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May 26, 2022

Charter School Board  
21st Century Charter School @ Gary, Inc.  
556 Washington Street  
Gary, IN 46402

We have reviewed the report prepared by 21st Century Charter School @ Gary, Inc. and opined upon by Crowe LLP, 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 21st Century Charter School @ Gary, 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, Crowe 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 21st Century Charter School @ Gary, 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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**21<sup>st</sup> CENTURY CHARTER SCHOOL @ GARY, INC.**

**FINANCIAL STATEMENTS**

June 30, 2021 and 2020

FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
21<sup>st</sup> Century Charter School @ Gary, Inc.  
Gary, Indiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of 21st Century Charter School @ Gary, Inc. (the School), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities 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.

***Auditor's 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 audit 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 auditor's 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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(Continued)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 21st Century Charter School @ Gary, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the School has adopted ASU 2016-02 – Leases (Topic 842) for the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for the purpose of additional analysis 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 other 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 26, 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 the effectiveness of the School'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 the School's internal control over financial reporting and compliance.

  
Crowe LLP

Indianapolis, Indiana  
January 26, 2022

21<sup>ST</sup> CENTURY CHARTER SCHOOL @ GARY, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,621,622	\$ 1,869,935
Restricted cash	1,573,896	1,508,921
Grants and accounts receivable	171,191	143,766
Prepaid expenses	133,890	97,021
Due from related parties (Note 5)	74,973	94,171
Right of use asset (Note 3)	1,078,000	1,448,000
Property and equipment, net (Note 2)	<u>11,642,587</u>	<u>10,734,141</u>
 Total assets	 <u>\$ 16,296,159</u>	 <u>\$ 15,895,955</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 992,348	\$ 918,227
Due to related parties (Note 5)	65,208	21,798
Grant advance liability (Note 10)	-	188,682
Lease liability (Note 3)	1,078,000	1,448,000
Financing lease liability	236,120	309,447
Bonds and notes payable, net (Note 4)	<u>12,123,622</u>	<u>12,433,051</u>
Total liabilities	14,495,298	15,319,205
 <b>NET ASSETS</b>		
Without donor restrictions	 <u>1,800,861</u>	 <u>576,750</u>
 Total liabilities and net assets	 <u>\$ 16,296,159</u>	 <u>\$ 15,895,955</u>

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See accompanying notes to financial statements.

21<sup>ST</sup> CENTURY CHARTER SCHOOL @ GARY, INC.  
STATEMENTS OF ACTIVITIES  
Years ended June 30, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>Public support and revenues</b>		
Federal grants	\$ 3,415,779	\$ 3,734,830
State and local grants	11,739,326	10,967,763
Supporting services	38,299	102,944
Loss on disposal of equipment	<u>(22,159)</u>	<u>-</u>
Total revenue and support	<u>15,171,245</u>	<u>14,805,537</u>
<b>Expenses</b>		
Education services	13,110,544	12,517,862
Management and general	<u>896,140</u>	<u>820,883</u>
Total expenses	<u>13,947,134</u>	<u>13,338,745</u>
Change in net assets	1,224,111	1,466,792
Net assets without donor restrictions, beginning of year	<u>576,750</u>	<u>(890,042)</u>
Net assets without donor restrictions, end of year	<u>\$ 1,800,861</u>	<u>\$ 576,750</u>

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See accompanying notes to financial statements.

