to provide leadership, management, operation, and maintenance services.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which include unrestricted resources that are available for the operating objectives of the School; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2020 and 2019, the School had only net assets without donor restrictions.

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

A significant 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.

The School has elected to defer implementation of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaces most existing revenue recognition guidance under U.S. GAAP and requires disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 was to take effect for fiscal years beginning after December 15, 2018, but in May 2020, the Financial Accounting Standards Board allowed for a one-year deferral. Management believes the implementation of ASU 2014-09 will not significantly affect how the School reports revenue.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2020 and 2019.

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

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

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

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

Bond Issuance Costs – The School incurred costs associated with securing financing under the Indiana Finance Authority Educational Facilities Revenue Bonds. Total costs incurred were \$857,349. Amortization is provided on a straight-line basis over the term of the bond (30 years). Accumulated amortization as of June 30, 2020 and 2019 was \$300,781 and \$272,202, respectively. Amortization expense for each of the years ended June 30, 2020 and 2019 was \$28,579 and is included in interest expense.

Taxes on Income – The School 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, 2020 and 2019, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ended after 2016 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 25, 2021, 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.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 2 - PAYCHECK PROTECTION PROGRAM

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes the Small Business Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from PPP notes payable can be used for costs related to payroll, employee healthcare, rent, and utilities. On May 9, 2020, the School was granted a note payable from immito, LLC in the amount of \$1,111,000 pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on May 9, 2022 and bears interest at a rate of 1.00%. To the extent the funds are used for qualifying expenses under the program during the 24-week period beginning on the date of the loan funding, the School may apply for loan forgiveness. The School has evaluated the expenses to which these funds were applied through June 30, 2020 and has determined the loan requirements will be met and the loan will be forgiven in full. The School has elected to recognize the funds as a contribution in accordance with FASB ASC 958-605 by reflecting the amount of funds expended during the year ended June 30, 2020 as loan forgiveness income, and the unspent portion as a refundable advance.

NOTE 3 - RESTRICTED CASH

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

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

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

NOTE 4 - BONDS PAYABLE

As of June 30, 2020, bonds payable consisted of Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2009 (“2009 Bonds”) totaling \$16,640,000. Effective November 2020, the School refinanced the 2009 Bonds with the City of Gary, Indiana to receive more favorable repayment terms. The 2009 Bonds were refinanced as Economic Development Refunding Revenue Bonds, Series 2020A (\$16,525,000) and Taxable Economic Development Refunding Revenue Bonds, Series 2020B (\$250,000). The bonds carry interest rates from 5% to 6% in accordance with the bond agreements, and have maturities ranging from 2025 to 2055. The accompanying financial statements have been adjusted to reflect the updated bond maturity schedule, including additional principal payments beyond the balance owed as of June 30, 2020.

The bond obligation contains certain covenants that limit the School’s ability to create liens, incur indebtedness or guarantees, dispose of assets, or change the nature of the business. The bond obligation also contains financial maintenance covenants establishing a minimum debt service coverage ratio and requiring financial reporting to the lender within certain timelines. The School was in compliance with these covenants as of June 30, 2020.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 4 - BONDS PAYABLE, Continued

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

2021	\$	-
2022		-
2023		-
2024		205,000
2025		210,000
Thereafter		<u>16,360,000</u>
Total	\$	<u>16,775,000</u>

NOTE 5 - RETIREMENT PLANS

Retirement benefits for School employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Substantially all full-time employees are eligible to participate. INPRS acts as a common administrative and investment agent for units of state and local government in Indiana. Contribution requirements are determined by the INPRS Board. Under the plans, the School contributes 5.5% of compensation for teaching faculty to TRF and 11.2% to other employees to PERF. Participants are required to contribute 3% of compensation to an annuity saving account that can be withdrawn when the participant terminates employment. The School voluntarily makes this contribution on behalf of the participants.

Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2019 (the latest year reported), TRF and PERF were approximately 80% and 100% funded, respectively. Retirement plan expense was approximately \$192,716 and \$280,169 for the years ended June 30, 2020 and 2019, respectively.

NOTE 6 - COMMITMENTS

The School operates under a charter granted by Trine University. As the sponsoring organization, Trine University exercises certain oversight responsibilities. Under this charter, the School agrees to pay to Trine University an annual administrative fee equal to 3% of state tuition payments received. The charter is effective through June 30, 2022 and is renewable thereafter by mutual consent. Payments under this agreement were \$227,600 and \$172,440 during the years ended June 30, 2020 and 2019, respectively.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 6 - COMMITMENTS, Continued

The School has contracted with Phalen Leadership Academy-Indiana, Inc. to provide leadership, management, operation, and maintenance services. Under the terms of the agreement, the School agrees to pay an amount equal to 10.3% of revenues, as defined, for such services. Management fee expense under this contract was \$1,114,864 and \$1,095,396 during the years ended June 30, 2020 and 2019, respectively. The contract is effective through June 30, 2021.

