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March 18, 2021

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


We have reviewed the audit report of Global Leadership Academy, Inc. d/b/a Steel City Academy which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Global Leadership Academy, Inc. d/b/a Steel City Academy as of June 30, 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 Emphasis of Matter Regarding Going Concern paragraph included in the Independent Auditors' Report and further detailed in Note 2.

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

In addition to the report presented herein, a Supplemental Audit Report for Global Leadership Academy, Inc. d/b/a Steel City Academy, was prepared in accordance with the guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

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

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2020 and 2019



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Global Leadership Academy, Inc.
d/b/a Steel City Academy

Report on the Financial Statements

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Leadership Academy, Inc. d/b/a Steel City Academy as of June 30, 2020 and 2019, and the change in net deficiency, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Emphasis of Matter Regarding Going Concern

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

DONOVAN



Indianapolis, Indiana
February 25, 2021

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 47,364	\$ 83,240
Accounts receivable:		
Grants	131,378	26,707
Other	<u>-</u>	<u>39,793</u>
<i>Total current assets</i>	<u>178,742</u>	<u>149,740</u>
PROPERTY AND EQUIPMENT		
Land	140,000	140,000
Building and improvements	1,593,667	1,593,667
Furniture and equipment	302,235	280,780
Less: accumulated depreciation	<u>(317,173)</u>	<u>(217,912)</u>
<i>Property and equipment, net</i>	<u>1,718,729</u>	<u>1,796,535</u>
TOTAL ASSETS	<u><u>\$ 1,897,471</u></u>	<u><u>\$ 1,946,275</u></u>
LIABILITIES AND NET DEFICIENCY		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 157,655	\$ 136,796
Accounts payable	80,159	362,474
Accrued payroll and related expenses	339,039	311,557
Payroll tax liability from prior years	<u>179,009</u>	<u>214,434</u>
<i>Total current liabilities</i>	755,862	1,025,261
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>1,248,781</u>	<u>1,399,134</u>
<i>Total liabilities</i>	2,004,643	2,424,395
NET DEFICIENCY, WITHOUT DONOR RESTRICTIONS	<u>(107,172)</u>	<u>(478,120)</u>
TOTAL LIABILITIES AND NET DEFICIENCY	<u><u>\$ 1,897,471</u></u>	<u><u>\$ 1,946,275</u></u>

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF 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	\$ 3,744,445	\$ 3,532,126
Grant revenue	1,403,357	1,222,688
Contributions	10,931	31,368
Student fees	6,220	11,245
Other income	<u>1,351</u>	<u>28,567</u>
<i>Total revenue and support</i>	<u>5,166,304</u>	<u>4,825,994</u>
EXPENSES		
Program services	4,733,987	4,434,100
Management and general	<u>866,769</u>	<u>765,510</u>
<i>Total expenses</i>	<u>5,600,756</u>	<u>5,199,610</u>
CHANGE IN NET DEFICIENCY FROM OPERATIONS	(434,452)	(373,616)
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	<u>805,400</u>	<u>-</u>
CHANGE IN NET DEFICIENCY	370,948	(373,616)
NET DEFICIENCY, BEGINNING OF YEAR	<u>(478,120)</u>	<u>(104,504)</u>
NET DEFICIENCY, END OF YEAR	<u>\$ (107,172)</u>	<u>\$ (478,120)</u>

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>			<u>2019</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 2,899,622	\$ 590,573	\$ 3,490,195	\$ 2,147,243	\$ 509,841	\$ 2,657,084
Employee benefits	609,162	145,962	755,124	583,539	81,193	664,732
Student transportation	309,832	-	309,832	514,040	-	514,040
Food service	189,076	-	189,076	383,273	-	383,273
Classroom, kitchen, and office supplies	154,489	4,668	159,157	180,905	19,272	200,177
Information technology services	111,590	4,120	115,710	66,547	30,024	96,571
Professional services	76,264	30,412	106,676	62,471	50,448	112,919
Equipment	100,896	-	100,896	43,305	-	43,305
Depreciation	99,261	-	99,261	94,982	-	94,982
Occupancy	82,831	-	82,831	115,788	-	115,788
Interest	-	44,838	44,838	-	37,455	37,455
Repairs and maintenance	42,739	-	42,739	84,038	-	84,038
Insurance	31,929	-	31,929	25,568	-	25,568
Staff development	24,375	5,991	30,366	23,646	11,302	34,948
Authorizer oversight fees	-	10,717	10,717	-	9,960	9,960
Advertising	-	-	-	-	986	986
Other	1,921	29,488	31,409	108,755	15,029	123,784
<i>Total functional expenses</i>	<u>\$ 4,733,987</u>	<u>\$ 866,769</u>	<u>\$ 5,600,756</u>	<u>\$ 4,434,100</u>	<u>\$ 765,510</u>	<u>\$ 5,199,610</u>

