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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)

May 5, 2023

Charter School Board  
URBAN ACT Academy, Inc.  
1250 E Market Street  
Indianapolis, IN 46202

We have reviewed the audit report of URBAN ACT Academy, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of URBAN ACT Academy, Inc. as of June 30, 2022 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 Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 3.

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

In addition to the report presented herein, a Supplemental Audit Report for URBAN ACT Academy, 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". The signature is written in a cursive, flowing style.

Tammy R. White, CPA  
Deputy State Examiner

**URBAN ACT ACADEMY, INC.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Years Ended June 30, 2022 and 2021



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
URBAN ACT Academy, Inc.

### **Opinion**

We have audited the financial statements of URBAN ACT Academy, Inc. (the "School"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Substantial Doubt About the Entity's Ability to Continue as a Going Concern**

In October 2022, the School received notification from Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools ("IPS"), that the Innovation Network Charter School Agreement will not be renewed at the conclusion of the initial term, June 30, 2023. The Board of Directors of the School has elected to terminate operations as of that date. Our opinion is not modified with respect to this matter.

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

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

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

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

## Supplementary 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 GAAS. 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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

## Emphasis of Matter

As discussed in Note 3 to the financial statements, the School recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$1,266,931 and \$1,396,448 for the years ended June 30, 2022 and 2021, respectively. These amounts represent approximately 21% of both total revenue and support and total expenses for the year ended June 30, 2022 (27% and 26%, respectively, in 2021). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management as presented. Our opinion is not modified with respect to this matter.

DONOVAN



Indianapolis, Indiana  
January 24, 2023

**URBAN ACT ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2022 and 2021**

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                 |                     |                     |
| <b>CURRENT ASSETS</b>                         |                     |                     |
| Cash  | \$ 954,993          | \$ 1,283,634        |
| Grants receivable                             | 289,648             | 144,524             |
| Prepaid expenses                              | <u>12,399</u>       | <u>11,155</u>       |
| <i>Total current assets</i>                   | <u>1,257,040</u>    | <u>1,439,313</u>    |
| <b>PROPERTY AND EQUIPMENT</b>                 |                     |                     |
| Furniture and equipment                       | 338,562             | 169,502             |
| Less: accumulated depreciation                | <u>(147,828)</u>    | <u>(85,989)</u>     |
| <i>Property and equipment, net</i>            | <u>190,734</u>      | <u>83,513</u>       |
| <b>TOTAL ASSETS</b>                           | <u>\$ 1,447,774</u> | <u>\$ 1,522,826</u> |
| <b>LIABILITIES AND NET ASSETS</b>             |                     |                     |
| <b>CURRENT LIABILITIES</b>                    |                     |                     |
| Accounts payable and accrued expenses         | \$ 72,867           | \$ 156,758          |
| <b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b> | <u>1,374,907</u>    | <u>1,366,068</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>       | <u>\$ 1,447,774</u> | <u>\$ 1,522,826</u> |

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

**URBAN ACT ACADEMY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2022 and 2021**

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| <b>REVENUE AND SUPPORT</b>  |                     |                     |
| Student-based allocation funding from Indianapolis Public Schools | \$ 2,790,660        | \$ 2,377,572        |
| In-kind contributions from Indianapolis Public Schools            | 1,266,931           | 1,396,448           |
| Grants  | 2,017,945           | 1,292,078           |
| Contributions   | 35,194              | 19,815              |
| Interest  | 77                  | 150                 |
| Other   | 44,546              | 13,988              |
|   | <u>6,155,353</u>    | <u>5,100,051</u>    |
| <br><i>Total revenue and support</i>                              |                     |                     |
| <b>EXPENSES</b>   |                     |                     |
| Program services  | 4,657,910           | 4,293,592           |
| Management and general  | 1,488,604           | 1,125,908           |
|   | <u>6,146,514</u>    | <u>5,419,500</u>    |
| <br><i>Total expenses</i>   |                     |                     |
| <b>CHANGE IN NET ASSETS</b>                                       | 8,839               | (319,449)           |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                              | <u>1,366,068</u>    | <u>1,685,517</u>    |
| <b>NET ASSETS, END OF YEAR</b>                                    | <u>\$ 1,374,907</u> | <u>\$ 1,366,068</u> |

