



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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](http://www.in.gov/sboa)

July 8, 2022

Charter School Board  
Career Academy of South Bend, Inc.  
3801 Crescent Circle  
South Bend, IN 46628

We have reviewed the audit report of Career Academy of South Bend, Inc., which was opined upon by Kruggel, Lawton & Company LLC, 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 Career Academy of South Bend, 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.

We call your attention to the findings in the report on pages 32 through 34. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. The Corrective Action Plan can be found on pages 38 through 39.

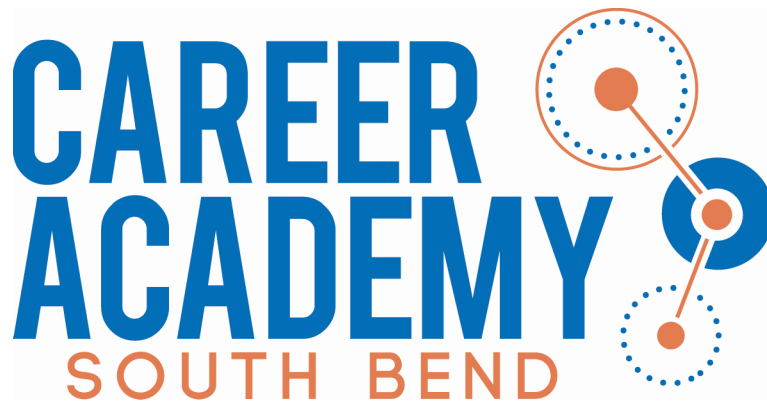
In our opinion, Kruggel, Lawton & Company LLC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Career Academy of South Bend, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner



**ANNUAL REPORT**  
**June 30, 2021**



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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**ANNUAL REPORT**

June 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Career Academy of South Bend, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, 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.

### **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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Career Academy of South Bend, 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.

## Other Matters

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes 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 additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 May 11, 2022, on our consideration of Career Academy of South Bend, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Career Academy of South Bend, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Career Academy of South Bend, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana  
May 11, 2022

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENTS OF FINANCIAL POSITION**

June 30, 2021 and 2020

|  | <u>2021</u>       | <u>2020</u>        |
|--|-------------------|--------------------|
| <b><u>ASSETS</u></b>                         |                   |                    |
| <b>CURRENT ASSETS</b>                        |                   |                    |
| Cash   | 2,364,866         | 1,325,734          |
| Accounts receivable                          | 51,331            | 129,255            |
| Grants receivable                            | 1,505,422         | 1,290,933          |
| Prepaid expenses                             | 83,273            | 66,810             |
| Inventory                                    | 6,782             | 4,157              |
| <b>Total Current Assets</b>                  | <b>4,011,674</b>  | <b>2,816,889</b>   |
| <b>PROPERTY AND EQUIPMENT</b>                |                   |                    |
| Land   | 386,200           | 386,200            |
| Buildings                                    | 28,340,738        | 26,024,701         |
| Office furniture, equipment and vehicles     | 3,230,467         | 3,035,841          |
| Computers and software                       | 2,105,096         | 2,031,532          |
| Construction in progress                     | 61,244            | 0                  |
| <b>Total</b>                                 | <b>34,123,745</b> | <b>31,478,274</b>  |
| Accumulated depreciation                     | 9,413,151         | 8,260,374          |
| <b>Net Property and Equipment</b>            | <b>24,710,594</b> | <b>23,217,900</b>  |
| <b>OTHER ASSETS</b>                          |                   |                    |
| Escrowed cash                                | 90,000            | 0                  |
| <b>TOTAL ASSETS</b>                          | <b>28,812,268</b> | <b>26,034,789</b>  |
| <b><u>LIABILITIES AND NET ASSETS</u></b>     |                   |                    |
| <b>CURRENT LIABILITIES</b>                   |                   |                    |
| Current portion of long-term debt            | 702,960           | 525,066            |
| Accounts payable and other accrued expenses  | 225,974           | 261,472            |
| Accrued payroll, benefits, and related taxes | 1,874             | 282                |
| Deferred revenue                             | 0                 | 1,437              |
| Accrued interest                             | 11,906            | 8,984              |
| <b>Total Current Liabilities</b>             | <b>942,714</b>    | <b>797,241</b>     |
| <b>LONG-TERM LIABILITIES</b>                 |                   |                    |
| Long-term debt                               | 28,258,986        | 26,997,901         |
| <b>TOTAL LIABILITIES</b>                     | <b>29,201,700</b> | <b>27,795,142</b>  |
| <b>NET ASSETS WITHOUT DONOR RESTRICTION</b>  | <b>(389,432)</b>  | <b>(1,760,353)</b> |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>      | <b>28,812,268</b> | <b>26,034,789</b>  |

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2021

|                                      | <u>Without Donor<br/>Restriction</u> | <u>With Donor<br/>Restriction</u> | <u>Total</u>       |
|--------------------------------------|--------------------------------------|-----------------------------------|--------------------|
| <b>PUBLIC SUPPORT AND REVENUE:</b>   |                                      |                                   |                    |
| Federal grants                       | 2,479,003                            | 0                                 | 2,479,003          |
| Non-federal grants                   | 26,500                               | 0                                 | 26,500             |
| State education support              | 11,862,641                           | 0                                 | 11,862,641         |
| Contributions                        | 10,222                               | 0                                 | 10,222             |
| Other income                         | 1,243,987                            | 0                                 | 1,243,987          |
| Heroes Hangout                       | 3,255                                | 0                                 | 3,255              |
| Student fees                         | 130,083                              | 0                                 | 130,083            |
| In-kind donations                    | 14,600                               | 0                                 | 14,600             |
| <b>Total Revenue</b>                 | <b>15,770,291</b>                    | <b>0</b>                          | <b>15,770,291</b>  |
| <b>EXPENSES</b>                      |                                      |                                   |                    |
| Program Services:                    |                                      |                                   |                    |
| High School                          | 4,086,116                            | 0                                 | 4,086,116          |
| Middle School                        | 2,802,287                            | 0                                 | 2,802,287          |
| Primary School                       | 5,965,203                            | 0                                 | 5,965,203          |
| <b>Total Program Services</b>        | <b>12,853,606</b>                    | <b>0</b>                          | <b>12,853,606</b>  |
| Management and General               | 1,545,764                            | 0                                 | 1,545,764          |
| <b>Total Expenses</b>                | <b>14,399,370</b>                    | <b>0</b>                          | <b>14,399,370</b>  |
| <b>CHANGE IN NET ASSETS</b>          | <b>1,370,921</b>                     | <b>0</b>                          | <b>1,370,921</b>   |
| <b>NET ASSETS, BEGINNING OF YEAR</b> | <b>(1,760,353)</b>                   | <b>0</b>                          | <b>(1,760,353)</b> |
| <b>NET ASSETS, END OF YEAR</b>       | <b>(389,432)</b>                     | <b>0</b>                          | <b>(389,432)</b>   |

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2020

|                                      | Without Donor<br>Restriction | With Donor<br>Restriction | Total              |
|--------------------------------------|------------------------------|---------------------------|--------------------|
| <b>PUBLIC SUPPORT AND REVENUE:</b>   |                              |                           |                    |
| Federal grants                       | 1,751,179                    | 0                         | 1,751,179          |
| Non-federal grants                   | 23,909                       | 0                         | 23,909             |
| State education support              | 11,396,248                   | 0                         | 11,396,248         |
| Contributions                        | 16,505                       | 0                         | 16,505             |
| Other income                         | 41,467                       | 0                         | 41,467             |
| Heroes Hangout                       | 48,242                       | 0                         | 48,242             |
| Student fees                         | 190,991                      | 0                         | 190,991            |
| In-kind donations                    | 13,600                       | 0                         | 13,600             |
| <b>Total Revenue</b>                 | <b>13,482,141</b>            | <b>0</b>                  | <b>13,482,141</b>  |
| <b>EXPENSES</b>                      |                              |                           |                    |
| Program Services:                    |                              |                           |                    |
| High School                          | 3,856,121                    | 0                         | 3,856,121          |
| Middle School                        | 2,520,196                    | 0                         | 2,520,196          |
| Primary School                       | 5,365,554                    | 0                         | 5,365,554          |
| <b>Total Program Services</b>        | <b>11,741,871</b>            | <b>0</b>                  | <b>11,741,871</b>  |
| Management and General               | 1,430,369                    | 0                         | 1,430,369          |
| <b>Total Expenses</b>                | <b>13,172,240</b>            | <b>0</b>                  | <b>13,172,240</b>  |
| <b>CHANGE IN NET ASSETS</b>          | <b>309,901</b>               | <b>0</b>                  | <b>309,901</b>     |
| <b>NET ASSETS, BEGINNING OF YEAR</b> | <b>(2,070,254)</b>           | <b>0</b>                  | <b>(2,070,254)</b> |
| <b>NET ASSETS, END OF YEAR</b>       | <b>(1,760,353)</b>           | <b>0</b>                  | <b>(1,760,353)</b> |

