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November 18, 2021

Charter School Board
Southeast Neighborhood School of Excellence, Inc.
1601 S. Barth Avenue
Indianapolis, IN 46203

We have reviewed the audit report of Southeast Neighborhood School of Excellence, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Southeast Neighborhood School of Excellence, Inc. as of June 30, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

The report is filed with this letter 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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2021 and 2020



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Southeast Neighborhood School of Excellence, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Southeast Neighborhood School of Excellence, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and change in net assets, 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 Southeast Neighborhood School of Excellence, Inc. as of June 30, 2021 and 2020, and the changes in its net assets, 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 November 2, 2021 on our consideration of Southeast Neighborhood School of Excellence, 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 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 Southeast Neighborhood School of Excellence, Inc.'s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
November 2, 2021

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,606,489	\$ 1,630,339
Grants receivable	717,797	94,774
Prepaid expenses	<u>30,744</u>	<u>40,868</u>
<i>Total current assets</i>	<u>2,355,030</u>	<u>1,765,981</u>
PROPERTY AND EQUIPMENT		
Land	203,010	-
Building	6,323,478	6,217,385
Furniture and equipment	657,050	624,757
Textbooks and education materials	194,399	194,399
Computer software	39,322	52,637
Less: accumulated depreciation	<u>(1,654,531)</u>	<u>(1,420,129)</u>
<i>Property and equipment, net</i>	<u>5,762,728</u>	<u>5,669,049</u>
TOTAL ASSETS	<u>\$ 8,117,758</u>	<u>\$ 7,435,030</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 507,488	\$ 497,231
Accounts payable and accrued expenses	390,822	374,085
Refundable advances	<u>-</u>	<u>49,692</u>
<i>Total current liabilities</i>	898,310	921,008
NOTES PAYABLE, NET OF CURRENT PORTION	<u>2,516,488</u>	<u>3,024,005</u>
<i>Total liabilities</i>	3,414,798	3,945,013
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>4,702,960</u>	<u>3,490,017</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,117,758</u>	<u>\$ 7,435,030</u>

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT		
State education support	\$ 5,014,333	\$ 4,694,961
Grant revenue	2,878,387	1,661,566
Contributions	63,945	37,463
Other	<u>155</u>	<u>2,934</u>
<i>Total revenue and support</i>	<u>7,956,820</u>	<u>6,396,924</u>
EXPENSES		
Program services	5,872,777	5,511,397
Management and general	<u>871,100</u>	<u>732,815</u>
<i>Total expenses</i>	<u>6,743,877</u>	<u>6,244,212</u>
CHANGE IN NET ASSETS FROM OPERATIONS	1,212,943	152,712
OTHER INCOME		
Paycheck Protection Program loan forgiveness income	<u>-</u>	<u>764,100</u>
CHANGE IN NET ASSETS	1,212,943	916,812
NET ASSETS, BEGINNING OF YEAR	<u>3,490,017</u>	<u>2,573,205</u>
NET ASSETS, END OF YEAR	<u>\$ 4,702,960</u>	<u>\$ 3,490,017</u>

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2021 and 2020

	2021			2020		
	<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	\$ 3,203,675	\$ 421,497	\$ 3,625,172	\$ 2,950,012	\$ 351,137	\$ 3,301,149
Employee benefits	819,650	124,321	943,971	758,050	93,398	851,448
Equipment	507,410	-	507,410	184,604	-	184,604
Professional services	284,866	180,336	465,202	359,516	167,886	527,402
Depreciation	247,717	-	247,717	247,308	-	247,308
Occupancy	204,810	-	204,810	213,445	-	213,445
Food costs	174,493	-	174,493	319,329	-	319,329
Student transportation	167,844	-	167,844	209,459	-	209,459
Classroom and office supplies	121,618	28,475	150,093	119,380	10,867	130,247
Interest	94,896	-	94,896	108,273	-	108,273
Insurance	-	62,818	62,818	-	56,119	56,119
Staff development	40,809	-	40,809	40,017	-	40,017
Other	4,289	28,911	33,200	1,708	22,225	23,933
Advertising	-	24,694	24,694	-	31,123	31,123
Travel and meetings	700	48	748	296	60	356
<i>Total functional expenses</i>	<u>\$ 5,872,777</u>	<u>\$ 871,100</u>	<u>\$ 6,743,877</u>	<u>\$ 5,511,397</u>	<u>\$ 732,815</u>	<u>\$ 6,244,212</u>