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

**URBAN ACT ACADEMY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2022 and 2021**

|                                  | <u>2022</u>                 |                                   |                     | <u>2021</u>                 |                                   |                     |
|----------------------------------|-----------------------------|-----------------------------------|---------------------|-----------------------------|-----------------------------------|---------------------|
|                                  | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Total</u>        | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Total</u>        |
| In-kind expenses:                |                             |                                   |                     |                             |                                   |                     |
| Occupancy                        | \$ 797,051                  | \$ -                              | \$ 797,051          | \$ 798,263                  | \$ -                              | \$ 798,263          |
| Student transportation           | 148,782                     | -                                 | 148,782             | 298,856                     | -                                 | 298,856             |
| Repairs and maintenance          | 279,117                     | -                                 | 279,117             | 260,066                     | -                                 | 260,066             |
| Security services                | -                           | 41,981                            | 41,981              | -                           | 39,263                            | 39,263              |
| <i>Total in-kind expenses</i>    | <u>1,224,950</u>            | <u>41,981</u>                     | <u>1,266,931</u>    | <u>1,357,185</u>            | <u>39,263</u>                     | <u>1,396,448</u>    |
| Direct expenses:                 |                             |                                   |                     |                             |                                   |                     |
| Salaries and wages               | 1,939,632                   | 1,054,501                         | 2,994,133           | 1,608,325                   | 789,048                           | 2,397,373           |
| Professional services            | 276,430                     | 279,489                           | 555,919             | 272,794                     | 185,896                           | 458,690             |
| Employee benefits                | 362,006                     | 72,670                            | 434,676             | 289,286                     | 55,144                            | 344,430             |
| Repairs and maintenance          | 226,457                     | -                                 | 226,457             | 203,805                     | -                                 | 203,805             |
| Food costs                       | 223,027                     | -                                 | 223,027             | 138,640                     | -                                 | 138,640             |
| Classroom and office supplies    | 193,843                     | 11,032                            | 204,875             | 180,718                     | 27,486                            | 208,204             |
| Depreciation                     | 61,839                      | -                                 | 61,839              | 33,900                      | -                                 | 33,900              |
| Information technology           | 60,339                      | -                                 | 60,339              | 90,309                      | -                                 | 90,309              |
| Staff development                | 41,565                      | -                                 | 41,565              | 55,346                      | -                                 | 55,346              |
| Insurance                        | 24,024                      | -                                 | 24,024              | 15,064                      | -                                 | 15,064              |
| Advertising                      | -                           | 3,904                             | 3,904               | -                           | 15,502                            | 15,502              |
| Equipment                        | 2,052                       | -                                 | 2,052               | 3,323                       | -                                 | 3,323               |
| Other                            | 21,746                      | 25,027                            | 46,773              | 44,897                      | 13,569                            | 58,466              |
| <i>Total direct expenses</i>     | <u>3,432,960</u>            | <u>1,446,623</u>                  | <u>4,879,583</u>    | <u>2,936,407</u>            | <u>1,086,645</u>                  | <u>4,023,052</u>    |
| <i>Total functional expenses</i> | <u>\$ 4,657,910</u>         | <u>\$ 1,488,604</u>               | <u>\$ 6,146,514</u> | <u>\$ 4,293,592</u>         | <u>\$ 1,125,908</u>               | <u>\$ 5,419,500</u> |

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

**URBAN ACT ACADEMY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2022 and 2021**

|  | <u>2022</u>              | <u>2021</u>                |
|--|--------------------------|----------------------------|
| <b>OPERATING ACTIVITIES</b>  |                          |                            |
| Change in net assets   | \$ 8,839                 | \$ (319,449)               |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities: |                          |                            |
| Depreciation   | 61,839                   | 33,900                     |
| Changes in certain assets and liabilities:   |                          |                            |
| Grants receivable  | (145,124)                | 10,992                     |
| Prepaid expenses   | (1,244)                  | (11,155)                   |
| Accounts payable and accrued expenses  | (83,891)                 | 150,413                    |
| Refundable advances  | <u>-</u>                 | <u>(20,000)</u>            |
| <i>Net cash used in operating activities</i>   | (159,581)                | (155,299)                  |
| <b>INVESTING ACTIVITIES</b>  |                          |                            |
| Purchases of property and equipment  | <u>(169,060)</u>         | <u>-</u>                   |
| <b>NET CHANGE IN CASH</b>  | (328,641)                | (155,299)                  |
| <b>CASH, BEGINNING OF YEAR</b>   | <u>1,283,634</u>         | <u>1,438,933</u>           |
| <b>CASH, END OF YEAR</b>   | <u><u>\$ 954,993</u></u> | <u><u>\$ 1,283,634</u></u> |

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

**URBAN ACT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – URBAN ACT Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates as a public charter school under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2026. The School served approximately 300 students in grades kindergarten through eighth during the 2021-2022 school year (315 students during the 2020-2021 school year).