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2021

|                                  | <u>Program Services</u> |                  |                  | <u>Total</u>      | <u>Supporting</u>  | <u>Total</u>      |
|----------------------------------|-------------------------|------------------|------------------|-------------------|--------------------|-------------------|
|                                  | <u>High</u>             | <u>Middle</u>    | <u>Primary</u>   |                   | <u>Services</u>    |                   |
|                                  | <u>School</u>           | <u>School</u>    | <u>School</u>    |                   | <u>Management</u>  |                   |
|                                  |                         |                  |                  |                   | <u>and General</u> |                   |
| Salaries and wages               | 1,928,805               | 1,648,478        | 2,869,032        | 6,446,315         | 909,287            | 7,355,602         |
| Employee benefits                | 279,717                 | 304,470          | 503,309          | 1,087,496         | 90,857             | 1,178,353         |
| Payroll taxes                    | 152,482                 | 123,218          | 222,314          | 498,014           | 70,722             | 568,736           |
| Advertising expense              | 0                       | 0                | 0                | 0                 | 166,580            | 166,580           |
| Bank charges                     | 0                       | 0                | 0                | 0                 | 842                | 842               |
| Information technology           | 7,389                   | 2,821            | 9,245            | 19,455            | 5,859              | 25,314            |
| Insurance                        | 0                       | 0                | 0                | 0                 | 83,360             | 83,360            |
| Interest expense                 | 168,248                 | 0                | 158,356          | 326,604           | 0                  | 326,604           |
| Student transportation           | 4,062                   | 2,736            | 5,437            | 12,235            | 0                  | 12,235            |
| Supplies                         | 383,183                 | 286,847          | 669,411          | 1,339,441         | 55,253             | 1,394,694         |
| Other                            | 15,149                  | 4,495            | 10,782           | 30,426            | 4,777              | 35,203            |
| Professional fees                | 183,870                 | 110,332          | 213,285          | 507,487           | 155,960            | 663,447           |
| Property taxes                   | 51                      | 19               | 64               | 134               | 0                  | 134               |
| Rent                             | 14,194                  | 9,746            | 19,568           | 43,508            | 0                  | 43,508            |
| Repairs and maintenance          | 33,998                  | 50,472           | 101,524          | 185,994           | 0                  | 185,994           |
| Travel                           | 1,625                   | 129              | 344              | 2,098             | 944                | 3,042             |
| Office expense                   | 6,986                   | 3,850            | 7,997            | 18,833            | 0                  | 18,833            |
| Food cost                        | 179,995                 | 134,434          | 287,192          | 601,621           | 1,323              | 602,944           |
| Occupancy                        | 199,994                 | 118,364          | 249,626          | 567,984           | 0                  | 567,984           |
| Depreciation                     | 526,368                 | 1,876            | 637,717          | 1,165,961         | 0                  | 1,165,961         |
| <b>Total Functional Expenses</b> | <b>4,086,116</b>        | <b>2,802,287</b> | <b>5,965,203</b> | <b>12,853,606</b> | <b>1,545,764</b>   | <b>14,399,370</b> |

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2020

|                                  | <u>Program Services</u> |                  |                  |                   | <u>Supporting</u>  | <u>Total</u>      |
|----------------------------------|-------------------------|------------------|------------------|-------------------|--------------------|-------------------|
|                                  | <u>High</u>             | <u>Middle</u>    | <u>Primary</u>   | <u>Total</u>      | <u>Services</u>    |                   |
|                                  | <u>School</u>           | <u>School</u>    | <u>School</u>    |                   | <u>Management</u>  |                   |
|                                  |                         |                  |                  |                   | <u>and General</u> |                   |
| Salaries and wages               | 1,846,306               | 1,527,710        | 2,761,264        | 6,135,280         | 819,756            | 6,955,036         |
| Employee benefits                | 324,218                 | 273,811          | 546,318          | 1,144,347         | 117,760            | 1,262,107         |
| Payroll taxes                    | 136,541                 | 112,206          | 208,872          | 457,619           | 61,573             | 519,192           |
| Advertising expense              | 0                       | 0                | 0                | 0                 | 41,863             | 41,863            |
| Bank charges                     | 2                       | 0                | 0                | 2                 | 996                | 998               |
| Information technology           | 6,444                   | 4,115            | 11,049           | 21,608            | 6,142              | 27,750            |
| Insurance                        | 0                       | 0                | 0                | 0                 | 98,278             | 98,278            |
| Interest expense                 | 148,498                 | 0                | 149,473          | 297,971           | 0                  | 297,971           |
| Student transportation           | 9,232                   | 4,969            | 8,361            | 22,562            | 0                  | 22,562            |
| Equipment                        | 0                       | 0                | 441              | 441               | 0                  | 441               |
| Supplies                         | 197,234                 | 131,020          | 164,497          | 492,751           | 24,263             | 517,014           |
| Other                            | 21,590                  | 10,040           | 8,848            | 40,478            | 17,783             | 58,261            |
| Professional fees                | 211,458                 | 147,574          | 225,162          | 584,194           | 237,874            | 822,068           |
| Rent                             | 13,927                  | 10,451           | 19,906           | 44,284            | 0                  | 44,284            |
| Repairs and maintenance          | 58,529                  | 32,333           | 60,390           | 151,252           | 0                  | 151,252           |
| Travel                           | 2,162                   | 164              | 494              | 2,820             | 1,554              | 4,374             |
| Office expense                   | 6,592                   | 4,918            | 11,670           | 23,180            | 0                  | 23,180            |
| Food cost                        | 222,532                 | 165,852          | 331,086          | 719,470           | 2,527              | 721,997           |
| Occupancy                        | 128,502                 | 93,633           | 203,138          | 425,273           | 0                  | 425,273           |
| Depreciation                     | 522,354                 | 1,400            | 654,585          | 1,178,339         | 0                  | 1,178,339         |
| <b>Total Functional Expenses</b> | <b>3,856,121</b>        | <b>2,520,196</b> | <b>5,365,554</b> | <b>11,741,871</b> | <b>1,430,369</b>   | <b>13,172,240</b> |