21<sup>ST</sup> CENTURY CHARTER SCHOOL @ GARY, INC.  
 STATEMENTS OF CASH FLOWS  
 Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,224,111	\$ 1,466,792
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	735,593	534,845
Right of use amortization expense	57,091	51,293
Loss on disposal of property and equipment	22,159	-
PPP loan forgiveness	(188,682)	-
Change in assets and liabilities:		
Grants and accounts receivable	(27,425)	118,677
Prepaid expenses	(36,869)	(29,309)
Due to/from related parties	62,608	(13,677)
Accounts payable and accrued other expenses	74,121	(51,030)
Grant advance liability	-	188,682
Net cash from operating activities	<u>1,922,707</u>	<u>2,266,273</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<u>(1,682,719)</u>	<u>(882,976)</u>
Net cash from investing activities	<u>(1,682,719)</u>	<u>(882,976)</u>
<b>Cash flows from financing activities</b>		
Proceeds on issuance of financing leases	-	368,159
Payment on financing lease liability	(73,327)	(58,716)
Principal payments on bonds and notes payable	<u>(350,000)</u>	<u>(335,000)</u>
Net cash from financing activities	<u>(423,327)</u>	<u>(25,554)</u>
Net change in cash and cash equivalents	(183,338)	1,357,743
Cash and cash equivalents, beginning of year	<u>3,378,856</u>	<u>2,021,113</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 3,195,518</u>	<u>\$ 3,378,856</u>
<b>Reconciliation of cash to the Statements of Financial Position:</b>		
Cash and cash equivalents	\$ 1,621,622	\$ 1,869,935
Restricted cash	<u>1,573,896</u>	<u>1,508,921</u>
Total cash and cash equivalents	<u>\$ 3,195,518</u>	<u>\$ 3,378,856</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 747,576	\$ 797,855

See accompanying notes to financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: 21<sup>st</sup> Century Charter School @ Gary, Inc. (the School) is a nonprofit corporation established to operate a charter school. The School is dedicated to ensure that all students show growth in character, academics, life skills, the arts, and wellness using teaching skills tailored to meet the needs of each student.

The School was established under the laws of the State of Indiana and operates under a Board of School Directors form of government. The financial statements of the School are consolidated into the Greater Education Opportunities Foundation (GEOF) financial statements due to economic control.

Method of Accounting: The School maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The School is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the School is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

The School has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is “more likely than not” that 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 benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit will be recorded.

The School does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The School recognizes interest and/or penalties related to income tax matters in income tax expense. The School did not have any amounts accrued for interest and penalties at June 30, 2021 and 2020.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents: Cash and cash equivalents consists of bank deposits in accounts that are federally insured up to \$250,000. Bank balances may periodically exceed FDIC insured limits. For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Restricted Cash: Restricted cash consists of funds held in trust accounts for capital expenditures and debt service reserves.

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted. The School does not accrue interest on any of its grants receivables.

Allowances: No allowance for doubtful accounts is recorded as of June 30, 2021 and 2020. The allowances are based upon prior experience and management’s analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. The School currently considers all receivables to be fully collectible.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment: Expenditures for property and equipment and items in excess of \$500 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and improvements	39 years
Property and equipment	3-7 years

Impairment of Long-Lived Assets: In accordance with GAAP, the School reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2021 and 2020, management believes that no impairment exists.

Fair Value of Financial Instruments: Cash and cash equivalents and accounts payable approximate fair value because of the short maturity of these instruments. Grants receivable are not readily marketable. The School has estimated their fair value to be the carrying value. The carrying value of all the School's financial instruments, approximate fair value, except for bonds and notes payable.

Basis of Presentation: The School follows GAAP and reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – The net asset without donor restrictions class includes general assets and liabilities of the School. The net assets without donor restrictions of the School may be used at the discretion of management to support the School's purposes and operations.

Net Assets With Donor Restrictions – The net asset with donor restrictions class includes assets of the School related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates.

The net asset with donor restrictions class also includes assets of the School related to contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School had no net assets with donor restrictions as of June 30, 2021 and 2020.

Federal and State Grants: Support funded by grants is recognized as the School satisfies the related conditions under various grant agreements. Grant revenue is typically recognized as allowable expenses are incurred or as eligible students are served. The School's basic grant support from the State is based on per-pupil funding. Government grants and contracts are generally subject to conditions that have a barrier and a right of return that must be met before the School is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional and Allocated Expenses: Expenses have been classified as program services and supporting services based on the actual direct expenditures and estimated cost allocations. Salaries and related expenses are charged based upon time estimates of personnel. Supporting services include management and general activities of the School. The School did not incur any fundraising expenses for the years ended June 30, 2021 and 2020.

