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May 9, 2023

Charter School Board  
Steel City Academy, Inc.  
2650 W. 35<sup>th</sup> Avenue  
Gary, IN 46408

We have reviewed the audit report of Steel City 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 Steel City 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 findings included in the report on pages 22 and 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 24.

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

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White CPA  
Deputy State Examiner

**STEEL CITY ACADEMY, INC.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Years Ended June 30, 2022 and 2021



## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1 - 3
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	4
Statements of Activities and Change in Net Assets .....	5
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	7
Notes to the Financial Statements .....	8 - 13
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards .....	14
Notes to the Schedule of Expenditures of Federal Awards .....	15
<b>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</b> .....	16 - 17
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE <i>UNIFORM GUIDANCE</i></b> .....	18 - 20
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b> .....	21 - 23
<b>CORRECTIVE ACTION PLAN</b> .....	24



## *Independent Auditors' Report*

The Board of Directors  
Steel City Academy, Inc.

### **Opinion**

We have audited the accompanying financial statements of Steel City 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.

### **Responsibilities of Management 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 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 that the financial statements are issued.

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## **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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and notes thereto, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose of additional analysis and are 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana  
December 19, 2022

**STEEL CITY 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	\$ 1,862,822	\$ 1,228,438
Grants receivable	736,408	269,503
Prepaid expenses	10,000	36,950
	<hr/>	<hr/>
<i>Total current assets</i>	2,609,230	1,534,891
	<hr/>	<hr/>
<b>PROPERTY AND EQUIPMENT</b>		
Land	140,000	140,000
Building and improvements	1,665,267	1,593,667
Furniture and equipment	540,241	406,080
Vehicles	72,319	-
Less: accumulated depreciation	(396,074)	(434,544)
	<hr/>	<hr/>
<i>Property and equipment, net</i>	2,021,753	1,705,203
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 4,630,983</u>	<u>\$ 3,240,094</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 124,711	\$ 120,081
Accounts payable	14,111	35,016
Accrued payroll and related expenses	208,933	247,772
	<hr/>	<hr/>
<i>Total current liabilities</i>	347,755	402,869
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	973,160	1,097,871
	<hr/>	<hr/>
<i>Total liabilities</i>	1,320,915	1,500,740
	<hr/>	<hr/>
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>3,310,068</u>	<u>1,739,354</u>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,630,983</u>	<u>\$ 3,240,094</u>

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

**STEEL CITY 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>		
State education support	\$ 3,471,523	\$ 3,445,634
Grant revenue	3,732,362	1,472,880
Contributions	11,209	15,159
Student fees	7,863	6,865
Other income	<u>6,602</u>	<u>33,406</u>
<i>Total revenue and support</i>	<u>7,229,559</u>	<u>4,973,944</u>
<b>EXPENSES</b>		
Program services	4,897,792	3,609,373
Management and general	<u>761,053</u>	<u>550,056</u>
<i>Total expenses</i>	<u>5,658,845</u>	<u>4,159,429</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	1,570,714	814,515
<b>OTHER INCOME</b>		
Paycheck Protection Program loan forgiveness income	-	838,657
Employee Retention Credit income	<u>-</u>	<u>193,354</u>
<b>CHANGE IN NET ASSETS</b>	1,570,714	1,846,526
<b>NET ASSETS (DEFICIENCY), BEGINNING OF YEAR</b>	<u>1,739,354</u>	<u>(107,172)</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 3,310,068</u></u>	<u><u>\$ 1,739,354</u></u>