*The Notes to Financial Statements are an integral part of this statement.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2021 and 2020

|  | <u>2021</u>        | <u>2020</u>      |
|--|--------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                    |                  |
| Change in net assets   | 1,370,921          | 309,901          |
| Adjustments to reconcile change in assets to net cash from operating activities: |                    |                  |
| Depreciation   | 1,165,961          | 1,178,339        |
| Donated property   | 0                  | (10,000)         |
| Loss on disposal of property and equipment                                       | 14,162             | 14,571           |
| Debt forgiveness income  | (1,165,500)        | 0                |
| Adjustments for changes in operating assets and liabilities:                     |                    |                  |
| Accounts receivable  | 77,924             | (25,268)         |
| Grants receivable  | (214,489)          | 123,648          |
| Prepaid expenses   | (16,463)           | 8,540            |
| Inventory  | (2,625)            | 15,834           |
| Accounts payable and other accrued expenses                                      | (35,498)           | (132,285)        |
| Accrued payroll, benefits, and related taxes                                     | 1,592              | (28,742)         |
| Deferred revenue   | (1,437)            | (20,541)         |
| Accrued interest   | 249,455            | 243,251          |
| <b>Net Cash Flows from Operating Activities</b>                                  | <b>1,444,003</b>   | <b>1,677,248</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                    |                  |
| Purchase of property and equipment   | (2,672,817)        | (490,683)        |
| <b>Net Cash Flows used in Investing Activities</b>                               | <b>(2,672,817)</b> | <b>(490,683)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                    |                  |
| Proceeds from the issuance of long-term debt                                     | 3,025,500          | 541,715          |
| Principal payments on long-term debt   | (667,554)          | (825,184)        |
| <b>Net Cash Flows from (used in) Financing Activities</b>                        | <b>2,357,946</b>   | <b>(283,469)</b> |
| <b>INCREASE IN CASH, RESTRICTED CASH, AND CASH EQUIVALENTS</b>                   | <b>1,129,132</b>   | <b>903,096</b>   |
| <b>CASH, RESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>           | <b>1,325,734</b>   | <b>422,638</b>   |
| <b>CASH, RESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                 | <b>2,454,866</b>   | <b>1,325,734</b> |
| <b>SUPPLEMENTARY DISCLOSURE OF CASH FLOWS</b>                                    |                    |                  |
| Interest paid  | 77,149             | 54,720           |

*The Notes to Financial Statements are an integral part of this statement.*

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NATURE OF BUSINESS

Career Academy of South Bend, Inc. (the "School") is a public benefit not-for-profit School incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24. During the years ended June 30, 2021 and 2020, the School was sponsored by Trine University.

Revenues primarily come from resources provided under the Indiana Charter Schools Act (the "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 (the "State") is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A 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.

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting.

The School adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restriction.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. These net assets may be used at the discretion of the School's management and board of directors.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, were by the donor has stipulated the funds be maintained in perpetuity.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at local banks and is insured up to the limits of the FDIC. It is common for cash to exceed insured limits in the ordinary course of business.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### ACCOUNTS RECEIVABLE

Accounts receivable is stated at the amount management expects to collect from outstanding balances and is presented net of the allowance for doubtful accounts. Management has determined that no allowance for doubtful accounts is required at June 30, 2021 or 2020. Factors considered in determining collectibility include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and credit to accounts receivable. Interest is not typically charged on past due accounts.

### GRANTS RECEIVABLE

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

### PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as current support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service. The School reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. There were no donated assets for the year ended June 30, 2021. The School received donated land with an estimated fair market value of \$10,000 during the year ended June 30, 2020.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements, and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss arising from the disposition is reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ended June 30, 2021 and 2020 was \$1,165,961 and \$1,178,339, respectively. Construction in progress of \$61,244 and \$0 was not depreciated as of June 30, 2021 and 2020, respectively.

A summary of the range of lives by asset category is as follows:

|                                |             |
|--------------------------------|-------------|
| Buildings                      | 39 years    |
| Office furniture and equipment | 3 - 7 years |
| Computer hardware and software | 3 years     |

### REVENUE RECOGNITION

Revenues generally come from resources provided 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 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 educational services are rendered.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

A 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.

### CONTRIBUTIONS

The School records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are received. Contributions primarily consist of debt forgiveness by the School's founder.

### DONATED SERVICES AND MATERIALS

In order to recognize donated services as contributions in the School's financial statements the services must require specialized skills, be provided by individuals who possess those skills, and typically need to be purchased if not contributed. In-kind donations on the Statements of Activities represent services received from the founder's attorney.

Material gift-in-kind items used in the School's programs and donated goods distributed are recorded as income and expense at the time the items are received, which is normally also the time they are placed into service or distributed.

### ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the years ended June 30, 2021 and 2020 were \$166,580 and \$41,863, respectively.

### FUNCTIONAL EXPENSES

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities. Costs are directly assigned to program or management and general based on the nature of the cost. There were no fundraising expenditures for the years ended June 30, 2021 or 2020.

### INCOME TAXES

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the School is not a private foundation within the meaning of Section 509(a).

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

The Income Taxes Topic FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. ASC 740 requires an entity to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The entity recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the School has concluded that there are no uncertain tax positions requiring recognition in the financial statements. The evaluation was performed for all federal and state tax periods still subject to examination. The School's 2017 through 2019 federal and state exempt School returns remain subject to examination by the IRS and state taxing authorities.

### CONCENTRATION OF CREDIT RISK

Financial instruments with potential credit risk consists principally of cash and cash equivalents and accounts receivable. Concentration of credit risk with respect to cash and cash equivalents generally relates to deposits held at the bank which may exceed the amount of insurance provided on the deposits and the potential inability to access liquidity in the financial institutions where the cash and cash equivalents are concentrated. The risk is managed as the cash and cash equivalents may be redeemed upon demand and are maintained in a financial institution with reputable credit and, therefore, bear minimal credit risk. Grants receivable potentially subjects the School to a concentration of credit risk. Virtually all of the School's outstanding grants receivable was due from federal grant agencies as of June 30, 2021 and 2020.

### ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

On May 28, 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* and later, various subsequent amendments (collectively "ASC 606"). This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition, including industry-specific guidance. ASC 606 requires that revenue is recognized when a customer obtains control of a good or service, which is when a customer has the ability to direct the use of and obtain benefits of the good or service. The School adopted ASC 606 as of the fiscal year ended June 30, 2021 using the modified retrospective method applied to all contracts not completed as of July 1, 2020. Prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASC 606 did not result in a material change in the accounting for any revenue streams. As such, no cumulative effect adjustment was recorded.

### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

On November 17, 2016, the FASB issued ASU 2016-18, *Restricted Cash (Topic 230)*, which addresses classification and presentation of changes in restricted cash on the Statements of Cash Flows. ASU 2016-18 requires an entity's reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for public business entities for annual periods beginning after December 15, 2017 and interim periods within those fiscal years. It is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 for all other entities. The School adopted ASU 2016-18 for the fiscal year ended June 30, 2020.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard was intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. ASU 2018-08 is effective for resource recipients for annual periods beginning after December 15, 2018. The Organization adopted ASU 2018-08 for the fiscal year ended June 30, 2020.

### NOTE 2 - LIQUIDITY AND AVAILABILITY

The School has working capital of \$3,068,960 and \$2,019,648 and average days cash on hand of 59 and 40 as of June 30, 2021 and 2020, respectively.

The table below represents financial assets available for general expenditures within one year at June 30:

|   | <u>2021</u>      | <u>2020</u>      |
|---|------------------|------------------|
| Cash  | 2,364,866        | 1,325,734        |
| Accounts receivable   | 51,331           | 129,255          |
| Grants receivable   | 1,505,422        | 1,290,933        |
| <b>Financial assets available to meet general expenditures within one year:</b> | <b>3,921,619</b> | <b>2,745,922</b> |

The School does not have any restricted net assets. The School's founder periodically provides financial support to the School as necessary.