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(Continued)

21<sup>ST</sup> CENTURY CHARTER SCHOOL @ GARY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Years ended June 30, 2021 and 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Advertising: The School expenses advertising costs as incurred. During 2021 and 2020, expenses totaling \$74,988 and \$56,908 were incurred for advertising.

Recently Adopted Accounting Guidance: In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, “Leases” (Topic 842). Under the standard, an entity is required to recognize lease assets and lease liabilities on the statement of financial position. The ASU also requires additional disclosure, both quantitative and qualitative, including pertinent information about the leasing arrangement, and the amount, timing, and uncertainty of cash flows arising from leases. The School elected the exemption of short-term leases that are 12 months or less in addition to certain practical expedients permitted under the transition guidance.

The School implemented ASU 2016-02 using a retrospective method of application. The adoption of ASU 2016-02 resulted in changes to assets and liabilities by the amount of the present value of lease payments remaining.

	<u>As Reported</u>	<u>2020</u>	
		<u>ASU 2016-02</u> <u>Adjustments</u>	<u>Revised</u>
<b>ASSETS</b>			
Right of use asset	\$ -	\$ 1,448,000	\$ 1,448,000
<b>LIABILITIES</b>			
Bonds and notes payable	12,742,498	(309,447)	12,433,051
Lease liability	-	1,448,000	1,448,000
Financing lease liability	-	309,447	309,447
<b>TOTAL NET ASSETS</b>	<b>576,750</b>	<b>-</b>	<b>576,750</b>

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2021, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2021. Management has performed their analysis through January 26, 2022, the date the financial statements were issued.

**NOTE 2 - PROPERTY AND EQUIPMENT**

At June 30, the carrying value of land, buildings and building improvements, and equipment, consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 296,500	\$ 296,500
Building and building improvements	11,656,674	11,566,812
Equipment	<u>3,959,292</u>	<u>2,663,510</u>
	15,912,466	14,292,969
Less: accumulated depreciation	<u>(4,269,879)</u>	<u>(3,925,789)</u>
	<u>\$ 11,642,587</u>	<u>\$ 10,734,141</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$695,022 and \$492,801, respectively.

(Continued)

21<sup>ST</sup> CENTURY CHARTER SCHOOL @ GARY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Years ended June 30, 2021 and 2020

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**NOTE 3 - LEASES**

The School leases modular space, vehicles, and a postage meter under various non-cancelable operating leases which expire at various dates through fiscal year 2023.

In July 2019, the School and GEOFF entered into a building lease agreement for a second facility to expand operations for the 2020-2021 school year. The agreement requires monthly rent payments of \$30,000 maturing on June 30, 2023. Rent expense for the years ended June 30, 2021 and 2020 was \$360,000, annually.

The School has recognized a right of use asset of \$1,336,576 and \$1,763,668, respectively, and a lease liability of \$1,314,120 and \$1,757,447, respectively, on the statements of financial position as of June 30, 2021, and 2020. The School utilized the 5-year Treasury rate to determine the net present value of the lease liability which approximated 1.76% at lease inception.

In accordance with GAAP, the School recognizes rent expense on a straight-line basis. The future maturities lease payments under operating leases are as follows:

2022		\$ 395,000
2023		<u>360,000</u>
		<u>\$ 755,000</u>

Operating lease expense for the year ended June 30, 2021 and 2020 was approximately \$396,984 and \$450,044, respectively.