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,212,943	\$ 916,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	247,717	247,308
Paycheck Protection Program loan forgiveness income	-	(764,100)
Changes in certain assets and liabilities:		
Grants receivable	(623,023)	2,639
Prepaid expenses	10,124	26,605
Accounts payable and accrued expenses	16,737	46,714
Refundable advances	<u>(49,692)</u>	<u>(13,786)</u>
 <i>Net cash provided by operating activities</i>	 <u>814,806</u>	 <u>462,192</u>
 INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(341,396)</u>	<u>(117,325)</u>
 FINANCING ACTIVITIES		
Principal repayments on notes payable	(497,260)	(486,918)
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>764,100</u>
 <i>Net cash provided by (used in) financing activities</i>	 <u>(497,260)</u>	 <u>277,182</u>
 NET CHANGE IN CASH	 (23,850)	 622,049
 CASH, BEGINNING OF YEAR	 <u>1,630,339</u>	 <u>1,008,290</u>
 CASH, END OF YEAR	 <u>\$ 1,606,489</u>	 <u>\$ 1,630,339</u>
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 94,896	\$ 108,273

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

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Southeast Neighborhood School of Excellence, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates as a public charter school under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. The School served approximately 640 students in grades kindergarten through eighth during the 2020-2021 school year (600 students during the 2019-2020 school year).

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, 2021 and 2020, the School had only net assets without donor restrictions

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.

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, 2021 and 2020.

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 small equipment purchases with a 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:

Building	40 years
Furniture and equipment	3 years
Textbooks and education materials	4 years
Computer software	3 years

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2021 and 2020, 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 there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2017 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 2, 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.

NOTE 2 - REVENUE RECOGNITION

Revenue Recognition Standard – Effective July 1, 2020, the School adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 replaced previous revenue recognition guidance under U.S. GAAP and requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The School has applied the provisions of this ASU to the June 30, 2021 and 2020 financial statements. There was no material impact on the financial statements.

Revenue Recognition Policy – 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 areas. Funding from the State of Indiana is based on enrollment and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A significant portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognized revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

Student fees are recognized in the year in which the services are rendered.

Disaggregation of Revenue – Revenue is disaggregated on the statements of activities and changes in net assets.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

NOTE 3 - REFUNDABLE ADVANCE

The School has been awarded grants to provide educational instruction that are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The School had refundable advances in excess of expenditures of \$49,692 as of June 30, 2020. There were no refundable advances in excess of expenditures as of June 30, 2021.

NOTE 4 - 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 notes payable can be used for costs related to payroll, employee healthcare, rent, and utilities. On April 21, 2020, the School was granted a loan from Old National Bank in the amount of \$764,100, pursuant to the PPP under Division A, Title I of the CARES Act. Under the terms of the PPP, the loan funds will be forgiven if they are used for qualifying expenses as described in the CARES Act. During the year ended June 30, 2020, the School evaluated the expenses to which these funds were applied and determined the loan requirements had been met and the loan will be forgiven in full. As such, the School elected to recognize the funds as Paycheck Protection Program loan forgiveness income in accordance with FASB ASC 958-605 during the year ended June 30, 2020. At November 20, 2020, the School received notification that the PPP loan was forgiven in full.

NOTE 5 - LEASES

The School leases certain equipment under operating leases with various monthly payments expiring through fiscal year 2026. Total expense under these operating leases was \$65,253 and \$65,412 for the years ended June 30, 2021 and 2020, respectively.