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

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

	<u>2022</u>			<u>2021</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 2,605,249	\$ 564,939	\$ 3,170,188	\$ 2,379,686	\$ 370,204	\$ 2,749,890
Employee benefits	509,355	84,193	593,548	499,047	66,689	565,736
Student transportation	356,963	-	356,963	-	-	-
Professional services	316,682	33,634	350,316	42,300	26,760	69,060
Classroom, kitchen, and office supplies	178,334	7,352	185,686	60,338	1,587	61,925
Food service	175,046	-	175,046	31,664	-	31,664
Depreciation	149,741	-	149,741	117,371	-	117,371
Repairs and maintenance	109,148	-	109,148	43,935	-	43,935
Equipment	101,540	-	101,540	173,069	-	173,069
Occupancy	98,417	-	98,417	72,763	-	72,763
Information technology services	90,501	-	90,501	87,110	-	87,110
Staff development	43,949	18,320	62,269	30,996	12,190	43,186
Loss on disposal of fixed assets	46,340	-	46,340	-	-	-
Insurance	33,962	-	33,962	34,209	-	34,209
Interest	-	27,677	27,677	-	52,534	52,534
Authorizer oversight fees	-	18,555	18,555	-	17,960	17,960
Other	82,565	6,383	88,948	36,885	2,132	39,017
<i>Total functional expenses</i>	<u>\$ 4,897,792</u>	<u>\$ 761,053</u>	<u>\$ 5,658,845</u>	<u>\$ 3,609,373</u>	<u>\$ 550,056</u>	<u>\$ 4,159,429</u>

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

**STEEL CITY 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	\$ 1,570,714	\$ 1,846,526
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	149,741	117,371
Paycheck Protection Program loan forgiveness income	-	(838,657)
Loss on disposal of fixed assets	46,340	-
Changes in certain assets and liabilities:		
Grants receivable	(466,905)	(138,125)
Prepaid expenses	26,950	(36,950)
Accounts payable	(20,905)	(45,143)
Accrued payroll and related expenses	(38,839)	(91,267)
Payroll tax liability from prior years	-	(179,009)
	<u>1,267,096</u>	<u>634,746</u>
<i>Net cash provided by operating activities</i>		
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(512,631)</u>	<u>(103,845)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	-	838,657
Principal repayments on notes payable	<u>(120,081)</u>	<u>(188,484)</u>
	<u>(120,081)</u>	<u>650,173</u>
<i>Net cash provided by (used in) financing activities</i>		
<b>NET CHANGE IN CASH</b>	634,384	1,181,074
<b>CASH, BEGINNING OF YEAR</b>	<u>1,228,438</u>	<u>47,364</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,862,822</u>	<u>\$ 1,228,438</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 33,962	\$ 34,209

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

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

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

General – Steel City Academy, Inc. (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. In 2022, the School submitted articles of amendment to the Indiana Secretary of State to legally change its name to Steel City Academy, Inc. from Global Leadership Academy, Inc. The School served over 400 students during both the 2021-2022 and the 2020-2021 school years. Grades served included kindergarten through twelfth during the 2021-2022 school year and kindergarten through third and seventh through twelfth during the 2020-2021 school year. The School is sponsored by the Indiana Charter School Board. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

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 accompanying financial statements have been prepared in accordance 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 consists 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 that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases are charged to expense as incurred.

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

Building and improvements	39 years
Furniture and equipment	3 to 7 years
Vehicles	12 years

**STEEL CITY 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 has examined this issue and has 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 December 19, 2022, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**NOTE 2 - REVENUE RECOGNITION**

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

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

Student fees are recognized in the year in which the services are rendered.

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

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

**NOTE 3 - PAYCHECK PROTECTION PROGRAM**

In response to the COVID-19 pandemic, the United States federal government adopted the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, which includes the Paycheck Protection Program (“PPP”) administered through the Small Business Administration. On February 13, 2021, the School was granted a note payable from Fifth Third Bank in the amount of \$838,657. The School elected to recognize these funds in accordance with FASB ASC 958-605 by reflecting the amount of funds expended during the year ended June 30, 2021 as PPP loan forgiveness income. The School received notification on June 28, 2022 that the loan had been forgiven in full.

**NOTE 4 - EMPLOYEE RETENTION CREDIT**

The Coronavirus Aid, Relief, and Economic Security Act includes a provision for the Employee Retention Credit (“ERC”) program. The ERC is a refundable tax credit for employers equal to 50 percent of qualified wages paid after March 12, 2020 and before January 1, 2021. The School received an ERC in the amount of \$193,354 during the year ended June 30, 2021.