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net deficiency	\$ 370,948	\$ (373,616)
Adjustments to reconcile change in net deficiency to net cash provided by operating activities:		
Depreciation	99,261	94,982
Paycheck Protection Program loan forgiveness income	(805,400)	-
Changes in certain assets and liabilities:		
Grants receivable	(104,671)	181,585
Other receivable	39,793	(39,793)
Prepaid expenses	-	5,000
Accounts payable	(282,315)	237,844
Accrued payroll and related expenses	27,482	93,359
Payroll tax liability from prior years	<u>(35,425)</u>	<u>(26,515)</u>
 <i>Net cash provided by (used in) operating activities</i>	 <u>(690,327)</u>	 <u>172,846</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(21,455)</u>	<u>-</u>
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program note payable	805,400	-
Principal repayments on notes payable	<u>(129,494)</u>	<u>(122,648)</u>
 <i>Net cash provided by (used in) financing activities</i>	 675,906	 (149,163)
NET CHANGE IN CASH	(35,876)	50,198
CASH, BEGINNING OF YEAR	<u>83,240</u>	<u>33,042</u>
CASH, END OF YEAR	<u><u>\$ 47,364</u></u>	<u><u>\$ 83,240</u></u>
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 31,929	\$ 25,568

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Global Leadership Academy, Inc. d/b/a Steel City Academy (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. During the 2019-2020 school year, the School served approximately 475 students in kindergarten through second and seventh through twelfth grades (450 students in kindergarten, first, and seventh through eleventh grades during the 2018-2019 school year). The School is sponsored by the Indiana Charter School Board. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

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 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 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 revenues 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.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY 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 consists 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 programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases are charged to expense as incurred.

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

Building and improvements	39 years
Furniture and equipment	3 to 7 years

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 ending after 2016 are open to audit for both federal and state purposes.

Functional Expense Reporting – The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net deficiency. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

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.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 2 - GOING CONCERN CONSIDERATIONS

During the year ended June 30, 2020, the School's expenses exceeded revenues by approximately \$434,000, excluding the one-time funding source provided by the CARES Act (Note 3). Current liabilities exceeded current assets by approximately \$577,000 as of June 30, 2020, resulting in a shortage of financial assets sufficient to cover liabilities coming due in the short term.

These factors contribute to a heavy burden of current obligations on the School, and therefore raise substantial doubt about the School's ability to continue as a going concern.

Management's response to the identified going concern is as follows:

Improved Budgeting for 2020-2021 School Year – The School's management team and Finance Committee created multiple budget models for the 2020-2021 school year projecting a surplus and allowing for better monitoring of budget variances to ensure the School stays on budget throughout the year. As a result of this improved budgeting process, the School updated its enrollment targets and made necessary cuts to staffing and other operating expenses. During the 2020-2021 year, the School eliminated sixteen full time positions, cut transportation costs, and significantly reduced other operational expense items, while still allowing the learning model to operate effectively. The School is projecting a budget surplus for the 2020-2021 year, having already realized a positive change in net assets through December 2021.

Refinanced Note Payable to The ARC of Northwest Indiana, Inc. – Subsequent to the year ended June 30, 2020, the School renegotiated its note payable to the ARC of Northwest Indiana, Inc., eliminating the balloon payment which had previously been due in August 2020, and extending the principal payments through January 2036. The updated terms of the note payable are reflected in Note 5 to the financial statements.

Applied for and Received Additional COVID-19 Relief Funding – In addition to the Paycheck Protection Program ("PPP") note payable received during the year ended June 30, 2020 (Note 3), the School has also completed an application for a second draw of PPP funding, having met the eligibility requirements. The School also applied for additional CARES Act allocation funding totaling approximately \$1.4 million over the next three school years. The School applied for and received funding from the Governor's Emergency Education Relief Fund of approximately \$104,000 during the 2020-2021 school year to cover necessary expenses for computers and technology. Lastly, the School has applied for an Employee Retention Credit of approximately \$257,000 which, if approved, would eliminate the payroll tax liability from prior years (Note 4) reflected on the statements of financial position as well as provide an additional refund to the school.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 2 - GOING CONCERN CONSIDERATIONS, Continued

Additional Strategic Efforts – The School is working to implement a comprehensive enrollment strategy to create a strategic advantage in its geographic area. The School will increase the student-to-teacher ratio in its staffing model to ensure the personnel expense allows for a budget surplus. The School will pursue additional revenue through capital campaigns, acquiring additional competitive grants, and other non-restrictive revenue in the coming years.

NOTE 3 - 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 Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from PPP note payable can be used for costs related to payroll, employee healthcare, rent, and utilities. On May 1, 2020, the School was granted a note payable from Fifth Third Bank in the amount of \$805,400, pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on May 1, 2022 and bears interest at a rate of 1.00%. Under the terms of the PPP, the note payable will be forgiven if the funds are used for qualifying expenses as described in the CARES Act. The School has evaluated the expenses to which these funds were applied and has determined the note payable requirements will be met and therefore will be forgiven. The School has elected to recognize these 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 revenue.