### NOTE 3 - RECONCILIATION OF CASH

Cash and restricted cash consist of the following at June 30:

|   | <u>2021</u>      | <u>2020</u>      |
|---|------------------|------------------|
| Cash  | 2,364,866        | 1,325,734        |
| Restricted cash:  |                  |                  |
| Escrowed cash   | 90,000           | 0                |
| <b>Total cash and restricted cash shown in the Statements of Cash Flows</b> | <b>2,454,866</b> | <b>1,325,734</b> |

### NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following at June 30:

|   | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Unsecured note payable to The Garatoni-Smith Family Foundation, maturing on July 31, 2025, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum. | 15,917,937  | 15,759,616  |

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

|  | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Note payable to Larry Garatoni, maturing on July 31, 2025, at which time the principal amount of the note is due along with interest capitalizing at 1% interest per annum. The note is subordinate to the note to the City of South Bend due September 2030. The note is secured by substantially all assets of the School with the exception of the technology assets that were financed by the note to the City of South Bend as described below.   | 8,754,915   | 8,666,642   |
| Note payable to Crescent Michiana Properties, LLC, in monthly installments of \$8,520, including interest at 7.25% per annum through December 2021. The note is secured by land and building property and is guaranteed by the Garatoni Family Foundation. The note was paid off in October 2021, prior to its scheduled maturity date.  | 33,571      | 129,564     |
| Unsecured note payable to the Indiana Common School Fund in the original amount of \$2,754,301, bearing interest at a rate of 1% per annum through December 2026, at which time the note must have been paid in full. Payments are made by deductions from any monies due to the School as its distributive share from State Tuition Support.  | 1,509,854   | 1,784,384   |
| An interest free note payable to the City of South Bend in the original amount of \$715,000. The note is payable in annual installments of \$20,000 through 2023, \$25,000 through 2025, \$30,000 through 2027, and \$40,000 through 2030, with a balloon payment of \$365,000 in February 2031. The note is guaranteed by the Garatoni-Smith Family Foundation.   | 635,000     | 655,000     |
| Note payable to the City of South Bend in the amount of \$357,444 payable in monthly installments of \$2,942, including interest at 4%. The note also requires an annual service fee in the amount of 0.005% of the outstanding principal balance at the end of each twelve month period. The note matures in September 2030 and is secured by technology equipment and related technology infrastructure purchased with the proceeds of the note. The note is subject to various positive and negative covenants with which the School is in compliance at June 30, 2021. | 272,599     | 296,480     |
| Note payable to Providence Capital Network, LLC in the original amount of \$200,000. The note was payable in annual installments of \$54,993, including interest charged at 3.98% through July 2020. The note was secured by technology equipment purchased with the proceeds of the note. The note was paid in full at maturity.  | 0           | 231,281     |
| Unsecured note payable to The Garatoni-Smith Family Foundation in the original amount of \$1,860,000. The note is payable in monthly installments of \$28,260, including interest charged at 3% through December 2026.   | 1,717,450   | 0           |

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

|  | <u>2021</u>       | <u>2020</u>       |
|--|-------------------|-------------------|
| Note payable to Providence Capital Network, LLC in the original amount of \$241,715. The note is payable in annual installments of \$66,233, including interest charged at 6.48% through July 2022. The note is secured by technology equipment purchased with the proceeds of the note. | 120,620           | 0                 |
| <b>Total</b>   | <b>28,961,946</b> | <b>27,522,967</b> |
| <b>Current portion of long-term debt</b>   | <b>702,960</b>    | <b>525,066</b>    |
| <b>Net long-term debt</b>  | <b>28,258,986</b> | <b>26,997,901</b> |

Long-term debt, less current portion, is scheduled to mature as follows for the years ending June 30:

|              |                   |
|--------------|-------------------|
| 2023         | 683,056           |
| 2024         | 633,296           |
| 2025         | 646,559           |
| 2026         | 26,296,075        |
| <b>Total</b> | <b>28,258,986</b> |

Interest expense for the years ended June 30, 2021 and 2020 was \$326,604 and \$297,971, including \$246,595 and \$244,624 that is aggregated into the notes due to the Garatoni Family Foundation and Larry Garatoni at June 30, 2021 and 2020, respectively.

### NOTE 5 - PAYCHECK PROTECTION PROGRAM ("PPP") LOAN

In August 2020, the School entered into a loan PPP loan with a local bank evidencing an unsecured promissory note in the amount of \$1,165,500 pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Subject to the terms of the PPP Note, the PPP loan bears interest at a fixed rate of 1% per year, with the first ten months of interest deferred, and payable over a term of two years. The loan is unsecured and guaranteed by the Small Business Administration ("SBA").

The loan may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, and also interest payments on any debt obligation that were entered into before February 15, 2020. PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for allowable costs.

The School elected the FASB ASC 958-605 accounting model for the PPP loan. Under this model, the loan is treated as a conditional contribution and revenue recognition occurs at the time the conditions are substantially met. The Organization had substantially met the conditions for forgiveness of the loan as of June 30, 2021. Therefore, the School has recognized debt forgiveness income in the amount of \$1,165,500 which is reflected in Other income on the Statement of Activities for the year ended June 30, 2021. The PPP loan was forgiven in full by the SBA on October 29, 2021.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 6 - OPERATING LEASES

The School leases certain items of equipment under operating leases. The School entered into an equipment lease with an unrelated third party in August 2019 requiring monthly payments of \$1,910 through July 2024. Lease expense under operating lease was \$22,914 and \$21,005 for each of the years ended June 30, 2021 and 2020, respectively.

### NOTE 7 - RELATED PARTY TRANSACTIONS

The Garatoni-Smith Family Foundation and Larry Garatoni, individually periodically provide financing to the School. Larry Garatoni is the President of the School's Board of Directors and the Chief Executive Officer of the investment company which manages the investments of The Garatoni-Smith Family Foundation.

### NOTE 8 - RETIREMENT PLANS

The School's certified employees are covered by the Indiana State Teacher's Retirement Fund ("TRF"), which is a multiple employer defined benefit retirement plan governed by the State of Indiana and administrated by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Employees are eligible as of their hire date. The School made contributions of 5.5% of employee gross wages to the fund for the years ended June 30, 2021 and June 30, 2020. If the School withdrew from TRF, the School could receive a withdrawal fee. The School's contributions are an insignificant percentage of the total contributions received by TRF.

Alternatively, employees can opt to participate in a section 401(k) retirement plan offered through Freedom Retirement Plan Consultants, Inc. in lieu of participating in TRF. The School contributed 7.5% of compensation to the 401(k) plan through December 2019, at which time the School also reduced the 401(k) contribution to 5.5%. The contribution percentage remained 5.5% for the year ended June 30, 2021.

Substantially all full-time employees are eligible to participate in either plan. Retirement expense under both plans was \$176,931 and \$348,493 for the years ended June 30, 2021 and June 30, 2020, respectively. The current year expense is net of redistributed forfeitures of approximately \$190,000.

### NOTE 9 - LEGAL AND OTHER CONTINGENCIES

The School is subject to various legal proceeding and claims that arise in the ordinary course of business. In accordance with GAAP, the School records a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. There is significant judgment required in both the probability determinations and as to whether an exposure can be reasonably estimated. In management's opinion, the School does not have a potential liability related to any current legal proceeding and claims that would individually or in aggregate materially adversely affect financial conditions or operating results. However, the outcomes of legal proceedings and claims brought against the School are subject to significant uncertainty. Should the School fail to prevail in any of these legal matters, or should several of these legal matters be resolved against the School in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

In the normal course of operations, the School receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Included in the School's Statements of Financial Position are costs of property and equipment obtained with federal funds. Consequently, there is a continuing federal interest in the related property and equipment. The property and equipment may not (1) be used for any purpose inconsistent with the statute and any program regulations governing the award under which the property and equipment was acquired; (2) mortgaged or otherwise used as collateral without written permission; or (3) sold or transferred to another party without written permission. The cost of property and equipment obtained with federal funds included in the Statements of Financial Position was and \$566,954 and \$235,676 at June 30, 2021 and 2020, respectively.

### NOTE 10 - COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of Coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School’s financial condition, liquidity, and future results of operations. The School was required to cease on-site learning in March 2020 and operated e-learning classes based on requirements of state and local government agencies. The school returned to on-site learning in October 2020 and continues to use e-learning when necessary. Management is actively monitoring the global situation and the impact on its financial condition, liquidity, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the fiscal year ending June 30, 2022.

Although the School cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the School's results of future operations, financial position, and liquidity for the fiscal year ending June 30, 2022.

### NOTE 11 - SUBSEQUENT EVENTS

The School has evaluated subsequent events through May 11, 2022, the date the financial statements were available to be issued. No events or transactions occurred in the mandatory evaluation period requiring recognition or disclosure in the financial statements.



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

We have audited the financial statements of Career Academy of South Bend, Inc. as of and for the years ended June 30, 2021 and 2020, and have issued our report thereon dated May 11, 2022, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information is presented for purposes 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 additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel, Lawton &amp; Company LLC'.