**NOTE 4 - BONDS AND NOTES PAYABLE**

Bonds and notes payable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Series 2013A bonds payable, maturing in March 2033, including interest computed at 6%, secured by Real Estate Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, and Trust Accounts and interest in the Project, as defined in the Loan Agreement dated February 1, 2013. Principal payments began on February 28, 2018.	\$ 4,625,000	\$ 4,885,000
Series 2013A bonds payable, maturing in March 2043, including interest computed at 6.25%, secured by Real Estate Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, and Trust Accounts and interest in the Project, as defined in the Loan Agreement dated February 1, 2013. Principal payments begin on February 28, 2034.	7,355,000	7,355,000

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(Continued)

21<sup>ST</sup> CENTURY CHARTER SCHOOL @ GARY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Years ended June 30, 2021 and 2020

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**NOTE 4 - BONDS AND NOTES PAYABLE (Continued)**

Note payable to State of Indiana Treasurer to support charter school operations, payable in semi-annual installments of \$45,000, plus interest computed at 1.00%, through maturity in July 2026.	<u>495,000</u>	<u>585,000</u>
	12,475,000	12,825,000
Bond issuance cost, net of accumulated amortization	<u>(351,378)</u>	<u>(391,949)</u>
Total bonds and notes payable, net	<u>\$ 12,123,622</u>	<u>\$ 12,433,051</u>

The estimated future principal payments due on long term debt are:

2022	\$ 365,000
2023	380,000
2024	400,000
2025	415,000
2026	435,000
Thereafter	<u>10,480,000</u>
	<u>\$ 12,475,000</u>

Total interest expense during the years ended June 30, 2021 and 2020 were \$1,527,392 and \$792,505, respectively. The School has financial and nonfinancial covenants associated with the bond obligations. At June 30, 2021 and 2020, the School was not in compliance with certain covenants. The bondholder has provided a waiver of covenant violation agreement.

**NOTE 5 - RELATED PARTY TRANSACTIONS**

The School has a management agreement with the Greater Educational Opportunities Foundation (GEOF). Under the management agreement, GEOF charges administrative and per student fees in exchange for the management, operation, administration, IT support, payroll and accounting services provided. During the years ended June 30, 2021 and 2020, the School paid GEOF administrative fees of \$804,943 and \$791,475, respectively. As part of the management services provided, GEOF acts as the payor of certain operating expenses including a self-funded insurance plan for employee medical and prescription drug insurance managed by GEOF. GEOF is reimbursed by the School. During the years ended June 30, 2021 and 2020, the School paid GEOF reimbursements of \$549,921 and \$414,701, respectively, for self-insurance expense and other reimbursements. The School's board retains final authority and responsibility for financial and budgetary commitments. At June 30, 2021 and 2020, the School has a payable to GEOF for \$65,208 and \$21,798, respectively, for various transactions and a receivable from GEOF in the amount of \$74,973 and \$94,171, respectively, for overpayment of administrative fees.

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(Continued)

21<sup>ST</sup> CENTURY CHARTER SCHOOL @ GARY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Years ended June 30, 2021 and 2020

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**NOTE 6 - CHARTER AGREEMENT**

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 Ball State University an annual administrative fee equal to 3% of State tuition support, along with other licensing fees. Payments under this charter agreement were \$295,636 and \$275,876 for the years ended June 30, 2021 and 2020, respectively.

In June 2021, Ball State University, the School's charter authorizer, placed the School on probation in relation to certain governance conditions of the charter. The School's Board is working closely with Ball State University to address these concerns. The School has continued business operations during this probation period.

**NOTE 7 - PENSION PLANS**

The School's faculty and certain administrative employees are participants in a 403(b) tax deferred annuity retirement plan. All participants may contribute to the plan. There were no employer matching contributions to the plan for the years ended June 30, 2021 and 2020.

The School participates in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost sharing multi-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multi-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The School employees are required to contribute three percent of their annual covered salary. The School is required to contribute an actuarially determined rate determined annually for PERF and TRF. The School's expense for the years ended June 30, 2021 and 2020 was \$397,035 and \$398,642, respectively.

**NOTE 8 - FUNCTIONAL EXPENSES BY NATURE**

The statements of activities report certain categories of expenses attributable to the program and supporting functions of the School. Functions include program expense for education services and management and general activities. The table below presents these functional expenses by their natural classification for the years ended June 30, 2021 and 2020, respectively.