The School has an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools ("IPS"), to operate a charter school within an IPS building. IPS has elected to not renew the agreement when it expires on June 30, 2023. Under the agreement, IPS pays the School the amount the School would receive from the State of Indiana for state basic tuition support and complexity grant funding as if the School were a traditional charter school. The School will close effective the end of the 2022-2023 school year.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2022 and 2021, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The School prepares its financial statements in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

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

Property and Equipment – Purchases of assets and expenditures over \$5,000 that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful life for furniture and equipment is 5 years.

**URBAN ACT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Taxes on Income – The School 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, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2018 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through January 24, 2023, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**NOTE 2 - REVENUE RECOGNITION**

Revenue Recognition Policy – As discussed in Note 1, the majority of the School’s revenue and support is provided by IPS as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School receives monthly funding from IPS in accordance with a student-based allocation formula. Funding includes both fixed and variable components. The variable funding depends upon certain attributes including the number of students, student grades, poverty status, and other factors. Revenue is recognized in the year in which the educational services are rendered.

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

The School also receives contributions and grants from other agencies and individuals, which are recorded in accordance with the terms of the underlying agreements.

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

**URBAN ACT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 3 - VALUATION OF IN-KIND SERVICES**

Effective July 1, 2021, the School adopted ASU No. 2020-07 *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The amendments in this update are required to be applied retrospectively to each prior reporting period presented. The School applied the provisions of this ASU to the June 30, 2022 and 2021 financial statements. There was no material impact to the financial statements. The only in-kind contributions received by the School are from IPS and are disaggregated on the statements of activities and change in net assets and there are no restrictions set on these amounts.

The School recorded in-kind contributions and offsetting expenses from IPS totaling \$1,266,931 and \$1,396,448 during the years ended June 30, 2022 and 2021, respectively. These in-kind transactions represent approximately 21% of both total revenue and support and total expenses for the year ended June 30, 2022 (27% and 26%, respectively, for 2021). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented.

**NOTE 4 - COMMITMENTS**

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. Beginning during the School's 2021-2022 school year, OEI has the right to assess a fee equal to 1% of the student-based allocation funding from IPS received by the School. No management fees were assessed during the years ended June 30, 2022 and 2021.

The charter agreement with OEI requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2021, this escrow account is established and fully-funded. The balance of the escrow account is included in the cash balance on the statements of financial position.

**NOTE 5 - RETIREMENT PLANS**

The School maintains a defined contribution Section 401(k) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make contributions at its discretion. Alternatively, an employee may participate in the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan sponsored by the State of Indiana and administered by the Indiana Public Retirement System Board. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2022 (the latest year reported), TRF was approximately 92% funded. For the years ended June 30, 2022 and 2021, the School contributed 5% of defined compensation to each employee's retirement plan account of choice. Retirement plan expense was \$27,229 and \$30,803 for the years ended June 30, 2022 and 2021, respectively.

**URBAN ACT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 6 - RISKS AND UNCERTAINTIES**

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2022 and 2021, the majority of the receivable balance was due from the State of Indiana. In addition, deposits are maintained at Chase Bank and are insured up to the FDIC insurance limit. As of June 30, 2022 and 2021, and regularly throughout the years, the cash balance at Chase Bank exceeded the \$250,000 federally-insured limit.

**NOTE 7 - LIQUIDITY**

Financial assets held by the School include cash and grants receivable totaling \$1,244,641 and \$1,428,158 as of June 30, 2022 and 2021, respectively. Except for the \$30,000 dissolution escrow account, the entire balance of financial assets is available to meet cash needs for general expenditures within one year.

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

**NOTE 8 - FUNCTIONAL EXPENSE REPORTING**

The costs 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 of specific transactions between these categories was required.

