



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B58889

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

March 24, 2022

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

We have reviewed the audit report of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy, which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy as of June 30, 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.

In addition to the report presented herein, a Supplemental Audit Report for Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy was prepared in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in black ink that reads "Tammy R. White". The signature is written in a cursive style.

Tammy R. White, CPA
Deputy State Examiner

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

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2021 and 2020



TABLE OF CONTENTS

	Page	
INDEPENDENT AUDITORS' REPORT	1 - 2	
 FINANCIAL STATEMENTS		
Statements of Financial Position.....	3	
Statements of Activities and Change in Net Assets (Deficiency).....	4	
Statements of Functional Expenses.....	5	
Statements of Cash Flows	6	
Notes to the Financial Statements	7 - 12	
 SUPPLEMENTARY INFORMATION		
Schedule of Expenditures of Federal Awards.....	13	
Notes to the Schedule of Expenditures of Federal Awards.....	14	
 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		15 - 16
 INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE <i>UNIFORM GUIDANCE</i>.....		17 - 18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	19	
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	20	
OTHER REPORT	21	



Donovan CPAs

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and change in net assets (deficiency), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy as of June 30, 2021 and 2020, and the changes in its net assets (deficiency), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2022 on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
January 24, 2022

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,660,066	\$ 1,967,370
Cash - restricted for debt service	714,284	281,250
Grants receivable	692,247	238,986
Prepaid expenses	236,082	91,593
<i>Total current assets</i>	<u>4,302,679</u>	<u>2,579,199</u>
PROPERTY AND EQUIPMENT		
Land	859,886	859,886
Buildings and improvements	17,013,274	16,936,568
Furniture, fixtures, and equipment	4,715,321	4,706,440
Textbooks	311,353	311,353
Less: accumulated depreciation	<u>(10,899,993)</u>	<u>(10,228,118)</u>
<i>Property and equipment, net</i>	<u>11,999,841</u>	<u>12,586,129</u>
OTHER ASSETS		
Cash - restricted for debt service	<u>1,173,531</u>	<u>1,406,181</u>
TOTAL ASSETS	<u>\$ 17,476,051</u>	<u>\$ 16,571,509</u>
LIABILITIES AND NET DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 327,867	\$ 913,347
Accrued interest	621,474	-
Refundable advance - Paycheck Protection Program	<u>-</u>	<u>387,530</u>
<i>Total current liabilities</i>	<u>949,341</u>	<u>1,300,877</u>
LONG-TERM LIABILITIES		
Bonds payable	16,775,000	16,640,000
Less: unamortized bond issuance costs	<u>(1,094,567)</u>	<u>(556,568)</u>
<i>Total long-term liabilities, net of unamortized bond issuance costs</i>	<u>15,680,433</u>	<u>16,083,432</u>
<i>Total liabilities</i>	16,629,774	17,384,309
NET ASSETS (DEFICIENCY), WITHOUT DONOR RESTRICTIONS	<u>846,277</u>	<u>(812,800)</u>
TOTAL LIABILITIES AND NET DEFICIENCY	<u>\$ 17,476,051</u>	<u>\$ 16,571,509</u>

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT		
State education support	\$ 6,575,808	\$ 7,905,437
Grant revenue	3,291,817	3,281,769
Student fees	37,268	34,673
Contributions	5,000	9,195
Interest	793	14,780
Other	<u>28,636</u>	<u>65,736</u>
<i>Total revenue and support</i>	<u>9,939,322</u>	<u>11,311,590</u>
EXPENSES		
Program services	6,750,560	9,291,453
Management and general	<u>1,917,215</u>	<u>2,382,984</u>
<i>Total expenses</i>	<u>8,667,775</u>	<u>11,674,437</u>
CHANGE IN NET ASSETS (DEFICIENCY) FROM OPERATIONS	1,271,547	(362,847)
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	<u>387,530</u>	<u>723,470</u>
CHANGE IN NET ASSETS (DEFICIENCY)	1,659,077	360,623
NET DEFICIENCY, BEGINNING OF YEAR	<u>(812,800)</u>	<u>(1,173,423)</u>
NET ASSETS (DEFICIENCY), END OF YEAR	<u>\$ 846,277</u>	<u>\$ (812,800)</u>

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.

d/b/a THEA BOWMAN LEADERSHIP ACADEMY

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 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, wages, and benefits	\$ 3,532,280	\$ 550,792	\$ 4,083,072	\$ 4,529,241	\$ 754,957	\$ 5,284,198
Interest	1,099,364	-	1,099,364	1,171,068	-	1,171,068
Academic and management services	-	791,540	791,540	-	1,114,864	1,114,864
Depreciation	671,875	-	671,875	791,531	-	791,531
Professional services	434,096	199,089	633,185	441,866	129,173	571,039
Classroom, kitchen, and office supplies	324,698	1,650	326,348	1,012,687	-	1,012,687
Occupancy	292,449	-	292,449	581,887	-	581,887
Food service expense	192,563	-	192,563	463,345	-	463,345
Authorizer oversight fees	-	187,698	187,698	-	227,600	227,600
Insurance	-	139,103	139,103	-	142,378	142,378
Repairs and maintenance	133,243	-	133,243	162,858	-	162,858
Transportation	28,701	2,345	31,046	72,319	1,707	74,026
Staff development	5,327	-	5,327	23,288	-	23,288
Advertising	-	3,260	3,260	-	7,355	7,355
Other	35,964	41,738	77,702	41,363	4,950	46,313
<i>Total functional expenses</i>	<u>\$ 6,750,560</u>	<u>\$ 1,917,215</u>	<u>\$ 8,667,775</u>	<u>\$ 9,291,453</u>	<u>\$ 2,382,984</u>	<u>\$ 11,674,437</u>