NOTE 4 - PAYROLL TAX LIABILITY FROM PRIOR YEARS

In the early stages of the School’s operations, management was unaware of its obligation to remit payroll taxes withheld from employees’ pays to the proper federal and state agencies. As a result, the School accrued significant balances owed to these agencies for withheld taxes dating back to the third quarter of calendar year 2016. The School has since contacted the agencies to correct the mistake and has agreed to a repayment plan which consists of monthly payments of \$5,000 beginning in January 2020, and continuing until the liability is repaid in full. The balances owed pertaining to this matter are \$176,278 and \$206,278 as of June 30, 2020 and 2019, respectively.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 5 - NOTES PAYABLE

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

	<u>2020</u>	<u>2019</u>
Note payable to IFF, payable in monthly installments of \$2,161, including interest at 6.375% per annum, secured by substantially all School assets. The interest rate recalculates after five and ten years at a rate equal to the greater of the U.S. Treasury yield plus 3% or 6.375%. The note matures February 2032.	\$ 211,521	\$ 223,453
Note payable to the State Board of Education, payable \$50,000 semi-annually (January 1 and July 1) plus interest at 1% per annum.	750,000	850,000
Note payable to The ARC Northwest Indiana, Inc., payable in monthly installments of \$3,386, including interest at 5.0% per annum, secured by the building. The note matures January 2036.	444,915	462,477
	1,406,436	1,535,930
Less: current portion	(157,655)	(136,796)
Long-term portion	\$ 1,248,781	\$ 1,399,134

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

2021	\$ 157,655
2022	134,658
2023	136,628
2024	138,711
2025	140,914
Thereafter	697,870
	\$ 1,406,436

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

Subsequent to June 30, 2020, the School entered into an Economic Injury Disaster Loan with the U.S. Small Business Administration totaling \$150,000. The loan is payable in monthly installments of \$612, including interest at a rate of 2.75%, beginning September 2021 and payable through August 2051.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 6 - RETIREMENT PLANS

The School offers retirement benefits provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plan, the School contributed 11% of compensation for eligible teaching faculty. Should the School elect to withdraw from TRF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2019 (the latest year reported), TRF was approximately 80% funded.

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

Retirement plan expense under the plans was \$68,023 and \$75,405 for the years ended June 30, 2020 and 2019, respectively.

NOTE 7 - COMMITMENT

The School operates under a charter granted by the Indiana Charter School Board ("ICSB"). As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay ICSB an annual administrative fee equal to .5% of state tuition payments received. Payments under this agreement were \$10,717 and \$9,960 for the years ended June 30, 2020 and 2019, respectively. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides educational instruction to students residing in Lake County, Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at Fifth Third Bank and are insured up to the FDIC insurance limit.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 9 - LEASES

The School entered into an operating lease for copier equipment in August 2019. Lease expense totaled \$35,000 for the year ended June 30, 2020. There was no lease expense for the year ended June 30, 2019. Future minimum lease payments are as follows for the years ending June 30:

2021	\$	42,000
2022		42,000

NOTE 10 - LIQUIDITY

The School's financial assets include cash, grants receivable, and other receivables totaling \$178,742 and \$149,740 as of June 30, 2020 and 2019, respectively, all of which are available to meet cash needs for general expenditures within a year. The School has significant current obligations as of June 30, 2020. The deficit of financial assets over current obligations as of June 30, 2020 is in excess of \$977,000.

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 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		\$ 50,862
COVID-19 School Breakfast Program	10.553		4,268
National School Lunch Program	10.555		145,955
COVID-19 National School Lunch Program	10.555		<u>15,781</u>
<i>Total U.S. Department of Agriculture</i>			<u>216,866</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Grants to Local Educational Agencies	84.010	19-9980 20-9980	456,041
Special Education Cluster			
Special Education - Grants to States	84.027	20611-599-PN01	90,119
Title II, Supporting Effective Instruction State Grants	84.367		84,834
Title IV, Student Support & Academic Enrichment Grants	84.424		50,336
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D		<u>9,768</u>
<i>Total U.S. Department of Education</i>			<u>691,098</u>
<i>Total Federal Awards Expended</i>			<u>\$ 907,964</u>

See independent auditors' report and accompanying notes to this schedule

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Global Leadership Academy, Inc. d/b/a Steel City Academy (the “School”) under programs of the federal government for the year ended June 30, 2020. 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 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.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Global Leadership Academy, Inc.
d/b/a Steel City 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 Global Leadership Academy, Inc., d/b/a Steel City 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

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

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

Report on Compliance for Each Major Federal Program

We have audited Global Leadership Academy, Inc. d/b/a Steel City Academy's (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 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, Global Leadership Academy, Inc. d/b/a Steel City Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN



Indianapolis, Indiana
February 25, 2021

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY 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?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA Number

Name of Federal Program or Cluster

84.010

Title I, Grants to Local Educational Agencies

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

II. Financial Statement Findings

No matters are reportable.

III. Financial Statement Findings

No matters are reportable.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
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
Global Leadership Academy, Inc. d/b/a Steel City Academy

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