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March 18, 2021

Charter School Board
East Chicago Urban Enterprise Academy, Inc.
1402 E Chicago Ave
East Chicago, IN 46312

We have reviewed the audit report of East Chicago Urban Enterprise Academy, Inc., which was opined upon by CliftonLarsonAllen LLP, 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 East Chicago Urban Enterprise Academy, Inc. 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 a Correction of an Error paragraph and further detailed in Note 10.

In our opinion, CliftonLarsonAllen LLP 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 East Chicago Urban Enterprise Academy, Inc., 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.

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

Paul D. Joyce, CPA
State Examiner

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



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INDEPENDENT AUDITORS' REPORT

Board of Directors
East Chicago Urban Enterprise Academy, Inc.
East Chicago, Indiana

We have audited the accompanying financial statements of East Chicago Urban Enterprise Academy, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Chicago Urban Enterprise Academy, Inc., as of June 30, 2020, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 10 to the financial statements, certain errors resulting in understatement of amounts previously reported for notes payable as of June 30, 2018, were discovered by management of the entity during the current year. Accordingly, amounts reported for notes payable have been restated in the 2019 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2018, to correct the error. Our opinion is not modified with respect to that matter.

Other Matter

The 2019 financial statements of East Chicago Urban Enterprise Academy, Inc. were audited by other auditors whose report dated October 3, 2019 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021, on our consideration of East Chicago Urban Enterprise Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Chicago Urban Enterprise Academy, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Chicago Urban Enterprise Academy, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
January 11, 2021

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019 (Restated)
ASSETS		
CURRENT ASSETS		
Cash	\$ 17,553	\$ 13,829
Grants Receivable	173,518	94,030
Prepaid Expenses	8,755	20,672
Total Current Assets	199,826	128,531
PROPERTY AND EQUIPMENT		
Buildings and Improvements	2,408,538	2,408,538
Furniture and Equipment	369,617	316,076
Less: Accumulated Depreciation	(1,173,302)	(1,047,959)
Property and Equipment, Net	1,604,853	1,676,655
OTHER ASSETS		
Security Deposit	8,881	7,828
Total Assets	\$ 1,813,560	\$ 1,813,014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 169,587	\$ 233,761
Accounts Payable and Accrued Expenses	326,349	413,768
Refundable Advance	-	17,806
Total Current Liabilities	495,936	665,335
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	535,827	690,696
Total Liabilities	1,031,763	1,356,031
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Total Liabilities and Net Assets	\$ 1,813,560	\$ 1,813,014

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019 (Restated)
REVENUE AND SUPPORT		
State Education Support	\$ 3,013,231	\$ 2,986,286
Grant Revenue	1,178,834	1,028,666
Student Fees	28,881	34,524
Contributions	2,884	332
Other Income	48,918	38,285
Total Revenue and Support	4,272,748	4,088,093
EXPENSES		
Program Services	3,128,827	3,215,997
Management and General	819,107	896,804
Total Expenses	3,947,934	4,112,801
CHANGE IN NET ASSETS	324,814	(24,708)
Net Assets - Beginning of Year, As Restated	456,983	481,691
NET ASSETS - END OF YEAR	\$ 781,797	\$ 456,983

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 1,543,745	\$ 193,253	\$ 1,736,998	\$ 1,556,558	\$ 210,625	\$ 1,767,183
Employee Benefits	453,777	56,728	510,505	498,562	60,378	558,940
Professional Services	70,977	19,637	90,614	139,227	17,305	156,532
Depreciation	125,342	-	125,342	110,646	-	110,646
Classroom, Kitchen, and Office Supplies	108,441	-	108,441	129,441	25,842	155,283
Food Costs	313,605	-	313,605	233,193	-	233,193
Insurance	-	23,289	23,289	-	27,617	27,617
Occupancy	358,975	-	358,975	364,249	15,336	379,585
Authorizer Oversight Fees	-	87,096	87,096	-	66,632	66,632
Management Services	-	386,479	386,479	-	404,700	404,700
Equipment	-	-	-	61,714	5,163	66,877
Property Rental and Maintenance	26,831	-	26,831	45,049	-	45,049
Instruction Services	4,363	-	4,363	18,167	-	18,167
Interest	-	34,954	34,954	-	39,974	39,974
Advertising	-	17,119	17,119	-	2,475	2,475
Travel	10,269	-	10,269	20,614	887	21,501
Information Technology	86,257	-	86,257	15,031	4,107	19,138
Other	26,245	552	26,797	23,546	15,763	39,309
Total Functional Expenses	\$ 3,128,827	\$ 819,107	\$ 3,947,934	\$ 3,215,997	\$ 896,804	\$ 4,112,801