	2021		
	Education Services	Management and General	Total
Salaries and benefits	\$ 7,245,706	\$ -	\$ 7,245,706
Student support and supplies	1,794,562	-	1,794,562
Office and operation expense	946,269	-	946,269
Depreciation and amortization	792,684	-	792,684
Building and grounds	1,697,809	-	1,697,809
Service contracts	573,964	896,140	1,470,104
Total expenses	\$ 13,110,544	\$ 896,140	\$ 13,947,134

(Continued)

21<sup>ST</sup> CENTURY CHARTER SCHOOL @ GARY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Years ended June 30, 2021 and 2020

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**NOTE 8 - FUNCTIONAL EXPENSES BY NATURE (Continued)**

	2020		
	Education Services	Management and General	Total
Salaries and benefits	\$ 7,227,051	\$ -	\$ 7,227,051
Student support and supplies	1,387,237	-	1,387,237
Office and operation expense	472,302	-	472,302
Depreciation and amortization	586,138	-	586,138
Building and grounds	2,132,320	-	2,132,320
Service contracts	712,814	820,883	1,553,697
Total expenses	\$ 12,517,862	\$ 820,883	\$ 13,338,745

**NOTE 9 - LIQUIDITY AND AVAILABILITY**

The School's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2021	2020
Cash and cash equivalents	\$ 1,621,622	\$ 1,869,935
Restricted cash	1,573,896	1,508,921
Grants and accounts receivable	171,191	143,766
Due from related parties	74,973	94,171
	3,441,682	3,616,793
Less amount not available to be used within one year:		
Restricted cash	1,573,896	1,508,921
Financial assets available to meet general expenditures Within one year	\$ 1,867,786	\$ 2,107,872

As noted in Note 1, restricted cash consists of funds held in trust accounts for capital expenditures and debt service reserves. As a result, this restricted cash is not available for general expenditures and must be removed from the available assets within one year amount disclosed above. As part of the School's liquidity management, the School invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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(Continued)

**NOTE 10 - COVID-19 IMPACT AND PAYCHECK PROTECTION PROGRAM (PPP)**

In December 2019, a novel strain of coronavirus surfaced and spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In response to the pandemic and in compliance with various state and local ordinances, the School moved to online instruction from March 2020 through the end of the 2019-2020 academic year. In August 2020, the School provided its students with the option to attend classes in person or online for the 2020-2021 academic year. The operations and business results of the School could be materially adversely affected in the future.

As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, in April 2020, the School received a Paycheck Protection Program (PPP) Loan under the principal amount of \$1,200,000 from the United States Small Business Administration (SBA).

Under the terms of the Paycheck Protection Program, a PPP loan provides for conditional forgiveness if the Organization utilizes the loan proceeds on admissible expenses, including qualifying payroll, rent, and utility expenses, and maintains employment and compensation levels over the covered period.

The School is accounting for the PPP Loan as a conditional contribution under ASC 958-605. Under Subtopic 958-605, the PPP loan proceeds are initially recorded as a grant advance liability on the statement of financial position and subsequently recognized as grant revenue when the Organization has substantially met all conditions for forgiveness. While formal forgiveness had not yet been obtained, the School had met substantially all of the conditions on a portion of the PPP loan and recorded federal grant revenue of \$1,011,318 during the year ended June 30, 2020. The remaining conditional contribution of \$188,682 was recognized as federal grant revenue during the year ended June 30, 2021. In March 2021, the School received confirmation from the SBA that all conditions had been met for full forgiveness of the \$1,200,000.

During 2020 School also received an allocation of Elementary and Secondary School Emergency Relief Funding through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) totaling \$1,047,055, and fully spent and recognized the corresponding grant revenue during the period.

