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June 14, 2023

Charter School Board
Lighthouse Academies of Northwest Indiana, Inc.
3916 Pulaski St
East Chicago, IN 46312

We have reviewed the audit report of Lighthouse Academies of Northwest Indiana, Inc. which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Lighthouse Academies of Northwest Indiana, Inc. as of June 30, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on pages 28 and 29. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 31.

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

In addition to the report presented herein, a Supplemental Audit Report for Lighthouse Academies of Northwest Indiana, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

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

Tammy R. White, CPA
Deputy State Examiner

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.
Wesley Chapel, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Academies of Northwest Indiana, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of financial position by school on pages 16 and 17 and the schedules of activities and change in net assets by school on pages 18 and 19 are presented for purposes 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, on our consideration of Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
November 19, 2021

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,628,830	\$ 3,838,799
Cash - Restricted for Bond Interest	308,225	298,099
Accounts Receivable:		
Grants	941,702	515,818
Other	59,226	64,474
Prepaid Expenses	72,567	3,184
Total Current Assets	7,010,550	4,720,374
PROPERTY AND EQUIPMENT, NET	15,968,287	16,538,851
OTHER ASSETS		
Cash - Restricted for Debt Service	1,689,288	1,726,644
Cash - Restricted for Property Repairs and Replacement	126,535	150,857
Total Other Assets	1,815,823	1,877,501
 Total Assets	 \$ 24,794,660	 \$ 23,136,726
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Bonds Payable	\$ 335,000	\$ 315,000
Accounts Payable and Accrued Expenses	1,721,189	1,490,548
Total Current Liabilities	2,056,189	1,805,548
LONG-TERM LIABILITIES		
Loan Payable Under Paycheck Protection Program	-	1,805,215
Bonds Payable	18,725,000	19,060,000
Less: Unamortized Debt Issuance Costs	(216,574)	(225,790)
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	18,508,426	20,639,425
 Total Liabilities	 20,564,615	 22,444,973
NET ASSETS, WITHOUT DONOR RESTRICTIONS	 4,230,045	 691,753
 Total Liabilities and Net Assets	 \$ 24,794,660	 \$ 23,136,726

See accompanying Notes to Financial Statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
REVENUE AND SUPPORT		
State Education Support	\$ 15,054,742	\$ 14,781,363
Grant Revenue	8,980,424	6,611,829
In-Kind Contributions	72,000	-
Student Fees	13,136	17,406
Contributions	108	355,681
Interest	235	29,264
Other	94,337	138,993
Total Revenue and Support	24,214,982	21,934,536
EXPENSES		
Program Services	16,934,751	17,523,850
Management and General	3,741,939	3,453,267
Total Expenses	20,676,690	20,977,117
CHANGES IN NET ASSETS	3,538,292	957,419
Net Assets (Deficit) - Beginning of Year	691,753	(265,666)
NET ASSETS - END OF YEAR	\$ 4,230,045	\$ 691,753

See accompanying Notes to Financial Statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 7,707,063	\$ 1,214,898	\$ -	\$ 8,921,961
Employee Benefits	2,099,545	169,673	-	2,269,218
Staff Development and Recruitment	77,184	2,177	-	79,361
Academic Services - Lighthouse				
Academics	-	1,772,301	-	1,772,301
Authorizer Oversight Fee	-	427,668	-	427,668
Food Service	333,458	-	-	333,458
Transportation Service	373,136	-	-	373,136
Information Technology	224,134	-	-	224,134
Other Professional Services	1,087,847	52,737	-	1,140,584
Equipment Rental	116,543	-	-	116,543
Classroom, Kitchen, and Office				
Supplies	1,893,391	48,008	-	1,941,399
Occupancy	857,382	11,000	-	868,382
Rent In-Kind	72,000	-	-	72,000
Depreciation	696,571	-	-	696,571
Interest	1,390,431	-	-	1,390,431
Other	6,066	43,477	-	49,543
	<u>\$ 16,934,751</u>	<u>\$ 3,741,939</u>	<u>\$ -</u>	<u>\$ 20,676,690</u>
Total Functional Expenses	<u>\$ 16,934,751</u>	<u>\$ 3,741,939</u>	<u>\$ -</u>	<u>\$ 20,676,690</u>