Certified Public Accountants

Elkhart, Indiana  
May 11, 2022

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FINANCIAL POSITION BY DIVISION**

June 30, 2021

(with comparative totals at June 30, 2020)

(See Independent Auditor's Report on Supplementary Information)

| <u>ASSETS</u>                            | <u>High<br/>School</u> | <u>Middle<br/>School</u> | <u>Primary<br/>School</u> | <u>Central<br/>Office</u> | <u>Eliminations</u> | <u>2021</u>       | <u>2020</u>       |
|--|------------------------|--------------------------|---------------------------|---------------------------|---------------------|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                    |                        |                          |                           |                           |                     |                   |                   |
| Cash                                     | (1,281,580)            | 3,781,172                | 5,499,558                 | (5,634,284)               | 0                   | 2,364,866         | 1,325,734         |
| Accounts receivable                      | 12,278                 | 8,447                    | 11,713                    | 18,893                    | 0                   | 51,331            | 129,255           |
| Grants receivable                        | 320,029                | 370,321                  | 815,072                   | 0                         | 0                   | 1,505,422         | 1,290,933         |
| Prepaid expenses                         | 27,615                 | 15,964                   | 30,728                    | 8,966                     | 0                   | 83,273            | 66,810            |
| Inventory                                | 1,519                  | 2,480                    | 2,783                     | 0                         | 0                   | 6,782             | 4,157             |
| <b>Total Current Assets</b>              | <b>(920,139)</b>       | <b>4,178,384</b>         | <b>6,359,854</b>          | <b>(5,606,425)</b>        | <b>0</b>            | <b>4,011,674</b>  | <b>2,816,889</b>  |
| <b>PROPERTY AND EQUIPMENT</b>            |                        |                          |                           |                           |                     |                   |                   |
| Land                                     | 243,200                | 0                        | 143,000                   | 0                         | 0                   | 386,200           | 386,200           |
| Buildings                                | 14,548,784             | 11,016                   | 13,780,938                | 0                         | 0                   | 28,340,738        | 26,024,701        |
| Office furniture, equipment and vehicles | 1,846,480              | 11,158                   | 1,372,829                 | 0                         | 0                   | 3,230,467         | 3,035,841         |
| Computers and software                   | 933,646                | 0                        | 1,171,450                 | 0                         | 0                   | 2,105,096         | 2,031,532         |
| Construction in progress                 | 61,244                 | 0                        | 0                         | 0                         | 0                   | 61,244            | 0                 |
| <b>Total</b>                             | <b>17,633,354</b>      | <b>22,174</b>            | <b>16,468,217</b>         | <b>0</b>                  | <b>0</b>            | <b>34,123,745</b> | <b>31,478,274</b> |
| Accumulated depreciation                 | 5,205,266              | 5,269                    | 4,202,616                 | 0                         | 0                   | 9,413,151         | 8,260,374         |
| <b>Net Property and Equipment</b>        | <b>12,428,088</b>      | <b>16,905</b>            | <b>12,265,601</b>         | <b>0</b>                  | <b>0</b>            | <b>24,710,594</b> | <b>23,217,900</b> |
| Escrowed cash                            | 30,000                 | 30,000                   | 30,000                    | 0                         | 0                   | 90,000            | 0                 |
| <b>Total Other Assets</b>                | <b>30,000</b>          | <b>30,000</b>            | <b>30,000</b>             | <b>0</b>                  | <b>0</b>            | <b>90,000</b>     | <b>0</b>          |
| <b>TOTAL ASSETS</b>                      | <b>11,537,949</b>      | <b>4,225,289</b>         | <b>18,655,455</b>         | <b>(5,606,425)</b>        | <b>0</b>            | <b>28,812,268</b> | <b>26,034,789</b> |

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF FINANCIAL POSITION BY DIVISION**

June 30, 2021

(with comparative totals at June 30, 2020)

(See Independent Auditor's Report on Supplementary Information)

|  | <u>High<br/>School</u> | <u>Middle<br/>School</u> | <u>Primary<br/>School</u> | <u>Central<br/>Office</u> | <u>Eliminations</u> | <u>2021</u>       | <u>2020</u>       |
|--|------------------------|--------------------------|---------------------------|---------------------------|---------------------|-------------------|-------------------|
| <u>LIABILITIES AND NET ASSETS</u>            |                        |                          |                           |                           |                     |                   |                   |
| CURRENT LIABILITIES                          |                        |                          |                           |                           |                     |                   |                   |
| Current portion of long-term debt            | 325,158                | 0                        | 377,802                   | 0                         | 0                   | 702,960           | 525,066           |
| Accounts payable and other accrued expenses  | 106,551                | 31,171                   | 58,385                    | 29,867                    | 0                   | 225,974           | 261,472           |
| Accrued payroll, benefits, and related taxes | 228                    | 0                        | 0                         | 1,646                     | 0                   | 1,874             | 282               |
| Deferred revenue                             | 0                      | 0                        | 0                         | 0                         | 0                   | 0                 | 1,437             |
| Accrued interest                             | 4,294                  | 0                        | 7,612                     | 0                         | 0                   | 11,906            | 8,984             |
| <b>Total Current Liabilities</b>             | <b>436,231</b>         | <b>31,171</b>            | <b>443,799</b>            | <b>31,513</b>             | <b>0</b>            | <b>942,714</b>    | <b>797,241</b>    |
| LONG-TERM LIABILITIES                        |                        |                          |                           |                           |                     |                   |                   |
| Long-term debt                               | 14,056,269             | 0                        | 14,202,717                | 0                         | 0                   | 28,258,986        | 26,997,901        |
| <b>Total Long-Term Liabilities</b>           | <b>14,056,269</b>      | <b>0</b>                 | <b>14,202,717</b>         | <b>0</b>                  | <b>0</b>            | <b>28,258,986</b> | <b>26,997,901</b> |
| <b>TOTAL LIABILITIES</b>                     | <b>14,492,500</b>      | <b>31,171</b>            | <b>14,646,516</b>         | <b>31,513</b>             | <b>0</b>            | <b>29,201,700</b> | <b>27,795,142</b> |
| UNRESTRICTED NET ASSETS                      |                        |                          |                           |                           |                     |                   |                   |
| Total Net Assets                             | (2,954,551)            | 4,194,118                | 4,008,939                 | (5,637,938)               | 0                   | (389,432)         | (1,760,353)       |
| <b>TOTAL LIABILITIES<br/>AND NET ASSETS</b>  | <b>11,537,949</b>      | <b>4,225,289</b>         | <b>18,655,455</b>         | <b>(5,606,425)</b>        | <b>0</b>            | <b>28,812,268</b> | <b>26,034,789</b> |

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF ACTIVITIES BY DIVISION**

For the Year Ended June 30, 2021 (with comparative totals for the Year Ended June 30, 2020)

(See Independent Auditor's Report on Supplementary Information)

|                               | <u>High<br/>School</u> | <u>Middle<br/>School</u> | <u>Primary<br/>School</u> | <u>Central<br/>Office</u> | <u>Eliminations</u> | <u>2021<br/>Amount</u> | <u>2020<br/>Amount</u> |
|-------------------------------|------------------------|--------------------------|---------------------------|---------------------------|---------------------|------------------------|------------------------|
| REVENUES:                     |                        |                          |                           |                           |                     |                        |                        |
| Federal grants                | 813,652                | 537,073                  | 1,128,278                 | 0                         | 0                   | 2,479,003              | 1,751,179              |
| Non-federal grants            | 26,500                 | 0                        | 0                         | 0                         | 0                   | 26,500                 | 23,909                 |
| State education support       | 3,387,133              | 3,160,310                | 5,315,198                 | 0                         | 0                   | 11,862,641             | 11,396,248             |
| Contributions                 | 10,222                 | 0                        | 0                         | 0                         | 0                   | 10,222                 | 16,505                 |
| Other income                  | 378,895                | 253,933                  | 463,650                   | 1,676,049                 | (1,528,540)         | 1,243,987              | 41,467                 |
| Heroes Hangout                | 0                      | 0                        | 3,255                     | 0                         | 0                   | 3,255                  | 48,242                 |
| Student fees                  | 87,129                 | 25,942                   | 17,012                    | 0                         | 0                   | 130,083                | 190,991                |
| In-kind donations             |                        | 0                        | 0                         | 14,600                    | 0                   | 14,600                 | 13,600                 |
| <b>Total Revenues</b>         | <b>4,703,531</b>       | <b>3,977,258</b>         | <b>6,927,393</b>          | <b>1,690,649</b>          | <b>(1,528,540)</b>  | <b>15,770,291</b>      | <b>13,482,141</b>      |
| <b>EXPENSES</b>               | <b>4,595,629</b>       | <b>3,311,800</b>         | <b>6,474,717</b>          | <b>1,545,764</b>          | <b>(1,528,540)</b>  | <b>14,399,370</b>      | <b>13,172,240</b>      |
| CHANGE IN NET ASSETS          | 107,902                | 665,458                  | 452,676                   | 144,885                   | 0                   | 1,370,921              | 309,901                |
| NET ASSETS, BEGINNING OF YEAR | (3,062,453)            | 3,528,660                | 3,556,263                 | (5,782,823)               | 0                   | (1,760,353)            | (2,070,254)            |
| NET ASSETS, END OF YEAR       | (2,954,551)            | 4,194,118                | 4,008,939                 | (5,637,938)               | 0                   | (389,432)              | (1,760,353)            |