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

NOTE 7 - RISKS AND UNCERTAINTIES

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

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2020 and 2019, substantially all of the grants receivable balance was due from the State of Indiana. In addition, a majority of cash deposits are maintained at BMO Harris Bank, and frequently exceed the FDIC insurance limit.

NOTE 8 - LEASES

The School conducts its elementary school operations from facilities leased under a noncancelable operating lease that expires in June 2022. The School also leases certain items of equipment under leases that are accounted for as operating leases. The equipment leases extend through December 2021.

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

2021	\$	315,918
2022		358,495

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 9 - LIQUIDITY

The School's financial assets include cash (excluding restricted cash) and grants receivable. Financial assets as of June 30, 2020 and 2019 total \$2,206,356 and \$1,654,147, respectively, all of which is available to meet cash needs for general expenditures within a year.

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

NOTE 10 - 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.

SUPPLEMENTARY INFORMATION

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

<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		\$ 105,772
National School Lunch Program	10.555		<u>451,154</u>
<i>Total U.S. Department of Agriculture</i>			<u>556,926</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Grants to Local Educational Agencies	84.010	18611-001-PN01	1,741,550
Special Education Cluster			
Special Education - Grants to States	84.027	20611-505-PN01 19611-505-PN01	162,313
Title II, Supporting Effective Instruction State Grants	84.367	7000- S367A180013	84,410
Title IV, Student Support and Academic Enrichment	84.424	2019-424-324	<u>36,805</u>
<i>Total U.S. Department of Education</i>			<u>2,025,078</u>
<i>Total federal awards expended</i>			<u>\$ 2,582,004</u>

See independent auditors' report and accompanying notes to this schedule

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the “School”) under programs of the federal government for the year ended June 30, 2020. The information in the 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 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
Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Drexel Foundation for Educational Excellence, Inc., d/b/a Thea Bowman Leadership Academy (the "School"), which comprise the statement of financial position as of June 30, 2020, 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 25, 2021.

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

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Indianapolis, Indiana
February 25, 2021



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors
Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy

Report on Compliance for Each Major Federal Program

We have audited Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy's (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the schools' major federal programs for the year ended June 30, 2020. 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, 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, 2020.

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 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

The School's response to the noncompliance finding identified in our audit is described in the corrective action plan on page 23. 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 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 a 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 have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

The School's response to the internal control over compliance finding identified in our audit is described in the corrective action plan on page 23. 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.

DONOVAN

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

Indianapolis, Indiana
February 25, 2021

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

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?	Yes
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)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Grants to Local Education Agencies
10.553	Child Nutrition Cluster: School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

No matters are reportable.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

III. Federal Award Findings and Questioned Costs

FINDING NO. 2020-001 STUDENT TRANSFER SUPPORT (SIGNIFICANT DEFICIENCY)

Federal Agency:	U.S. Department of Education
Pass-Through Agency:	Indiana Department of Education
Federal Program:	Title I, Grants to Local Educational Agencies
CFDA Number:	84.010

Condition

Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the “School”) was unable to provide documentation to support student transfers for students selected for testing from the October 1, 2018 Real Time Data report submitted to the State of Indiana. This report is used as part of the application for Title I funds. Data on transfers provides information on students removed from the regularly adjusted cohort.

Criteria

2 CFR part 200.334 requires that “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

Cause

The School did not retain documentation that supported the date on which students transferred to another school.

Effect

Compliance with Special Tests and Provisions requirements from the Compliance Supplement could not be verified.

Recommendation

We recommend the School implement a process to ensure documentation is properly retained to document the exit of students from the regulatory adjusted cohort.

Views of Responsible Officials

The School’s Corrective Action Plan is included on page 23.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

FINDING NO. 2019-001 (FEDERAL AWARD FINDING)

CASH MANAGEMENT

Condition

Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the “School”) was carrying a balance of approximately \$674,000 in its nutrition program fund as of June 30, 2019. Based on the School’s expense reporting, a 3 months average of expenditures would be approximately \$126,000.

Recommendation

We recommend the School develop internal controls to allow for closer monitoring of the balance of these funds. We also recommended the School proactively communicate the cash management finding to the Indiana Department of Education to discuss a remedial plan of action.

Current Status

The School was able to materially remedy the cash management issues related to the Child Nutrition Cluster.



Thea Bowman Leadership Academy

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February 26, 2021
FY20 Corrective Action Plan

Student Transfer Documentation – Thea Bowman will implement the following process to ensure that all transfer documentation is properly secured.

A parent must first make a transfer request in person. The parent is given a Transfer Form to complete. The form contains the student information, parent information, reason for transfer, and the school the student will transfer to. The form is signed by the parent and the designated office personnel. A copy of the form is given to the parent and the original transfer document is stapled to the front of the student's cumulative folder. The student is then transferred out of our School Information System. Once copies of the student's records are sent to the new school the original cumulative folder is placed in the transfer out file cabinet. The file cabinet drawers are labeled by school year.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
OTHER REPORT
For the Year Ended June 30, 2020

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

Supplemental Audit Report of Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership 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*.