See accompanying Notes to Financial Statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 8,086,685	\$ 1,166,031	\$ -	\$ 9,252,716
Employee Benefits	2,079,254	239,515	-	2,318,769
Staff Development and Recruitment	63,280	-	-	63,280
Academic Services - Lighthouse				
Academics	-	1,517,070	-	1,517,070
Authorizer Oversight Fee	-	412,823	-	412,823
Food Service	832,224	-	-	832,224
Transportation Service	877,727	-	-	877,727
Information Technology	155,737	-	-	155,737
Other Professional Services	1,158,823	20,943	-	1,179,766
Equipment Rental	182,413	-	-	182,413
Classroom, Kitchen, and Office				
Supplies	911,998	56,616	-	968,614
Occupancy	868,509	-	-	868,509
Depreciation	777,199	-	-	777,199
Interest	1,389,086	-	-	1,389,086
Other	140,915	40,269	-	181,184
	<u>\$ 17,523,850</u>	<u>\$ 3,453,267</u>	<u>\$ -</u>	<u>\$ 20,977,117</u>
Total Functional Expenses	<u>\$ 17,523,850</u>	<u>\$ 3,453,267</u>	<u>\$ -</u>	<u>\$ 20,977,117</u>

See accompanying Notes to Financial Statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 3,538,292	\$ 957,419
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	696,571	777,199
Amortization	9,216	9,216
Paycheck Protection Program Loan Forgiveness	(1,805,215)	-
Changes in Certain Assets and Liabilities:		
Grants Receivable	(425,884)	229,847
Other Receivables	5,248	(58,630)
Prepaid Expenses	(69,383)	9,314
Accounts Payable and Accrued Expenses	230,641	(1,418,150)
Net Cash Provided by Operating Activities	2,179,486	506,215
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(126,007)	(38,720)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan Payable Under Paycheck Protection Program	-	1,805,215
Principal Repayment of Bonds Payable	(315,000)	(295,000)
Net Cash Provided (Used) by Financing Activities	(315,000)	1,510,215
NET CHANGE IN CASH	1,738,479	1,977,710
Cash - Beginning of Year	6,014,399	4,036,689
CASH - END OF YEAR	\$ 7,752,878	\$ 6,014,399
CASH - END OF YEAR		
Cash - Unrestricted	\$ 5,628,830	\$ 3,838,799
Cash - Restricted for Bond Interest	308,225	298,099
Cash - Restricted for Debt Service	1,689,288	1,726,644
Cash - Restricted for Property Repairs and Replacement	126,535	150,857
Total Cash - End of Year	\$ 7,752,878	\$ 6,014,399
SUPPLEMENTAL INFORMATION		
Cash Paid for Interest	\$ 1,381,215	\$ 1,381,406

See accompanying Notes to Financial Statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Lighthouse Academies of Northwest Indiana, Inc. (LANWI), a public benefit nonprofit organization incorporated under the laws of the state of Indiana, is the organizer and governing body of two charter schools located in Indiana. Both schools are public charter schools established under Indiana Code 20-24 and are sponsored by Ball State University. Gary Lighthouse Charter School served approximately 1,300 students in grades kindergarten through 12 and East Chicago Lighthouse Charter School served approximately 520 students in grades kindergarten through eight during the 2020 - 2021 school year.

Accounting Estimates

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

Revenue Recognition

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

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

Grants Revenue and Contributions

LANWI receives income from grants and contributions that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions. When restricted support is received and the restriction is satisfied in the current year, the activity is reported in net assets without donor restrictions. LANWI did not have any conditional grants or contributions as of June 30, 2021 and 2020.

Cash and Restricted Cash

Cash and restricted 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, 2021 and 2020.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the state of Indiana. LANWI believes that 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 with a unit cost of less than \$5,000 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	30 Years
Furniture and Equipment	3 to 5 Years

Impairment of Long-Lived Assets

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

Debt Issuance Costs

LANWI incurred debt issuance costs totaling \$258,046 associated with securing financing under Indiana Finance Authority Education Facilities Revenue Bonds. Amortization of the debt issuance costs is provided on a straight-line basis over the term of the bonds (27 years). Accumulated amortization was \$41,472 and \$32,256 as of June 30, 2021 and 2020, respectively. Amortization expense was \$9,216 for the years ended June 30, 2021 and 2020. As provided by Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented on the statements of financial position as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income (Continued)

Professional accounting standards require LANWI 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. LANWI has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of LANWI are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. LANWI is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

LANWI evaluated subsequent events through November 19, 2021, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 RESTRICTED CASH

Cash

Restricted for bond interest is reserved for the payment of interest on the bond semi-annually. Funds are placed in the account monthly to cover one-sixth of the semi-annual interest payment.

Restricted for debt service is reserved for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements.