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**STATEMENT OF EXPENSES BY DIVISION**

For the Year Ended June 30, 2021 (with comparative totals for the Year Ended June 30, 2020)

(See Independent Auditor's Report on Supplementary Information)

|                         | <u>High<br/>School</u> | <u>Middle<br/>School</u> | <u>Primary<br/>School</u> | <u>Central<br/>Office</u> | <u>Eliminations</u> | <u>2021<br/>Amount</u> | <u>2020<br/>Amount</u> |
|-------------------------|------------------------|--------------------------|---------------------------|---------------------------|---------------------|------------------------|------------------------|
| Salaries and wages      | 1,928,805              | 1,648,478                | 2,869,032                 | 909,287                   | 0                   | 7,355,602              | 6,955,036              |
| Employee benefits       | 279,717                | 304,470                  | 503,309                   | 90,857                    | 0                   | 1,178,353              | 1,262,107              |
| Payroll taxes           | 152,482                | 123,218                  | 222,314                   | 70,722                    | 0                   | 568,736                | 519,192                |
| Advertising expense     | 0                      | 0                        | 0                         | 166,580                   | 0                   | 166,580                | 41,863                 |
| Bank charges            | 0                      | 0                        | 0                         | 842                       | 0                   | 842                    | 998                    |
| Information technology  | 7,389                  | 2,821                    | 9,245                     | 5,859                     | 0                   | 25,314                 | 27,750                 |
| Insurance               | 0                      | 0                        | 0                         | 83,360                    | 0                   | 83,360                 | 98,278                 |
| Interest expense        | 168,248                | 0                        | 158,356                   | 0                         | 0                   | 326,604                | 297,971                |
| Student transportation  | 4,062                  | 2,736                    | 5,437                     | 0                         | 0                   | 12,235                 | 22,562                 |
| Equipment               | 0                      | 0                        | 0                         | 0                         | 0                   | 0                      | 441                    |
| Supplies                | 383,183                | 286,847                  | 669,411                   | 55,253                    | 0                   | 1,394,694              | 517,014                |
| Other                   | 15,149                 | 4,495                    | 10,782                    | 4,777                     | 0                   | 35,203                 | 58,261                 |
| Professional fees       | 693,383                | 619,845                  | 722,799                   | 155,960                   | (1,528,540)         | 663,447                | 822,068                |
| Property taxes          | 51                     | 19                       | 64                        | 0                         | 0                   | 134                    | 0                      |
| Rent                    | 14,194                 | 9,746                    | 19,568                    | 0                         | 0                   | 43,508                 | 44,284                 |
| Repairs and maintenance | 33,998                 | 50,472                   | 101,524                   | 0                         | 0                   | 185,994                | 151,252                |
| Travel                  | 1,625                  | 129                      | 344                       | 944                       | 0                   | 3,042                  | 4,374                  |
| Office expense          | 6,986                  | 3,850                    | 7,997                     | 0                         | 0                   | 18,833                 | 23,180                 |
| Food cost               | 179,995                | 134,434                  | 287,192                   | 1,323                     | 0                   | 602,944                | 721,997                |
| Occupancy               | 199,994                | 118,364                  | 249,626                   | 0                         | 0                   | 567,984                | 425,273                |
| Depreciation            | 526,368                | 1,876                    | 637,717                   | 0                         | 0                   | 1,165,961              | 1,178,339              |
| <b>Total Expenses</b>   | <b>4,595,629</b>       | <b>3,311,800</b>         | <b>6,474,717</b>          | <b>1,545,764</b>          | <b>(1,528,540)</b>  | <b>14,399,370</b>      | <b>13,172,240</b>      |

## FEDERAL AWARDS

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2021

| <b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>  | <b>Assistance Listing Number</b> | <b>Pass Through Entity Identifying Number</b> | <b>Total Federal Expenditures</b> | <b>Expenditures to Subrecipients</b> |
|---|----------------------------------|---|-----------------------------------|--------------------------------------|
| <b>Department of Agriculture</b>  |                                  |   |                                   |                                      |
| <b>Passed-through the Indiana Department of Education</b>   |                                  |   |                                   |                                      |
| <b>Child Nutrition Cluster</b>  |                                  |   |                                   |                                      |
| COVID-19 School Breakfast Program   | 10.553                           | K397  | 9,480                             | 0                                    |
| COVID-19 National School Lunch Program  | 10.555                           | K397  | 15,186                            | 0                                    |
| After School Hours Snack Program  | 10.555                           | K397  | 19,109                            | 0                                    |
| Total National School Lunch Program   |                                  |   | 34,295                            | 0                                    |
| COVID-19 Summer Food Service Program  | 10.559                           | K397  | 447,523                           | 0                                    |
| COVID-19 Summer Food Service Program  | 10.559                           | K397  | 11,407                            | 0                                    |
| Total Summer Food Service Program for Children  |                                  |   | 458,930                           | 0                                    |
| Total Child Nutrition Cluster   |                                  |   | 502,705                           | 0                                    |
| <b>Child and Adult Care Food Program</b>  |                                  |   |                                   |                                      |
| Child and Adult Care Food Program   | 10.558                           | K397  | 120,457                           | 0                                    |
| Total Child and Adult Care Food Program   |                                  |   | 120,457                           | 0                                    |
| <b>Total Department of Agriculture</b>  |                                  |   | <b>623,162</b>                    | <b>0</b>                             |
| <b>Department of Education</b>  |                                  |   |                                   |                                      |
| <b>Passed-through the Indiana Department of Education</b>   |                                  |   |                                   |                                      |
| <b>Title I, Part A</b>  |                                  |   |                                   |                                      |
| Title I Grants to Local Educational Agencies  | 84.010                           | S010A190014                                   | 11,667                            | 0                                    |
| Title I Grants to Local Educational Agencies  | 84.010                           | S010A190014                                   | 13,012                            | 0                                    |
| Title I Grants to Local Educational Agencies  | 84.010                           | S010A200014                                   | 149,814                           | 0                                    |
| Title I Grants to Local Educational Agencies  | 84.010                           | S010A200014                                   | 101,176                           | 0                                    |
| Title I Grants to Local Educational Agencies  | 84.010                           | S010A200014                                   | 324,015                           | 0                                    |
| Total Title I, Part A   |                                  |   | 599,684                           | 0                                    |
| <b>Title II, Part A Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)</b> |                                  |   |                                   |                                      |
| Title II, Part A Supporting Effective Instruction State Grants  | 84.367A                          | S367A180013                                   | 28,482                            | 0                                    |
| Title II, Part A Supporting Effective Instruction State Grants  | 84.367A                          | S367A180013                                   | 1,047                             | 0                                    |
| Title II, Part A Supporting Effective Instruction State Grants  | 84.367A                          | S367A180013                                   | 5,441                             | 0                                    |
| Title II, Part A Supporting Effective Instruction State Grants  | 84.367A                          | S367A190013                                   | 11,008                            | 0                                    |
| Title II, Part A Supporting Effective Instruction State Grants  | 84.367A                          | S367A190013                                   | 1,707                             | 0                                    |
| Title II, Part A Supporting Effective Instruction State Grants  | 84.367A                          | S367A190013                                   | 7,556                             | 0                                    |
| Total Title II, Part A  |                                  |   | 55,241                            | 0                                    |
| <b>Title IV, Part A Student Support and Academic Enrichment Program</b>   |                                  |   |                                   |                                      |
| Student Support and Academic Enrichment Program   | 84.424                           | S424A190015                                   | 2,239                             | 0                                    |
| Student Support and Academic Enrichment Program   | 84.424                           | S424A190015                                   | 9,256                             | 0                                    |
| Student Support and Academic Enrichment Program   | 84.424                           | S424A200015                                   | 13,066                            | 0                                    |
| Student Support and Academic Enrichment Program   | 84.424                           | S424A200015                                   | 10,828                            | 0                                    |
| Student Support and Academic Enrichment Program   | 84.424                           | S424A200015                                   | 10,000                            | 0                                    |
| Total Title IV, Part A  |                                  |   | 45,389                            | 0                                    |

