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December 12, 2022

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

We have reviewed the audit report of East Chicago Urban Enterprise Academy, Inc., which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of East Chicago Urban Enterprise Academy, Inc. as of June 30, 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 finding in the report on page 23. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on page 25.

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

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

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

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

Tammy R. White, CPA
Deputy State Examiner

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of East Chicago Urban Enterprise Academy, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

Board of Directors
East Chicago Urban Enterprise Academy, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Chicago Urban Enterprise Academy, Inc. as of June 30, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, on our consideration of East Chicago Urban Enterprise Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Chicago Urban Enterprise Academy, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Chicago Urban Enterprise Academy, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
November 23, 2021

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 200,260	\$ 17,553
Grants Receivable	508,882	173,518
Prepaid Expenses	10,086	8,755
Total Current Assets	719,228	199,826
PROPERTY AND EQUIPMENT		
Buildings and Improvements	2,408,538	2,408,538
Furniture and Equipment	617,173	369,617
Less: Accumulated Depreciation	(1,331,117)	(1,173,302)
Property and Equipment, Net	1,694,594	1,604,853
OTHER ASSETS		
Security Deposit	8,531	8,881
Total Assets	\$ 2,422,353	\$ 1,813,560
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 102,930	\$ 169,587
Accounts Payable and Accrued Expenses	439,934	326,349
Total Current Liabilities	542,864	495,936
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	433,593	535,827
Total Liabilities	976,457	1,031,763
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Total Liabilities and Net Assets	\$ 2,422,353	\$ 1,813,560

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT		
State Education Support	\$ 3,114,066	\$ 3,013,231
Grant Revenue	2,092,279	1,178,834
Student Fees	6,913	28,881
Contributions	49	2,884
Other Income	23,585	48,918
Total Revenue and Support	<u>5,236,892</u>	<u>4,272,748</u>
EXPENSES		
Program Services	3,639,953	3,128,827
Management and General	932,840	819,107
Total Expenses	<u>4,572,793</u>	<u>3,947,934</u>
CHANGE IN NET ASSETS	664,099	324,814
Net Assets - Beginning of Year, As Restated	<u>781,797</u>	<u>456,983</u>
NET ASSETS - END OF YEAR	<u>\$ 1,445,896</u>	<u>\$ 781,797</u>

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 1,484,602	\$ 201,555	\$ 1,686,157	\$ 1,543,745	\$ 193,253	\$ 1,736,998
Employee Benefits	444,242	57,570	501,812	453,777	56,728	510,505
Professional Services	79,752	11,400	91,152	70,977	19,637	90,614
Depreciation	157,955	-	157,955	125,342	-	125,342
Classroom, Kitchen, and Office Supplies	129,108	-	129,108	108,441	-	108,441
Food Costs	827,649	-	827,649	313,605	-	313,605
Insurance	-	23,893	23,893	-	23,289	23,289
Occupancy	356,610	-	356,610	358,975	-	358,975
Authorizer Oversight Fees	-	89,839	89,839	-	87,096	87,096
Management Services	-	519,811	519,811	-	386,479	386,479
Equipment	9,626	-	9,626	-	-	-
Property Rental and Maintenance	26,233	-	26,233	26,831	-	26,831
Instruction Services	-	-	-	4,363	-	4,363
Interest	-	28,772	28,772	-	34,954	34,954
Advertising	-	-	-	-	17,119	17,119
Travel	-	-	-	10,269	-	10,269
Information Technology	111,575	-	111,575	86,257	-	86,257
Other	12,601	-	12,601	26,245	552	26,797
Total Functional Expenses	\$ 3,639,953	\$ 932,840	\$ 4,572,793	\$ 3,128,827	\$ 819,107	\$ 3,947,934

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 664,099	\$ 324,814
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	157,955	125,342
Changes in Operating Assets and Liabilities:		
Grants Receivable	(335,364)	(79,488)
Prepaid Expenses	(1,331)	11,917
Security Deposit	350	(1,053)
Accounts Payable and Accrued Expenses	113,585	(87,419)
Refundable Advances	-	(17,806)
Net Cash Provided by Operating Activities	599,294	276,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(247,696)	(53,540)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(168,891)	(219,043)
NET CHANGE IN CASH	182,707	3,724
Cash - Beginning of Year	17,553	13,829
CASH - END OF YEAR	\$ 200,260	\$ 17,553
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 28,772	\$ 34,491

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Accounting Estimates

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

Revenue Recognition

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

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2021 and 2020, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

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

Cash

The School considers all demand accounts to be cash.

