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STATE BOARD OF ACCOUNTS
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May 9, 2023

Charter School Board
Higher Institute of Arts and Technology, Inc.
5861 Harrison Street
Merrillville, IN 46410

We have reviewed the audit report of Higher Institute of Arts and Technology, 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 Higher Institute of Arts and Technology, 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.

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

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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
Higher Institute of Arts and Technology, Inc.

Opinion

We have audited the financial statements of Higher Institute of Arts and Technology, 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 (deficit), 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 its 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 that 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 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 that the financial statements are available to be 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 audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 February 22, 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.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and connected, with a large, stylized 'D' at the beginning.

Indianapolis, Indiana
February 22, 2023

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 575,165	\$ 363,222
Accounts receivable:		
Grants	207,206	87,561
Other	13,772	13,772
Prepaid expenses	<u>90,253</u>	<u>88,094</u>
<i>Total current assets</i>	<u>886,396</u>	<u>552,649</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	443,988	443,988
Furniture and equipment	80,934	80,934
Textbooks	67,461	67,461
Less: accumulated depreciation	<u>(566,760)</u>	<u>(524,084)</u>
<i>Property and equipment, net</i>	<u>25,623</u>	<u>68,299</u>
TOTAL ASSETS	<u><u>\$ 912,019</u></u>	<u><u>\$ 620,948</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 100,000	\$ 100,000
Accounts payable and accrued expenses	<u>229,088</u>	<u>170,793</u>
<i>Total current liabilities</i>	329,088	270,793
NOTE PAYABLE, NET OF CURRENT PORTION	<u>450,000</u>	<u>550,000</u>
<i>Total liabilities</i>	779,088	820,793
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS	<u>132,931</u>	<u>(199,845)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 912,019</u></u>	<u><u>\$ 620,948</u></u>

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

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State education support	\$ 1,855,243	\$ 1,558,340
Grant revenue	1,456,108	786,914
Other income	8,021	12,435
	<u>3,319,372</u>	<u>2,357,689</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	2,369,361	1,868,315
Management and general	617,235	449,331
	<u>2,986,596</u>	<u>2,317,646</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS FROM OPERATIONS	332,776	40,043
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	<u>-</u>	<u>165,500</u>
CHANGE IN NET ASSETS	332,776	205,543
NET DEFICIT, BEGINNING OF YEAR	<u>(199,845)</u>	<u>(405,388)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 132,931</u>	<u>\$ (199,845)</u>

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

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2022 and 2021

	2022			2021		
	<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	\$ 965,849	\$ 148,042	\$ 1,113,891	\$ 823,638	\$ 149,036	\$ 972,674
Professional services	471,071	189,895	660,966	174,514	76,746	251,260
Management and academic services	-	223,818	223,818	-	164,365	164,365
Food costs	210,190	-	210,190	194,198	-	194,198
Occupancy	202,133	-	202,133	189,208	-	189,208
Employee benefits	154,562	34,036	188,598	117,588	30,258	147,846
Classroom, kitchen, and office supplies	159,643	5,406	165,049	114,092	5,719	119,811
Student transportation	104,406	-	104,406	63,889	-	63,889
Depreciation	42,676	-	42,676	117,587	-	117,587
Insurance	18,887	-	18,887	20,232	-	20,232
Information technology	9,810	-	9,810	32,881	-	32,881
Authorizer oversight fee	-	8,279	8,279	-	6,609	6,609
Interest	6,250	-	6,250	6,119	1,131	7,250
Equipment	6,125	-	6,125	1,944	-	1,944
Travel	3,190	103	3,293	4,488	17	4,505
Staff development	1,500	-	1,500	-	-	-
Advertising	-	1,486	1,486	-	10,595	10,595
Other	13,069	6,170	19,239	7,937	4,855	12,792
<i>Total functional expenses</i>	<u>\$ 2,369,361</u>	<u>\$ 617,235</u>	<u>\$ 2,986,596</u>	<u>\$ 1,868,315</u>	<u>\$ 449,331</u>	<u>\$ 2,317,646</u>

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

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 332,776	\$ 205,543
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,676	117,587
Paycheck Protection Program loan forgiveness income	-	(165,500)
Change in certain assets and liabilities:		
Grants receivable	(119,645)	(81,574)
Prepaid expenses	(2,159)	(59,002)
Accounts payable and accrued expenses	58,295	13,935
	<u>311,943</u>	<u>30,989</u>
<i>Net cash provided by operating activities</i>		
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	165,500
Principal payments on note payable	<u>(100,000)</u>	<u>(100,000)</u>
	<u>(100,000)</u>	<u>65,500</u>
<i>Net cash provided by (used in) financing activities</i>		
NET CHANGE IN CASH	211,943	96,489
CASH, BEGINNING OF YEAR	<u>363,222</u>	<u>266,733</u>
CASH, END OF YEAR	<u>\$ 575,165</u>	<u>\$ 363,222</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 6,250	\$ 7,250

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

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Higher Institute of Arts and Technology, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school under Indiana Code 20-24 and is sponsored by the Indiana Charter School Board ("ICSB"). During the 2021-2022 school year, the School served approximately 220 students in grades kindergarten through eighth (200 during the 2020-2021 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 and 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 and cash equivalents consist of cash held in bank accounts and 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 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 lives generally are as follows:

Leasehold improvements	5 years
Furniture and equipment	3 to 5 years
Textbooks	5 years

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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 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 February 22, 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 – 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 grant is considered satisfaction of the performance obligations.