During 2021, the School was awarded an allocation of the Education Stabilization Relief Fund through the Elementary and Secondary School Emergency Relief Funding (ESSER II) through the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act totaling \$4,141,759. As of June 30, 2021, the School had expended \$822,307 of funding, which is currently being recognized as revenue within the federal grant line on the statement of activities. The remaining \$3,319,452 of the award is expected to be expended and recognized during fiscal year 2022.

During 2021, the School was awarded an allocation of the Education Stabilization Relief Fund through the Elementary and Secondary School Emergency Relief Funding (ESSER III) through American Rescue Plan (ARP) Act totaling \$9,301,802. As of June 30, 2021, the School had expended \$34,918 of funding, which is currently being recognized as revenue within the federal grant line on the statement of activities. As of June 30, 2021, the school had yet to receive \$34,918 and has recorded a corresponding grants receivable. The remaining \$9,266,884 of the award is expected to be expended and recognized during fiscal year 2022.

**OTHER REPORTS AND SUPPLEMENTARY INFORMATION**

21ST CENTURY CHARTER SCHOOL @ GARY, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through Number	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Pass-Through Indiana Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	9545	\$ 88,203
National School Lunch Program	10.555	9545	<u>161,372</u>
Total Child Nutrition Cluster			249,575
<u>U.S. Department of Education</u>			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	S010A190014	23,555
Title I Grants to Local Educational Agencies	84.010	S010A200014	<u>1,146,595</u>
Total for Title I Grants to Local Educational Agencies			1,170,150
Special Education Cluster			
Special Education Grants to States	84.027	20611-532-PN01	5,276
Special Education Grants to States	84.027	21611-532-PN01	<u>221,792</u>
Total Special Education cluster			227,068
Charter School Programs	84.282A	U282A190017	25,000
COVID-19 – Education Stabilization Fund			
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	S425D200013	1,512,943
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	S425U200013	<u>34,918</u>
Total Education Stabilization Fund			1,547,861
Total expenditures of federal awards			<u>\$ 3,219,654</u>

See accompanying note to the Schedule of Expenditures of Federal Awards.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of 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, changes in net assets, or cash flows of the School.

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

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S 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  
21<sup>st</sup> Century Charter School @ Gary, Inc.  
Gary, Indiana

We have audited, 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, the financial statements of 21<sup>st</sup> Century Charter School @ Gary, Inc. (the School), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 26, 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) as a basis for designing 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.

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(Continued)

## 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 financial statements. 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.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
January 26, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
21<sup>st</sup> Century Charter School @ Gary, Inc.  
Gary, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited 21<sup>st</sup> Century Charter School @ Gary, Inc.'s (the School) compliance with the types of compliance requirements described in the *OMB Uniform Guidance* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2021. The School's major federal program is 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the School's major federal program 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 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 the 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 its major federal program for the year ended June 30, 2021.

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(Continued)

## 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
January 26, 2022

21ST CENTURY CHARTER SCHOOL @ GARY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2021

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**Section 1 – Summary of Auditor’s Results**

*Financial Statements*

Type of report the audit issued on whether the  
Financial statements audited were prepared  
In accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                           Yes       X   No

Significant deficiencies identified not  
considered to be material weaknesses?                           Yes       X   None Reported

Noncompliance material to financial statements noted?                           Yes       X   No

***Federal Awards***

Internal Control over major programs:

Material weakness(es) identified?                           Yes       X   No

Significant deficiencies identified not  
considered to be material weaknesses?                           Yes       X   None Reported

Type of auditor’s report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)?                           Yes       X   No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:     \$750,000

Auditee qualified as low-risk auditee?                           X Yes            No

**Section II – Financial Statement Findings**

None noted.

**Section III –Federal Award Findings and Questioned Costs**

None noted.

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21ST CENTURY CHARTER SCHOOL @ GARY, INC.  
OTHER REPORT  
June 30, 2021

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

Indiana State Board of Accounts Compliance Report of 21<sup>st</sup> Century Charter School @ Gary. Inc.

The above 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 addressing is *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.