Grants Receivable and Revenue

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

Contributions, Grants, and Fees

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

East Chicago Urban Enterprise Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2021 and 2020, no accounting for federal and state income taxes was included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Property and Equipment

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

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

Impairment of Long-Lived Assets

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

Subsequent Events

The School evaluated subsequent events through November 23, 2021, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the School's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted.

NOTE 2 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Line of credit, refinanced to a term note, payable to a related party in monthly installments of \$11,267 including interest at 1.0% per annum through December 2020 secured by all School assets (See Note 9).	\$ -	\$ 67,401
Finance agreement, payable in monthly installments of \$301, including interest at 8.0% per annum through July 2021, secured by equipment.	-	3,733
Mortgage note payable in monthly installments of \$10,538 including interest at 4.75% through February 2022, thereafter payable in monthly installments of \$10,437 including interest at a variable rate based on One-Year Treasury Constant Maturity rate plus margin of 3.00%, adjustable annually, through March 2026, secured by a mortgage on School facilities and all School assets.	<u>536,523</u>	<u>634,280</u>
Total	536,523	705,414
Less: Current Portion	<u>(102,930)</u>	<u>(169,587)</u>
Long-Term Portion	<u>\$ 433,593</u>	<u>\$ 535,827</u>

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 NOTES PAYABLE (CONTINUED)

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2022	\$ 102,930
2023	107,098
2024	112,297
2025	117,749
2026	96,449
Total	<u>\$ 536,523</u>

NOTE 3 LEASES

The School leases its building from a party related through a common board of directors, and modular classrooms and equipment from unrelated parties, all under operating leases. Total expense under these operating leases was \$274,776 and \$265,368 for the years ended June 30, 2021 and 2020, respectively.

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2022	\$ 264,037
2023	75,840
2024	75,840
2025	75,840
2026	75,840
Thereafter	12,640

NOTE 4 RETIREMENT PLANS

Retirement benefits for School employees are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Substantially all full-time employees are eligible to participate.

Contribution requirements of plan members are established by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 11.2% of compensation for other employees of PERF. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2020 (the latest year reported), TRF was approximately 90% funded.

Retirement plan expense was \$107,600 and \$106,061 for the years ended June 30, 2021 and 2020, respectively.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$89,839 and \$87,096 for the years ended June 30, 2021 and 2020, respectively. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

The School has contracted with The Leona Group, LLC to provide financial, management, administrative and educational programming services. Under the terms of the agreement, the School agrees to pay an amount equal to 10% of revenues, as defined, for such services. The contract will expire June 30, 2026. Payments under this agreement were \$519,811 and \$386,479 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 RISKS AND UNCERTAINTIES

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2021, substantially all of the receivable balance was due from the state of Indiana. In addition, bank deposits are maintained primarily at Peoples Bank, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit.

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 FUNCTIONAL EXPENSE REPORTING

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

NOTE 8 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash and grants receivable. Financial assets at June 30, 2021 total \$709,142, all of which are available to meet cash needs for general expenditures within one year.

While the School has \$709,142 and \$191,071 in financial assets available to meet cash needs for general expenditures within one year, it also has \$542,864 and \$495,936 in current liabilities as of June 30, 2021 and 2020, respectively, which must be paid using these available financial assets, future year state tuition support, or some combination of the two.

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

NOTE 9 RELATED PARTY

The School is related to the East Chicago Urban Enterprise Association, Inc. through common board members. The School paid off the remaining outstanding debt owed on the money borrowed from the Association during the year ended June 30, 2021.

**EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
OTHER REPORT
JUNE 30, 2021**

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

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

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Chicago Urban Enterprise Academy, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Chicago Urban Enterprise Academy, Inc.'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 East Chicago Urban Enterprise Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of East Chicago Urban Enterprise Academy, Inc.'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 or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

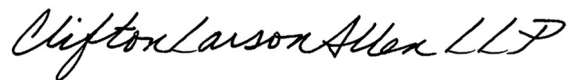
As part of obtaining reasonable assurance about whether East Chicago Urban Enterprise Academy, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

East Chicago Urban Enterprise Academy, Inc.'s Response to Findings

East Chicago Urban Enterprise Academy, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. East Chicago Urban Enterprise Academy, Inc.'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Indianapolis, Indiana
November 23, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited East Chicago Urban Enterprise Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of East Chicago Urban Enterprise Academy's major federal programs for the year ended June 30, 2021. East Chicago Urban Enterprise Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of East Chicago Urban Enterprise Academy'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 East Chicago Urban Enterprise Academy'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 East Chicago Urban Enterprise Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, East Chicago Urban Enterprise Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of East Chicago Urban Enterprise Academy 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 East Chicago Urban Enterprise Academy'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 East Chicago Urban Enterprise Academy's internal control over compliance.