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

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**CAREER ACADEMY OF SOUTH BEND, INC.**South Bend, Indiana

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**For the Year Ended June 30, 2021

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| <b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>                             | <b>Assistance Listing Number</b> | <b>Pass Through Entity Identifying Number</b> | <b>Total Federal Expenditures</b> | <b>Expenditures to Subrecipients</b> |
|--|----------------------------------|---|-----------------------------------|--------------------------------------|
| <b>Department of Education (Continued)</b>   |                                  |   |                                   |                                      |
| <b>Passed-through the Indiana Department of Education</b>  |                                  |   |                                   |                                      |
| <b>Special Education Cluster (IDEA)</b>  |                                  |   |                                   |                                      |
| Special Education-Grants to States, (IDEA, Part B)   | 84.027                           | 21611-544-PN01                                | 141,361                           | 0                                    |
| Special Education-Grants to States, (IDEA, Part B)   | 84.027                           | 21611-544-PN01                                | 102,815                           | 0                                    |
| Special Education-Grants to States, (IDEA, Part B)   | 84.027                           | 21611-544-PN01                                | 70,905                            | 0                                    |
| Total Special Education-Grants to States (IDEA, Part B)  |                                  |   | 315,081                           | 0                                    |
| Special Education-Preschool Grants (IDEA, Preschool)   | 84.173                           | 21619-544-PN01                                | 4,610                             | 0                                    |
| Total Special Education-Grants to States (IDEA, Part B)  |                                  |   | 319,691                           | 0                                    |
| <b>Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act</b> |                                  |   |                                   |                                      |
| COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund                             | 84.425D                          | S425D200013                                   | 212,572                           | 0                                    |
| COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund                             | 84.425D                          | S425D200013                                   | 60,659                            | 0                                    |
| COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund                             | 84.425D                          | S425D200013                                   | 79,805                            | 0                                    |
| Total COVID-19 Elementary & Secondary School Emergency Relief (ESSER) Fund                       |                                  |   | 353,036                           | 0                                    |
| COVID-19 Governor's Emergency Education Relief (GEER) Fund                                       | 84.425C                          | S425C200018                                   | 92,029                            | 0                                    |
| COVID-19 Governor's Emergency Education Relief (GEER) Fund                                       | 84.425C                          | S425C200018                                   | 38,200                            | 0                                    |
| COVID-19 Governor's Emergency Education Relief (GEER) Fund                                       | 84.425C                          | S425C200018                                   | 38,200                            | 0                                    |
| Total COVID-19 Governor's Emergency Education Relief (GEER) Fund                                 |                                  |   | 168,429                           | 0                                    |
| Total Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act  |                                  |   | 521,465                           | 0                                    |
| <b>State Charter Schools</b>   |                                  |   |                                   |                                      |
| State Charter School Facilities Incentive Grants   | 84.282D                          | S282D190002                                   | 289,310                           | 0                                    |
| Total State Charter School Facilities Incentive Grants   |                                  |   | 289,310                           | 0                                    |
| <b>Total Department of Education</b>   |                                  |   | <b>1,830,780</b>                  | <b>0</b>                             |
| <b>Department of Health and Human Services</b>   |                                  |   |                                   |                                      |
| <b>Passed through Indiana Family and Social Services</b>   |                                  |   |                                   |                                      |
| <b>Medicaid Cluster</b>  |                                  |   |                                   |                                      |
| Medical Assistance Program (Medicaid; Title XIX)   | 93.778                           | 1487048005                                    | 11,306                            | 0                                    |
| Medical Assistance Program (Medicaid; Title XIX)   | 93.778                           | 1487048005                                    | 7,255                             | 0                                    |
| Medical Assistance Program (Medicaid; Title XIX)   | 93.778                           | 1487048005                                    | 6,500                             | 0                                    |
| Total Medical Assistance Program   |                                  |   | 25,061                            | 0                                    |
| Total Medicaid Cluster   |                                  |   | 25,061                            | 0                                    |
| <b>Total Department of Health and Human Services</b>   |                                  |   | <b>25,061</b>                     | <b>0</b>                             |
| <b>Total Expenditures of Federal Awards</b>  |                                  |   | <b>2,479,003</b>                  |                                      |

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## NOTES TO 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 ("Schedule") includes the federal award activity of Career Academy of South Bend, Inc. (the "School") under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following costs 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 allocable or are limited as to reimbursement.
2. The School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

### NOTE 3 - NONCASH AWARDS

The accompanying Schedule includes federal awards under the Child Nutrition Cluster in the amount of \$11,407 that represent food commodities received through the Indiana Department of Education from the US Department of Agriculture.

ADDITIONAL REQUIRED REPORTS AND  
INFORMATION



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*

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, 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 Career Academy of South Bend, Inc. (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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 May 11, 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.

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001.

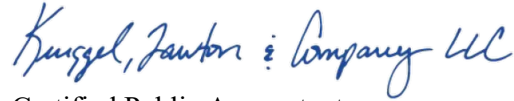
## **The School's Response to Findings**

The School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

Respectfully submitted,



Certified Public Accountants

Elkhart, Indiana  
May 11, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Career Academy of South Bend, Inc.  
South Bend, Indiana

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

We have audited Career Academy of South Bend, Inc.'s (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2021. The School's major federal programs are identified in the summary of auditor's 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 each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

### ***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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

The School's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that will not be identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-002, that we consider to be a material weakness.

The School's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Respectfully submitted,

*Kuegel, Fawcett & Company LLC*  
Certified Public Accountants

Elkhart, Indiana  
May 11, 2022

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**For the Year Ended June 30, 2021

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? Yes

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiencies identified? 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 section 200.516(a)? Yes

Identification of major programs:

| Assistance Listing Number(s) | Name of Federal Program or Cluster |
|------------------------------|------------------------------------|
|------------------------------|------------------------------------|

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|        |                                       |
|--------|---------------------------------------|
| 84.425 | COVID-19 Education Stabilization Fund |
|--------|---------------------------------------|

|                                |                         |
|--------------------------------|-------------------------|
| 10.553, 10.555, 10.556, 10.559 | Child Nutrition Cluster |
|--------------------------------|-------------------------|

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

Auditee qualified as low-risk auditee? No

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

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### Section II - Financial Statement Findings

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#### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2021-001                      UNIFORM COMPLIANCE GUIDELINES - STATE BOARD OF ACCOUNTS

*Condition:*                      The School is out of compliance with uniform compliance requirements established by the Indiana State Board of Accounts.

*Criteria:*                        The School is required to comply with the uniform compliance guidelines established by the Indiana State Board of Accounts under Ind. Code § 5-11-1-24.

*Cause:*                            The School was inattentive to the compliance guidelines mentioned above.

*Effect:*                            The School is not in Compliance with guidelines for charter schools which could cause issues with the School's charters.