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.

d/b/a THEA BOWMAN LEADERSHIP ACADEMY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets (deficiency)	\$ 1,659,077	\$ 360,623
Adjustments to reconcile change in net assets (deficiency) to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness income	(387,530)	(723,470)
Depreciation	671,875	791,531
Amortization of bond issuance costs	21,254	28,579
Change in certain assets and liabilities:		
Grants receivable	(453,261)	305,952
Prepaid expenses	(144,489)	(7,538)
Accounts payable and accrued expenses	(585,480)	(359,267)
Accrued interest	621,474	-
<i>Net cash provided by operating activities</i>	<u>1,402,920</u>	<u>396,410</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(85,587)</u>	<u>(266,175)</u>
FINANCING ACTIVITIES		
Principal repayment of Series 2009 bonds payable	(16,640,000)	(350,000)
Proceeds from Series 2020 bonds payable	16,215,747	-
Proceeds from Paycheck Protection Program note payable	<u>-</u>	<u>1,111,000</u>
<i>Net cash provided by (used in) financing activities</i>	<u>(424,253)</u>	<u>761,000</u>
NET CHANGE IN CASH	893,080	891,235
CASH, BEGINNING OF YEAR	<u>3,654,801</u>	<u>2,763,566</u>
CASH, END OF YEAR	<u>\$ 4,547,881</u>	<u>\$ 3,654,801</u>
CASH, END OF YEAR		
Cash - unrestricted	\$ 2,660,066	\$ 1,967,370
Cash - restricted for debt service	<u>1,887,815</u>	<u>1,687,431</u>
<i>Total cash, end of year</i>	<u>\$ 4,547,881</u>	<u>\$ 3,654,801</u>
SUPPLEMENTAL INFORMATION		
Bond issuance costs financed through bonds payable	\$ 559,253	\$ -
Cash paid for interest	456,636	1,142,489

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving grades kindergarten through twelve and is sponsored by Trine University. The School served approximately 855 students during the 2020-2021 school year (1,075 students during the 2019-2020 school year). The School utilizes Phalen Leadership Academy-Indiana, Inc. to provide leadership, management, operation, and maintenance services.

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 consist 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 grants and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

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

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

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Bond Issuance Costs – The School incurred costs associated with securing financing under the Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2009 (“Series 2009 Bonds”). Total costs incurred were \$857,349. Amortization was provided on a straight-line basis over the term of the bond (30 years).

In November 2020, the School refinanced the Series 2009 Bonds into Economic Development Refunding Revenue Bonds, Series 2020A and 2020B (“Series 2020 Bonds”). Total bond issuance costs incurred with the Series 2020 Bonds were \$559,253. Amortization of these costs and the remaining costs from the Series 2009 Bonds is provided on a straight-line basis over the term of the Series 2020 Bonds (35 years).

Accumulated amortization was \$322,035 and \$300,781 as of June 30, 2021 and 2020, respectively. Amortization expense for the years ended June 30, 2021 and 2020 was \$21,254 and \$28,579, respectively, and is included in interest expense.

Taxes on Income – The School has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 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 that 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 January 24, 2022, 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.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2 - REVENUE RECOGNITION, Continued

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 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. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

The School also receives contributions and grants from other agencies and individuals and these are recorded in accordance with the terms of the underlying agreements. 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 change in net assets (deficiency).

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 Small Business Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from PPP notes payable can be used for costs related to payroll, employee healthcare, rent, and utilities. On May 9, 2020, the School was granted a note payable from immito, LLC in the amount of \$1,111,000 pursuant to the PPP under Division A, Title I of the CARES Act. The School evaluated the expenses to which these funds were applied through June 30, 2020 and determined the loan requirements would be met and the loan would be forgiven in full. The School elected to recognize the funds as PPP loan forgiveness income in accordance with FASB ASC 958-605 by reflecting the amount of funds expended during the year ended June 30, 2020 as loan forgiveness income, and the unspent portion as a refundable advance. On April 30, 2021, the School received notification of forgiveness of the full amount of the loan. Accordingly, the amount previously recognized as a refundable advance has been recorded as PPP loan forgiveness income for the year ended June 30, 2021.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 4 - RESTRICTED CASH

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

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

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

NOTE 5 - BONDS PAYABLE

As of June 30, 2020, bonds payable consisted of Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2009 (“Series 2009 Bonds”) totaling \$16,640,000. Effective November 2020, the School refinanced the Series 2009 Bonds with the City of Gary, Indiana to receive more favorable repayment terms. The Series 2009 Bonds were refinanced as Economic Development Refunding Revenue Bonds, Series 2020A totaling \$16,525,000 and Taxable Economic Development Refunding Revenue Bonds, Series 2020B totaling \$250,000 (collectively, “Series 2020 Bonds”). The bonds carry interest rates from 5% to 6% in accordance with the Series 2020 Bond agreements and have maturities ranging from 2025 to 2055.