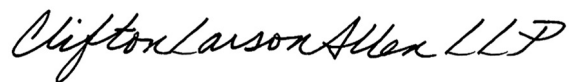
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of East Chicago Urban Enterprise Academy as of and for the year ended June 30, 2021, and have issued our report thereon dated November 23, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Indianapolis, Indiana
September 23, 2022

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Passed- Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed-through Indiana Department of Education -				
Child Nutrition Cluster				
National School Breakfast Program	10.553	211970	\$ -	\$ 317,064
National School Lunch Program	10.555	211960	-	502,120
After School Snack	10.555	200900	-	768
Total Child Nutrition Cluster			<u>-</u>	<u>819,952</u>
Fresh Fruit and Vegetable Program	10.582	210950	-	16,668
Total U.S. Department of Agriculture			<u>-</u>	<u>836,620</u>
Department of Education				
Passed-through Indiana Department of Education:				
Title I, Part A 1920	84.010	201530	-	33,687
Title I, Part A 2021	84.010	211530	-	455,834
Total Title I, Part A			<u>-</u>	<u>489,521</u>
Special Education Cluster				
Special Education Grants to States	84.027	200450	-	4,422
Special Education Grants to States	84.027	210450	-	79,519
IDEA Part B 611 Total			<u>-</u>	<u>83,941</u>
Special Education Preschool Grants	84.173	210460	-	1,197
Total Special Education Cluster			<u>-</u>	<u>85,138</u>
Supporting Effective Instruction State Grants, Title II - Part A				
Title II, Part A 1920	84.367	200520	-	9,820
Title II, Part A 2021	84.367	210520	-	39,120
Total Title II, Part A			<u>-</u>	<u>48,940</u>

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2021

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
Department of Education (Continued)				
Passed-through Indiana Department of Education (Continued):				
Student Support & Academic Enrichment - Title IV				
Title IV 1718	84.424	180750	\$ -	\$ 2,898
Title IV 1819	84.424	210750	-	20,618
Total Title IV			<u>-</u>	<u>23,516</u>
Education Stabilization Fund Program				
COVID-19 ESSER Formula Fund I	84.425D	203710	-	218,273
COVID-19 ESSER Formula Fund II	84.425D	213712	-	3,240
COVID-19 ESSER Formula Fund III	84.425D	213713	-	5,092
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	201200	-	9,426
Total Education Stabilization Fund Program			<u>-</u>	<u>236,031</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,719,766</u>

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of East Chicago Urban Enterprise Academy, Inc. 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 2 CFR 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 East Chicago Urban Enterprise Academy, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of East Chicago Urban Enterprise Academy, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of Major Federal Programs

Assistance Listing Number

10.553, 10.555, 10.559

Name of Federal Program or Cluster

Child Nutrition Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

 yes x no

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

2021 – 001: Audit Adjustment

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The board and management share the ultimate responsibility for the School's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. A significant audit adjustment was proposed and posted through the audit process. This adjustment was a necessary step in ensuring the financial statements were fairly stated in accordance with accounting principles generally accepted in the United States of America.

Criteria or Specific Requirement: In an ideal control setting, the School would have a comprehensive control procedure to ensure that the financial statements, including disclosures are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable accounting principles generally accepted in the United States of America.

Effect: It is possible that a misstatement of the School's financial statements could occur and not be prevented or detected by the School's internal control.

Cause: The School's controls were not able to detect the adjustment made as part of the audit. The School does not have a comprehensive review process to ensure that the financial statements, including disclosures, are complete and accurate.

Repeat Finding: No

Recommendation: We recommend the board and management work with their bookkeeping company to develop a process to review and identify such items in a timely manner.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

Section III – Findings and Questioned Costs – Major Federal Programs

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



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



EAST CHICAGO URBAN ENTERPRISE ACADEMY

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EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC. CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2021

U.S. Department of Agriculture

East Chicago Urban Enterprise Academy, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2021.

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

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2021-001 Audit Adjustment

Recommendation: We recommend the board and management work with their bookkeeping company to develop a process to review and identify such items in a timely manner.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: Management has implemented additional measures to review year-end activity and ensure that all entries are accounted for and recorded in the appropriate fiscal year

Name(s) of the contact person(s) responsible for corrective action: Melinda Benkovsky

Planned completion date for corrective action plan: June 30, 2022

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

There were no findings in the current year that require a corrective action plan.

If the U.S. Department of Agriculture has questions regarding this plan, please call Melinda Benkovsky (517) 333-9030.