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 324,814	\$ (24,708)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	125,342	110,646
Changes in Operating Assets and Liabilities:		
Grants Receivable	(79,488)	(61,124)
Prepaid Expenses	11,917	(683)
Security Deposit	(1,053)	(25)
Accounts Payable and Accrued Expenses	(87,419)	123,228
Refundable Advances	(17,806)	17,806
Net Cash Provided by Operating Activities	276,307	165,140
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(53,540)	(121,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(219,043)	(224,990)
Proceeds from Notes Payable	-	9,663
Net Cash Used by Financing Activities	(219,043)	(215,327)
NET CHANGE IN CASH	3,724	(171,897)
Cash - Beginning of Year	13,829	185,726
CASH - END OF YEAR	\$ 17,553	\$ 13,829
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 34,491	\$ 39,974
NONCASH TRANSACTIONS		
Prior period adjustment - loan amortization	\$ -	\$ 50,282

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

East Chicago Urban Enterprise Academy, Inc. (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 415 students in grades kindergarten through eighth and is sponsored by Ball State University.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable the financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. No cumulative-effect adjustments in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the School's reported historical revenue. The early implementation of the standard did not significantly impact the School's financial statements.

In June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard did not significantly impact the School's financial statements.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2020, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Cash

The School considers all demand accounts to be cash.

Grants Receivable and Revenue

Grants receivable and revenue relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Contributions, Grants, and Fees

The School receives income from contributions, student fees, and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Taxes on Income

East Chicago Urban Enterprise Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2020 and 2019, no accounting for federal and state income taxes was 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. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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:

<u>Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$25,000	5 to 40 Years
Furniture and Equipment	Individual Items: \$5,000	3 to 7 Years
Aggregate of Similar of Identical Items on a Single	Purchase Order: \$12,500	3 to 7 Years

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Subsequent Events

The School evaluated subsequent events through January 11, 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.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation.

NOTE 2 GOING CONCERN CONSIDERATIONS

The accompanying financial statements have been prepared assuming the School will continue as a going concern. Accounts payable and accrued expenses as of June 30, 2020 decreased approximately \$103,000 compared to June 30, 2019. However, as of June 30, 2020, the School's current liabilities remain greater than current assets by approximately \$293,000. A majority of the balance in accounts payable and accrued expenses represents current payroll and future payroll to fulfill school year teaching contracts, totaling approximately \$225,030. If this trend continues, these factors could threaten the School's ability to continue as a going concern.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 GOING CONCERN CONSIDERATIONS (CONTINUED)

The School's management is aware of the negative financial results presented in the previous paragraph and has taken the following measures to improve its finances. The School has focused its efforts on enrollment, which resulted in a slight increase during the fall fiscal year 2021 semester compared to the spring 2020 semester. The School has also worked with its management company to develop a budget for fiscal year 2021 that will allow the School to meet its current and upcoming obligations and strengthen its net asset position. This budget includes revenue from additional funding sources as a result of the School's focused efforts on identifying and securing additional grant opportunities. The school was able to generate positive cash flows and had a positive change in net assets in the year ending June 20, 2020.

NOTE 3 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2020</u>	<u>2019 (Restated)</u>
Line of credit, refinanced to a term note, payable to a related party in monthly installments of \$11,267 including interest at 1.0% per annum through December 2020 secured by all School assets (See Note 10).	\$ 67,401	\$ 190,107
Finance agreement, payable in monthly installments of \$301, including interest at 8.0% per annum through July 2021, secured by equipment.	3,733	6,905
Mortgage note payable in monthly installments of \$10,538 including interest at 4.75% through February 2022, thereafter payable in monthly installments of \$10,437 including interest at a variable rate based on One-Year Treasury Constant Maturity rate plus margin of 3.00%, adjustable annually, through March 2026, secured by a mortgage on School facilities and all School assets.	<u>634,280</u>	<u>727,445</u>
Total	705,414	924,457
Less: Current Portion	<u>(169,587)</u>	<u>(233,761)</u>
Long-Term Portion	<u>\$ 535,827</u>	<u>\$ 690,696</u>

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 NOTES PAYABLE (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 169,587
2022	102,930
2023	107,098
2024	112,297
2025	117,749
Thereafter	95,753
Total	<u>\$ 705,414</u>

NOTE 4 LEASES

The School leases its building from a party related through a common board of directors, and modular classrooms and equipment from unrelated parties, all under operating leases. Total expense under these operating leases was \$265,368 and \$251,554 for the years ended June 30, 2020 and 2019, respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 12,068
2022	1,437

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.

Contribution requirements of plan members are established by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 11.2% of compensation for other employees of PERF. 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 88% funded.

Retirement plan expense was \$106,061 and \$146,860 for the years ended June 30, 2020 and 2019, respectively.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$87,096 and \$66,632 for the years ended June 30, 2020 and 2019, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

The School has contracted with The Leona Group, LLC, to provide financial, management, administrative, and educational programming services. Under the terms of the agreement, the School agrees to pay an amount equal to 10% of revenues, as defined, for such services. The contract will expire June 30, 2021. Payments under this agreement were \$370,883 and \$404,700 for the years ended June 30, 2020 and 2019, respectively.