The Series 2020 Bonds obligation contains certain covenants that limit the School’s ability to create liens, incur indebtedness or guarantees, dispose of assets, or change the nature of the business. The Series 2020 Bonds obligation also contains financial maintenance covenants establishing a minimum debt service coverage ratio and requiring financial reporting to the lender within certain timelines. The School was in compliance with these covenants as of June 30, 2021.

Future maturities of the Series 2020 Bonds are as follows for the years ending June 30:

2022	\$	-
2023		-
2024		-
2025		205,000
2026		210,000
Thereafter		<u>16,360,000</u>
Total	\$	<u>16,775,000</u>

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 6 - 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 are determined annually by the INPRS Board. Under the plans, the School contributes 5.5% of compensation for teaching faculty to TRF and 11.2% to other employees to PERF. Participants are required to contribute 3% of compensation to an annuity savings account that can be withdrawn when the participant terminates employment. The School voluntarily makes this contribution on behalf of the participants.

Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2020 (the latest year reported), TRF was over 100% funded and PERF was over 80% funded. Retirement plan expense was \$145,913 and \$192,716 for the years ended June 30, 2021 and 2020, respectively.

NOTE 7 - COMMITMENTS

The School operates under a charter granted by Trine University. As the sponsoring organization, Trine University exercises certain oversight responsibilities. Under this charter, the School agrees to pay to Trine University an annual administrative fee equal to 3% of state tuition payments received. The charter is effective through June 30, 2022 and is renewable thereafter by mutual consent. Payments under this agreement were \$187,698 and \$227,600 during the years ended June 30, 2021 and 2020, respectively.

The School has contracted with Phalen Leadership Academy-Indiana, Inc. to provide leadership, management, operation, and maintenance services. Under the terms of the agreement, the School agrees to pay an amount equal to 10.3% of revenues, as defined, for such services. Management fee expense under this contract was \$791,540 and \$1,114,864 during the years ended June 30, 2021 and 2020, respectively. The contract is effective through June 30, 2022.

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

NOTE 8 - LEASES

For a portion of the 2019-2020 school year, the School conducted its elementary school operations from facilities leased under an operating lease. The School consolidated operations into one building, and therefore terminated the lease agreement in February 2020.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 9 - RISKS AND UNCERTAINTIES

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2021 and 2020, substantially all of the grants receivable balance was due from the State of Indiana. In addition, a majority of cash deposits are maintained at BMO Harris Bank, and frequently exceed the FDIC insurance limit.

NOTE 10 - LIQUIDITY

The School's financial assets include cash, restricted cash, and grants receivable. Financial assets are entirely available to meet cash needs for general expenditures within a year with the exception of long-term restricted cash. The amounts available totaled \$4,066,597 and \$2,487,606 as of June 30, 2021 and 2020, respectively.

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

NOTE 11 - 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 (deficiency). Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

SUPPLEMENTARY INFORMATION

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 97,366
National School Lunch Program	10.555		<u>145,432</u>
<i>Total U.S. Department of Agriculture</i>			<u>242,798</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A190014	120,862
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A200014	835,689
Title II, Supporting Effective Instruction State Grants	84.367	S367A180013	40,355
Title II, Supporting Effective Instruction State Grants	84.367	S367A190013	64,077
Title IV, Student Support and Academic Enrichment	84.424	S424A190015	73,103
Title IV, Student Support and Academic Enrichment	84.424	S424A200015	66,723
Special Education Cluster			
Special Education - Grants to States	84.027	20611-505-PN01	43,214
Special Education - Grants to States	84.027	21611-505-PN01	114,910
Charter School Program	84.282A		8,358
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	<u>1,134,594</u>
<i>Total U.S. Department of Education</i>			<u>2,501,885</u>
<i>Total federal awards expended</i>			<u>\$ 2,744,683</u>

See independent auditors' report and accompanying notes to this schedule

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the “School”) under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets (deficiency), functional expenses, or cash flows of the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Drexel Foundation for Educational Excellence, Inc., d/b/a Thea Bowman Leadership Academy (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets (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 January 24, 2022.

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.

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

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, prominent 'D'.

Indianapolis, Indiana
January 24, 2022



Donovan CPAs

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

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

Report on Compliance for Each Major Federal Program

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

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

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 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. 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
January 24, 2022

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

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>
84.425D	Education Stabilization Fund: Elementary and Secondary School Emergency Relief Fund

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

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

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

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

Condition

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

Current Status

Corrective action was taken.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
OTHER REPORT
For the Year Ended June 30, 2021

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

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

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