**NOTE 5 - NOTES PAYABLE**

Notes payable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Note payable to the State Board of Education, payable \$50,000 semi-annually (January 1 and July 1) plus interest at 1% per annum.	\$ 550,000	\$ 650,000
Note payable to The ARC Northwest Indiana, Inc., payable in monthly installments of \$3,386, including interest at 5.0% per annum, secured by the building. The note matures January 2036.	397,971	418,052
Note payable to the U.S. Small Business Administration, payable in monthly installments of \$641, including interest at 2.75% per annum. The note matures June 2050.	<u>149,900</u>	<u>149,900</u>
	1,097,871	1,217,952
Less: current portion	<u>(124,711)</u>	<u>(120,081)</u>
Long-term portion	<u>\$ 973,160</u>	<u>\$ 1,097,871</u>

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

**NOTE 5 - NOTES PAYABLE, Continued**

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

2023	\$	124,711
2024		125,892
2025		127,130
2026		128,430
2027		129,793
Thereafter		461,915
<i>Total</i>	\$	1,097,871

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School’s future tuition support payments on the School’s basic grant.

**NOTE 6 - COMMITMENT**

The School operates under a charter granted by the Indiana Charter School Board (“ICSB”). As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay ICSB an annual administrative fee equal to .5% of state tuition payments received. Payments under this agreement were \$18,555 and \$17,960 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 7 - RETIREMENT PLANS**

The School offered retirement benefits provided by the Indiana State Teachers’ Retirement Fund (“TRF”), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System (“INPRS”) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plan, the School contributed 8.5% of compensation for eligible teaching faculty for the year ended June 30, 2021. Effective July 2021, the School stopped contributing to this plan as the single employee participating became ineligible at this time. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School’s contributions represented an insignificant percentage of the total contributions received by TRF. As of June 30, 2021 (the latest year reported), TRF was more than 100% funded.

Employees are eligible to participate in a 401(k) defined contribution retirement plan sponsored by the School. Under this plan, the School has elected to match employee contributions up to 5% of compensation.

Retirement plan expense under the plans was \$72,840 and \$59,728 for the years ended June 30, 2022 and 2021, respectively.

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

**NOTE 8 - RISKS AND UNCERTAINTIES**

The School provides educational instruction to students residing in Lake County, Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at Fifth Third Bank and are insured up to the FDIC insurance limit. As of June 30, 2022 and 2021 and regularly throughout the years then ended, cash deposits at Fifth Third Bank exceeded FDIC insurance limits.

**NOTE 9 - LEASES**

The School entered into an operating lease for copier equipment. Lease expense totaled \$33,632 and \$40,200 for the years ended June 30, 2022 and 2021, respectively.

Future minimum payments under the lease for the years ending June 30 are as follows:

2023	\$	35,944
2024		35,944
2025		35,944
2026		<u>17,972</u>
<i>Total</i>	\$	<u><u>125,804</u></u>

**NOTE 10 - LIQUIDITY**

The School's financial assets consist of cash and grants receivables totaling \$2,599,230 and \$1,497,941 as of June 30, 2022 and 2021, respectively, all of which are available to meet cash needs for general expenditures within a 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.

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

**NOTE 11 - 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.

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

<u>Federal Grantor Agency/Pass-Through Entity/Cluster Title/Program Title/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 65,210
National School Lunch Program	10.555		162,552
SNP Emergency Funds	10.555		37,365
Fresh Fruits and Vegetables Program	10.582		<u>9,300</u>
<i>Total U.S. Department of Agriculture</i>			<u>274,427</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A200014	124,883
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A210014	426,770
Title I: School Improvement Grants	84.377A	18611-001-PN01	183,302
Title II, Part A: Supporting Effective Instruction State Grants	84.367	S367A210013	56,733
Title IV, Student Support and Academic Enrichment Grants	84.424A	S424A210015	29,378
Special Education Cluster			
Special Education - Grants to States	84.027	22611-599-PN01	84,764
Special Education - ARP	84.027X	22611-599-ARP	25,003
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	36,767
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	616,873
Elementary and Secondary School Emergency Relief Fund	84.425D	S425U210013	<u>1,081,146</u>
<i>Total U.S. Department of Education</i>			<u>2,665,619</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>			
Emergency Connectivity Fund Program	32.009		<u>128,212</u>
<i>Total Federal Awards Expended</i>			<u>\$ 3,068,258</u>

See independent auditors' report and accompanying notes to this schedule

**STEEL CITY 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 Steel City Academy, Inc. (the "School") under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, 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.



**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  
Steel City 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 Steel City 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 December 19, 2022.