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

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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 Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes the Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from the PPP loans can be used for costs related to payroll, employee healthcare, rent, and utilities. On June 30, 2020, the School was granted a loan from immito, LLC in the amount of \$165,500, pursuant to the PPP under Division A, Title I of the CARES Act. The note was funded in July 2021. The note was officially forgiven and recognized as PPP loan forgiveness income during the year ended June 30, 2021.

NOTE 4 - NOTE PAYABLE

The note payable consists of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Note payable to Indiana State Board of Education, payable \$50,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, maturing in July 2027	\$ 550,000	\$ 650,000
Less: current portion	<u>(100,000)</u>	<u>(100,000)</u>
Long-term portion	<u>\$ 450,000</u>	<u>\$ 550,000</u>

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

2023	\$ 100,000
2024	100,000
2025	100,000
2026	100,000
2027	100,000
Thereafter	<u>50,000</u>
	<u>\$ 550,000</u>

NOTE 5 - LEASES

The School has been on a month-to-month lease for its facility since August 31, 2022, the date the long-term lease expired. Monthly rent is dependent on the number of students enrolled. The School also leases equipment, which expires August 2023. Total lease expense was \$107,711 and \$110,634 for the years ended June 30, 2022 and 2021, respectively.

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

NOTE 6 - COMMITMENTS

As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay the ICSB an annual administrative fee not to exceed 3% of state tuition support received. Expense under this charter agreement was \$8,279 and \$6,609 during the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. The escrow has not been funded as of June 30, 2022.

The School has contracted with Entrepreneurial Ventures in Education (“EVE”) to provide management, administrative, and educational programming services. Under the terms of the agreement, the School has agreed to pay an amount equal to 12% of revenue, as defined, for such services, plus any necessary travel costs. Expenses under the agreement were \$223,818 and \$164,365 for the years ended June 30, 2022 and 2021, respectively. This contract remains in effect until June 30, 2023 and is automatically renewed on a year-to-year basis commencing on the last day of the expiring contract, unless written notice of intent to terminate or renegotiate is given by either party at least 120 days prior to expiration of the agreement.

NOTE 7 - RISKS AND UNCERTAINTIES

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

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. 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, bank deposits are maintained primarily at Fifth Third Bank, and are insured up to the FDIC insurance limit. Cash balances at the end of the year and periodically throughout the year exceeded the FDIC insured limit.

NOTE 8 - RETIREMENT PLAN

The School has a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions. The School does provide an employer match contribution.

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

NOTE 9 - LIQUIDITY

Financial assets held by the School include cash and grants and other receivables. Financial assets available to meet cash needs for general expenditures within one year totaled \$796,143 and \$464,555 as of June 30, 2022 and 2021, respectively.

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 10 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets (deficit). 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.

NOTE 11 - SUBSEQUENT EVENT

Effective February 2023, the School purchased the building through a note payable to the Roman Catholic Diocese of Gary, Indiana for \$350,000 bearing interest at 5% with monthly payments of principal and interest totaling \$8,070, maturing December 2026.

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

2023	\$	33,599
2024		82,903
2025		87,144
2026		91,603
2027		54,751
	\$	<u>350,000</u>

SUPPLEMENTARY INFORMATION

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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		\$ 45,125
National School Lunch Program	10.555		<u>126,990</u>
<i>Total U.S. Department of Agriculture</i>			<u>172,115</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	S010A210014	137,410
	84.010	S010A200014	50,268
Title II, Part A;			
Supporting Effective Instruction State Grants			
	84.367	S367A190013	7,614
	84.367	S367A200013	6,442
	84.367	S367A210013	7,823
Title IV, Part A;			
Student Support and Academic Enrichment			
	84.424	S424210015	9,964
Special Education Cluster			
Special Education - Grants to States			
	84.027A	21611-601-PN01	35,170
	84.027A	20611-601-PN01	937
Expanding Opportunities Through Quality Charter Schools Program			
	84.282A	61812	312,463
	84.282A	U282A200017	34,744
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund			
	84.425D	S425D200013	25,458
	84.425D	S425D210013	257,640
	84.425D	S425U210013	<u>113,910</u>
<i>Total U.S. Department of Education</i>			<u>999,843</u>
<i>Total federal awards expended</i>			<u>\$ 1,171,958</u>

See independent auditors' report and accompanying notes to this schedule

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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 Higher Institute of Arts and Technology, 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.



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
Higher Institute of Arts and Technology, 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 Higher Institute of Arts and Technology, 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 February 22, 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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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, looped initial "D".

Indianapolis, Indiana
February 22, 2023



Donovan CPAs

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

The Board of Directors
Higher Institute of Arts and Technology, Inc.

Report on Compliance for Each Major Federal Program

We have audited Higher Institute of Arts and Technology, Inc.'s (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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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
February 22, 2023

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, 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 federal 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>
84.282A	Expanding Opportunities Through Quality Charter Schools Program
84.425D	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.