NOTE 7 RISKS AND UNCERTAINTIES

The School provides educational instruction 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. Any changes in state or federal legislation could significantly impact 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, substantially all of the receivable balance was due from the state of Indiana. In addition, bank deposits are maintained primarily at Peoples Bank, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit.

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its 2020 and 2021 operations and financial results, including an increase in nutrition funding. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 RELATED PARTY

The School is related to the East Chicago Urban Enterprise Association, Inc. through common board members. The School borrowed money from the Association that is reflected in the notes payable at Note 3. Amounts due under the loan are due December 2020.

NOTE 9 FUNCTIONAL EXPENSE REPORTING

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

NOTE 10 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2020 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash and grants receivable. Financial assets at June 30, 2020 total \$191,071, all of which are available to meet cash needs for general expenditures within one year.

While the School has \$191,071 and \$107,859 in financial assets available to meet cash needs for general expenditures within one year, it also has \$495,936 and \$665,335 in current liabilities as of June 30, 2020 and 2019, respectively, which must be paid using these available financial assets, future year state tuition support, or some combination of the two. This deficit in financial assets net of financial liabilities may result in a significant strain on the School's financial resources (see Note 2).

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.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 PRIOR PERIOD RESTATEMENT – CORRECTION OF AN ERROR

During the year ended June 30, 2020, the School conducted discussions with its bank regarding the outstanding balance of its line of credit to verify the outstanding balance. The School's financial institution experienced a fire in which many records, including the original paperwork for the line of credit and conversion to a term loan, were destroyed. In 2020, management discovered that the loan had been amortized on its books at a faster rate than was appropriate. This resulted in the following restatement.

	June 30, 2019		
	As Reported	Restatement	As Restated
Notes Payable, Net of Current Portion	\$ 640,414	\$ 50,282	\$ 690,696
Net Assets Without Donor Restrictions	507,265	(50,282)	456,983
Total Liabilities and Net Assets	\$ 1,147,679	\$ -	\$ 1,147,679

**EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
OTHER REPORT
JUNE 30, 2020 AND 2019**

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

Supplemental Audit Report of
East Chicago Urban Enterprise Academy, Inc.

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



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*

Board of Directors and Management
East Chicago Urban Enterprise Academy, Inc.
East Chicago, Indiana

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 East Chicago Urban Enterprise Academy, Inc. (the School), which comprise the statement of financial position at June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 11, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
January 11, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors and Management
East Chicago Urban Enterprise Academy, Inc.
East Chicago, Indiana

Report on Compliance for Each Major Federal Program

We have audited East Chicago Urban Enterprise Academy, Inc.'s (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

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.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 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.

Board of Directors and Management
East Chicago Urban Enterprise Academy, Inc.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the School as of and for the year ended June 30, 2020, and have issued our report thereon dated January 11, 2021, which contained an unmodified opinion on those financial statements. 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 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 applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Indianapolis, Indiana
March 8, 2021

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through Indiana Department of Education:				
Child Nutrition Cluster	*			
National School Breakfast Program	10.553	N/A	\$ -	\$ 87,318
National School Lunch Program	10.555	N/A	-	247,320
Summer Food Service Program for Children	10.559	N/A	-	1,984
Total Child Nutrition Cluster			<u>-</u>	<u>336,622</u>
Fresh Fruit and Vegetable Program	10.582	N/A	-	14,280
Total Department of Agriculture			<u>-</u>	<u>350,902</u>
Department of Education				
Passed through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	191530	-	31,584
	84.010	201530	-	242,846
Total			<u>-</u>	<u>274,430</u>
Supporting Effective Instruction State Grants	84.367	180520	-	20,106
	84.367	190520	-	29,916
Total			<u>-</u>	<u>50,022</u>
Special Education Cluster				
Special Education Grants to States	84.027	20611-560-PN01	-	72,913
Special Education Preschool Grants	84.173	190460	-	1,040
Total Special Education Cluster	84.173	200460	<u>-</u>	<u>1,194</u>
Total Special Education Cluster			-	75,147

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Education (Continued)				
Passed through Indiana Department of Education:				
English Language Acquisition Grants	84.365	01119-098-PN01	\$ -	\$ 1,896
Title IV Student Support and Academic Enrichment Program	84.424	180750	-	18,912
COVID-19 Elementary and Secondary School Emergency Relief Program	84.425D	7000-S425D200013	-	225
Total Department of Education			<u>-</u>	<u>420,632</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 771,534</u>

* Major Program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of East Chicago Urban Enterprise Academy, Inc. (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 the 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 of the School.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING

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 a limited as to reimbursement.

The School has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

10.555

Name of Federal Program or Cluster

Child Nutrition Cluster – National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).