**Internal Control Over Financial Reporting**

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

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

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

## **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 letters are cursive and connected, with a prominent loop at the end of the word.

Indianapolis, Indiana  
December 19, 2022



**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  
Steel City Academy, Inc.

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

We have audited Steel City 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 each of 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 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, Steel City Academy, Inc. 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.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings No. 2022-001 and 2022-002. Our opinion on the major federal programs is not modified with respect to these matters.

The School's response to the noncompliance findings identified in our audit is described in the Corrective Action Plan on page 24. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings No. 2022-001 and 2022-002 to be significant deficiencies.

The School's response to the noncompliance findings identified in our audit is included in the Corrective Action Plan on page 24. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

DONOVAN

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

Indianapolis, Indiana  
December 19, 2022

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

***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? Yes

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)? Yes

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Education Stabilization Fund Elementary and Secondary School Emergency Relief Fund

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

Auditee qualified as low-risk auditee? No

**II. Financial Statement Findings**

No matters are reportable.

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

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

FINDING 2022-001 DAVIS-BACON COMPLIANCE  
SIGNIFICANT DEFICIENCY

Federal Program: Education Stabilization Fund  
Elementary and Secondary School Emergency Relief Fund

Assistance Listing Number: 84.425D

Condition

The School entered into an agreement with a contractor for building renovations, paid with funds from the Education Stabilization Fund. A formal contract that included the provisions of the Davis-Bacon Act was not put into place.

Criteria

2 CFR part 200, Appendix II, Contract Provisions for Non-Federal Entity Contracts Under Federal Awards, part (D), states: When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination.

Cause

The School was not aware of the requirement outlined in the Criteria section above.

Effect

The School is unable to document that the contractor is compliant with the Davis-Bacon Act.

Recommendation

We recommend the School develop internal controls to ensure formal contracts are put in place and that required regulations are documented in those contracts to be compliant with federal regulations.

Views of Responsible Officials and Planned Corrective Actions

The School's Corrective Action Plan is included on page 24.

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

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

**FINDING 2022-002 EQUIPMENT AND REAL PROPERTY MANAGEMENT**  
**SIGNIFICANT DEFICIENCY**

Federal Program: Education Stabilization Fund  
Elementary and Secondary School Emergency Relief Fund

Assistance Listing Number: 84.425D

Condition

The School completed an inventory of its equipment for the year ended June 30, 2022. However, this inventory was not compared to the School's record of equipment and real property purchased with federal funds.

Criteria

2 CFR part 200.313 requires property records be maintained that include all property purchased using federal funds. 2 CFR part 200.313(d)(2) states: A physical inventory of the property must be taken, and the results reconciled with the property records at least once every two years.

Cause

The School was not aware of the requirements outlined in the Criteria section above.

Effect

The School did not comply with the requirements to reconcile its physical inventory with its property records.

Recommendation

We recommend the School develop internal controls to ensure the physical inventory is reconciled with its property records at least once every two years.

Views of Responsible Officials and Planned Corrective Actions

The School's Corrective Action Plan is included on page 24.



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December 19th, 2022

Below you will find Steel City Academy's official response to the Single Audit findings:

**Finding One: Davis-Bacon Compliance**

The Executive Director, Managing Director of Operations, Finance Team and select board members will go through Federal Grants Training within the next 6 months. All contracts for construction projects will go through legal review before being signed by management. A contract checklist will be developed to identify necessary provisions based on the funding source. This will be implemented immediately by the Executive Director and the Managing Director of Operations. The Board of Directors will approve all contracts over \$15,000. Once the contract is implemented the Finance Team will ensure that all payroll documentation will be submitted in accordance with the cadence outlined in the contract.

**Finding Two: Equipment and Property Management**

The Managing Director of Operations will compile all current inventories into one document that includes all required identifiers. We will research, invest and implement an asset management inventory system to accelerate this process and ensure the efficiency of a sustainable system moving forward. The Executive Director will perform inventory audits, as needed, verifying, and updating the data contained in the Fixed Asset Tracking List. The Fixed Asset Tracking List will be reconciled to the General Ledger by the Director of Finance.

The Finance Working Group will also work in partnership with the Executive Director and Director of Finance to review our current capitalization policy and make recommendations to begin implementation for FY24.