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

2022	\$	44,121
2023		34,249
2024		24,378
2025		24,378
2026		20,315

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

NOTE 6 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Mortgage loan payable to Old National Bank, payable in monthly installments of \$6,310 including interest at 4.75% per annum through February 2026, secured by School facilities.	\$ 315,899	\$ 374,857
Common School Loan payable to State Board of Education, payable in semi-annual installments of \$151,828 including interest at 1% per annum through July 2026, secured by School facilities.	1,670,110	1,973,767
Mortgage loan payable to Old National Bank, payable in monthly installments of \$16,150 including interest at 5.25% per annum through October 2027, secured by School facilities.	<u>1,037,967</u>	<u>1,172,612</u>
	3,023,976	3,521,236
Less: current portion	<u>(507,488)</u>	<u>(497,231)</u>
Long-term portion	\$ <u>2,516,488</u>	\$ <u>3,024,005</u>

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

2022	\$ 507,488
2023	512,910
2024	529,523
2025	541,599
2026	534,190
Thereafter	<u>398,266</u>
	\$ <u>3,023,976</u>

The mortgage notes payable to Old National Bank contain a financial covenant requiring the School to maintain an annual cash flow coverage ratio of not less than 1.10 to 1.00. The School was in compliance with the covenant as of June 30, 2021.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

NOTE 7 - RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits 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. Contribution requirements of plan members are determined annually by the INPRS Board. The School contributed 5.5% and 10.5% of compensation for eligible teaching personnel to TRF during the years ended June 30, 2021 and 2020, respectively, and 14.2% for other employees to PERF for both years ended June 30, 2021 and 2020. Should the School elect to withdraw from TRF or PERF, the School 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, 2020 (the latest year reported), TRF and PERF were approximately 83% and 100% funded, respectively. Retirement plan expense under all plans was \$338,897 and \$304,841 for the years ended June 30, 2021 and 2020, respectively.

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Marion 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, 2021 and 2020, all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at Old National Bank are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceed the FDIC insurance limit.

NOTE 9 - LIQUIDITY

The School's financial assets include cash and grants receivable totaling \$2,324,286 and \$1,725,113 as of June 30, 2021 and 2020, respectively, all of which are 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.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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 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 of specific transactions between these categories was required.

SUPPLEMENTARY INFORMATION

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

<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			
Summer Food Service Program for Children	10.559		\$ 270,906
 <u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Educational Agencies	84.010	18611-001-PN01	520,263
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A200013	72,651
Title III, Part A; English Language Acquisition State Grants	84.365		7,647
Title IV, Student Support and Academic Enrichment Program	84.424	2019-424-319	21,100
Special Education Cluster			
Special Education Preschool Grants	84.173		2,240
Special Education Grants to States	84.027	21611-502-PN01	113,866
Education Stabilization Fund			
Governor's Emergency Education Relief Fund	84.425C		12,234
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	517,410
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	345,675
Elementary and Secondary School Emergency Relief Fund	84.425D	S425U200013	221,627
<i>Total U.S. Department of Education</i>			<u>1,834,713</u>
 <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	47631	<u>51,252</u>
<i>Total federal awards expended</i>			<u><u>\$ 2,156,871</u></u>

See independent auditors' report and accompanying notes to this schedule

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Southeast Neighborhood School of Excellence, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2021. 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, change in net assets, 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. Noncash assistance is reported in the period it is received by the School using values reported by the pass-through entity.

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
Southeast Neighborhood School of Excellence, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southeast Neighborhood School of Excellence, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2021, 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 November 2, 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 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

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

Indianapolis, Indiana
November 2, 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
Southeast Neighborhood School of Excellence, Inc.

Report on Compliance for Each Major Federal Program

We have audited Southeast Neighborhood School of Excellence, Inc.'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 the School's major federal programs for the year ended June 30, 2021. 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 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, 2021.

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
November 2, 2021

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

I. Summary of Auditors' Results

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:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425C	Education Stabilization Fund: Governor's Emergency Education Fund
84.425D	Elementary and Secondary School Emergency Relief Fund

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. Federal Award Findings and Questioned Costs

No matters are reportable.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

FINDING 2020-01 CASH MANAGEMENT
MATERIAL WEAKNESS

Federal Agency: U.S. Department of Agriculture
CFDA Number: 10.553, 10.555, and 10.559
Federal Program: Child Nutrition Cluster

Condition

The School carried a balance in excess of the 3 months average of expenditures in nine of twelve months of the year ended June 30, 2020.

Current Status

The School implemented a spend-down plan and as of June 30, 2021, the balance of the Child Nutrition fund was below the 3 months average of expenditures. The finding is considered resolved.