SUPPLEMENTARY INFORMATION

**URBAN ACT ACADEMY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

| <u>Federal Grantor Agency/Pass-Through<br/>Entity/ Cluster Title/Program Title/<br/>Project Title</u> | <u>Assistance<br/>Listing<br/>Number</u> | <u>Pass-Through<br/>Entity<br/>Identifying<br/>Number</u> | <u>Total<br/>Federal<br/>Awards<br/>Expended</u> |
|---|--|---|--|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u>   |  |   |  |
| Pass-through Indiana Department of Education  |  |   |  |
| Child Nutrition Cluster   |  |   |  |
| School Breakfast Program  | 10.553                                   |   | \$ 59,906  |
| National School Lunch Program   | 10.555                                   |   | <u>196,240</u>                                   |
| <i>Total U.S. Department of Agriculture</i>   |  |   | <u>256,146</u>                                   |
| <u>U.S. DEPARTMENT OF EDUCATION</u>   |  |   |  |
| Pass-through Indiana Department of Education  |  |   |  |
| Title I, Part A; Grants to Local Education Agencies   | 84.010                                   | S010A200014   | 65,350   |
| Title I, Part A; Grants to Local Education Agencies   | 84.010                                   | S010A210014   | 184,851  |
| Title II, Part A; Supporting Effective Instruction State Grants                                       | 84.367                                   | S367A210013   | 51,161   |
| Title IV, Part A; Student Support and Academic Enrichment   | 84.424A                                  | S424A200015   | 30,000   |
| Title IV, Part A; Student Support and Academic Enrichment   | 84.424A                                  | S424A210015   | 21,084   |
| Special Education Cluster   |  |   |  |
| Special Education - Grants to States  | 84.027                                   |   | 1,350  |
| Special Education - Grants to States  | 84.027A                                  | 22611-622-PN01  | 83,920   |
| Special Education - Grants to States  | 84.027X                                  | 22611-622-ARP   | 20,025   |
| Special Education - Preschool Grants  | 84.173A                                  | 22619-622-PN01  | 1,448  |
| Special Education - Preschool Grants  | 84.173A                                  | 22619-622-ARP   | 584  |
| Charter Schools Program   |  |   |  |
| State Educational Agencies Grant  | 84.282A                                  | U282A170017   | 120,719  |
| Education Stabilization Fund  |  |   |  |
| Elementary and Secondary School Emergency Relief Fund   | 84.425D                                  | S425D210013   | 600,990  |
| Governor's Emergency Education Relief Fund  | 84.425C                                  |   | <u>94,051</u>                                    |
| <i>Total U.S. Department of Education</i>   |  |   | <u>1,275,533</u>                                 |
| <i>Total federal awards expended</i>  |  |   | <u>\$ 1,531,679</u>                              |

See independent auditors' report and accompanying notes to this schedule

**URBAN ACT ACADEMY, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of URBAN ACT Academy, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 - INDIRECT COST RATE**

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



# Donovan CPAs

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

The Board of Directors  
URBAN ACT Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of URBAN ACT Academy, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2023.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

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

Indianapolis, Indiana  
January 24, 2023



# Donovan CPAs

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

The Board of Directors  
URBAN ACT Academy, Inc.

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

We have audited URBAN ACT Academy, Inc.'s (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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## Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

## Report on Internal Control over Compliance

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

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

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

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

DONOVAN



Indianapolis, Indiana  
January 24, 2023

**URBAN ACT ACADEMY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2022**

**I. Summary of Auditors' Results**

***Financial Statements***

|   |               |
|---|---------------|
| Type of auditors' report issued:                      | Unmodified    |
| Internal control over financial reporting:            |               |
| • Material weakness identified?                       | No            |
| • Significant deficiency identified?                  | None Reported |
| Noncompliance material to financial statements noted? | No            |

***Federal Awards***

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| • Material weakness identified?  | No            |
| • Significant deficiency identified?   | None reported |
| Type of auditors' report issued on compliance for major programs:                                  | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |

Identification of major programs:

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

|   |           |
|---|-----------|
| Dollar threshold use to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee?                                  | Yes       |

**II. Financial Statement Findings**

No matters are reportable.

**III. Federal Award Findings and Questioned Costs**

No matters are reportable.

**URBAN ACT ACADEMY, INC.**  
**OTHER REPORT**  
**For the Year Ended June 30, 2022**

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

Supplemental Audit Report of URBAN ACT 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*.