*Recommendation:*            The School should implement controls in order to comply with the Uniform Compliance Guidelines set forth by the Indiana State Board of Accounts.

*Identification of repeat findings:*    This finding is a repeat finding previously included as finding number 2020-001 in the audit of the financial statements for the year ended June 30, 2020.

*View of Responsible Officials and Planned Corrective Actions:*    Management agrees with the finding and will begin implementing policies and procedures to comply with the uniform compliance requirements established by the State Board of Accounts.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

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### Section III - Federal Award Findings and Questioned Costs

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#### MATERIAL WEAKNESS

2021-002 WRITTEN FEDERAL PROCEDURES

*Federal Agency:* Department of Agriculture, Department of Education

*Federal Program or Cluster:* Child Nutrition Cluster  
Education Stabilization Fund

*CFDA Number:* 10.553, 10.555, 10.559, 84.425

*Federal Award Numbers and Years* Award Period 10/1/2020-9/30/21, 7/1/2020-6/30/21: K397  
Award Periods 3/13/20-9/30/22: S425C200018 and S425D200013

*Condition:* The School's accounting and procedures manual did not include written policies or procedures that address all applicable compliance areas under the Uniform Guidance; for instance, cash management, allowable costs, and period of performance.

*Criteria:* The School must establish and maintain effective internal controls over Federal awards that provide reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

*Cause:* The School was inattentive to all of the requirements in the Uniform Guidance.

*Effect:* The absence of documented policies and procedures could result in noncompliance with the terms of federal awards.

*Recommendation:* The School should document and adhere to written policies and procedures that reflect current OMB requirements under the Uniform Guidance. This accounting and procedures manual should be monitored and revised annually as necessary.

*Identification of repeat findings:* This finding is a repeat finding previously included as finding number 2020-002 in the audit of the financial statements for the year ended June 30, 2020.

*View of Responsible Officials and Planned Corrective Actions:* Management agrees with the finding. The necessary written documentation to comply with the Uniform Guidance will be prepared by June 30, 2022.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

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### Section III - Federal Award Findings and Questioned Costs

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#### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2021-003 CASH MANAGEMENT

*Federal Agency:* Department of Agriculture

*Federal Program or Cluster:* Child Nutrition Cluster

*CFDA Number:* 10.553, 10.555, 10.559

*Federal Award Numbers and Years* Award Period 10/1/2020-9/30/21, 7/1/2020-6/30/21: K397

*Condition:* The School's food service account balance exceeded the allowable average three months of operating expenses at June 30, 2021.

*Criteria:* The USDA requires that the ending balance of the nonprofit school food service account does not exceed three months' average of operating expenses. If an excess fund balance should occur, the School Food Authority ("SFA") will be required to develop a spending plan for reducing the balance to an acceptable level during the following school year. The plan must be submitted to the Indiana Department of Education, School Finance Division, prior to approval of the Annual Financial Report ("AFR"), Form 9.

*Cause:* During the 2021 fiscal year, the School's revenues exceeded expenditures, such that, when added to the opening fund balance, the final fund balance caused the fund to be in non-compliance.

*Effect:* The School's Annual Financial Report could not be approved until a spending plan was provided to the Indiana Department of Education.

*Recommendation:* Review the school's food service account regularly to avoid excess cash balances.

*Identification of repeat findings:* This finding is a repeat finding previously included as finding number 2020-003 in the audit of the financial statements for the year ended June 30, 2020.

*View of Responsible Officials and Planned Corrective Actions:* The School has already reviewed the circumstances surrounding this occurrence and is cognizant of the corrective action.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2021

### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2020-001 UNIFORM COMPLIANCE GUIDELINES - STATE BOARD OF ACCOUNTS

*Condition:* The School is out of compliance with uniform compliance requirements established by the Indiana State Board of Accounts.

*Recommendation:* The School should implement controls in order to comply with the Uniform Compliance Guidelines set forth by the Indiana State Board of Accounts.

*Current Status:* Management has begun implementing policies and procedures to comply with the uniform compliance requirements established by the State Board of Accounts and will continue to work toward total compliance.

### MATERIAL WEAKNESS

2020-002 WRITTEN FEDERAL PROCEDURES

*Federal Agency:* Department of Education

*Federal Program or Cluster:* Child Nutrition Cluster  
Title I Grants to Local Educational Agencies

*CFDA Number:* 10.553, 10.555, 84.010

*Federal Award Numbers and year:* Award Period 7/1/2019-6/30/2020: K397  
Award Periods 7/1/2018-6/30/2019 and 7/1/2019-6/30/2020: S010A180014,  
18611-001-PN01

*Condition:* The School's accounting and procedures manual did not include written policies or procedures that address all applicable compliance areas under the Uniform Guidance; for instance, cash management, allowable costs, and period of performance.

*Recommendation:* The School should document and adhere to written policies and procedures that reflect current OMB requirements under the Uniform Guidance. This accounting and procedures manual should be monitored and revised annually as necessary.

*Current Status:* The School is still working on establishing comprehensive internal control documentation over federal programs.

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# CAREER ACADEMY OF SOUTH BEND, INC.

South Bend, Indiana

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2021

### NONCOMPLIANCE WITH LAWS AND REGULATIONS

2020-003                      CASH MANAGEMENT

*Federal Agency:*                      Department of Agriculture

*Federal Program or  
Cluster:*                                      Child Nutrition Cluster

*CFDA Number:*                              10.553, 10.555

*Federal Award  
Numbers and year*                              Award Period 7/1/2019-6/30/20: K397

*Condition:*                                      The School's food service account balance exceeded the allowable average three months of operating expenses at June 30, 2020.

*Recommendation:*                              Review the school's food service account regularly to avoid excess cash balances.

*Current Status:*                                      School is still working on establishing controls to review the school's food service account on a timely basis.

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**CAREER ACADEMY OF SOUTH BEND, INC.**

South Bend, Indiana

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**OTHER REPORT**

For the Year Ended June 30, 2021

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

Supplemental Audit Report of Career Academy of South Bend, Inc.

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



3801 Crescent Circle  
South Bend, IN 46628  
Tel. (574) 299-9800  
Fax. (574) 288-6125  
[www.CareerAcademySB.com](http://www.CareerAcademySB.com)

## CORRECTIVE ACTION PLAN

Cognizant or Oversight Agency for Audit: Department of Education

Career Academy of South Bend, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2021

Name and address of independent public accounting firm:

Kruggel, Lawton & Company, LLC  
210 S. Michigan St, Ste 200  
South Bend, IN 46601

Audit period: July 1, 2020 – June 30, 2021

The findings from the 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. The business manager, Kim Richardson, will be responsible for the corrective actions.

### FINDINGS—FINANCIAL STATEMENT AUDIT

#### NONCOMPLIANCE WITH LAWS AND REGULATIONS

##### 2021-001 Uniform Compliance Guidelines – State Board of Accounts

Recommendation: The School should implement controls in order to comply with the Uniform Compliance Guidelines set forth by the Indiana State Board of Accounts.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will begin implementing policies and procedures to comply with the uniform compliance requirements established by the State Board of Accounts.

### FINDINGS—FEDERAL AWARD AUDIT

#### MATERIAL WEAKNESS

##### 2020-002 Written Federal Procedures – CFDA No. 10.553, 10.555, 10.559, and 84.425.

Recommendation: The School should document and adhere to written policies and procedures that reflect current OMB requirements under the Uniform Guidance. This accounting and procedures manual should be monitored and revised annually as necessary.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The necessary written documentation to comply with the Uniform Guidance will be prepared by June 30, 2022.



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[www.CareerAcademySB.com](http://www.CareerAcademySB.com)

## NONCOMPLIANCE WITH LAWS AND REGULATIONS

2021-003 Cash Management - Child Nutrition Cluster —CFDA No. 10.553, 10.555, and 10.559.

Recommendation: Management should review the school's food service account regularly to avoid excess cash balances.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and have already reviewed the circumstances surrounding this occurrence and is cognizant of the corrective action.

Sincerely,

A handwritten signature in blue ink that reads "Kim Richardson". The signature is written in a cursive, flowing style.

Kim Richardson,  
Business Manager