Restricted for property repairs and replacement was established with the bond proceeds and represents resources available for repairing and replacing facilities.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,245,200	\$ 1,245,200
Buildings and Improvements	17,335,671	17,209,664
Furniture and Equipment	<u>1,901,521</u>	<u>1,901,521</u>
Subtotal	20,482,392	20,356,385
Less: Accumulated Depreciation	<u>(4,514,105)</u>	<u>(3,817,534)</u>
Total	<u><u>\$ 15,968,287</u></u>	<u><u>\$ 16,538,851</u></u>

NOTE 4 BONDS PAYABLE

LANWI purchased its facilities with Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2016 with original amounts totaling \$19,950,000. Principal is payable in annual installments that increase from \$280,000 to \$1,575,000, beginning in December 2018 and maturing in December 2044. Interest payments are made semi-annually at rates ranging from 6.25% to 7.25% in accordance with the bond agreements. The bonds are secured by land, buildings, and improvements.

The Indiana Finance Authority Educational Facilities Revenue Bond agreements contain certain covenants requiring:

- submission of audited financial statements within 150 days after the end of the fiscal year or, if audited, financial statements are not available at that time, unaudited financial statements, and audited financial statements within 10 business days after availability;
- a minimum 45 days cash on hand as of June 30, 2019 and each annual reporting period thereafter (35 days cash on hand as of June 30, 2018); and
- meeting a minimum debt service coverage ratio of 1.15 to 1.00, measured annually.

LANWI was in compliance with the debt service coverage ratio covenants as of and for the year ended June 30, 2021.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 335,000
2023	355,000
2024	375,000
2025	400,000
2026	425,000
Thereafter	<u>17,170,000</u>
Total	<u><u>\$ 19,060,000</u></u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 LOAN PAYABLE UNDER PAYCHECK PROTECTION PROGRAM

On April 13, 2020, LANWI received a loan from a financial institution in the amount of \$1,805,215 to fund payroll, rent, and utilities through the Paycheck Protection Program Flexibility Act of 2020 (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. On May 24, 2021, LANWI received full forgiveness of the PPP Loan from the bank and the Small Business Administration (SBA). Accordingly, LANWI recorded the extinguishment of debt as a gain on the statement of activities and changes in net assets. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on LANWI's financial position.

NOTE 6 LEASES

LANWI leases certain items of equipment under operating leases. Total lease expense under operating leases was \$76,588 and \$168,272 for the years ended June 30, 2021 and 2020, respectively. Future minimum lease payments are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 69,300
2023	69,300
2024	23,100
Total	<u>\$ 161,700</u>

NOTE 7 RETIREMENT PLAN

All LANWI personnel are employees of Lighthouse Academies, Inc., which provides management services to LANWI. LANWI personnel are eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, LANWI matches 100% of employee contributions up to 4% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the LANWI Board of Directors. No discretionary contributions were made during the years ended June 30, 2021 and 2020. Retirement plan expense was \$93,647 and \$125,746 for the years ended June 30, 2021 and 2020, respectively.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 COMMITMENTS

LANWI has contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreements, LANWI has agreed to pay an amount equal to 7.5% of revenue, as defined, for such services, plus any necessary travel costs. Expense under the agreements for both academic oversight and travel costs was \$1,772,301 and \$1,517,070 for the years ended June 30, 2021 and 2020, respectively. LANWI owed \$80,564 to Lighthouse Academies, Inc. as of June 30, 2021. This agreement remains in effect as long as the schools' charters remain in effect.

LANWI's two schools operate under charters granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charters, LANWI has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received associated with its two schools. Total expense under the charter agreements was \$427,668 and \$412,823 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 RISKS AND UNCERTAINTIES

LANWI provides education services to families residing in Lake and surrounding counties of 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 LANWI. Additionally, LANWI is subject to monitoring and audit by state and federal agencies. These examinations may result in additional liability to be imposed.

Financial instruments that potentially subject LANWI to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2021 and 2020, substantially all receivable balances were due from the state of Indiana.

LANWI primarily maintains its cash and cash equivalents in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, LANWI has not experienced losses in any of these accounts.

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 LIQUIDITY

Under ASU 2016-14, the LANWI is required to disclose the assets it has available at June 30, 2021 and 2020 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The LANWI's financial assets include cash, restricted cash, grants receivable, and other receivables.

Financial Assets	\$ 8,753,806	\$ 6,594,691
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Restricted Cash for Use in Payment of Bond Interest, Debt Service, and Property Repairs and Replacement	<u>(2,124,048)</u>	<u>(2,175,600)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 6,629,758</u>	<u>\$ 4,419,091</u>

From time to time, LANWI receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, LANWI 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 LANWI'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 11 IN-KIND RENT

The School leases a modular classroom under an operating lease with Lighthouse Academies, Inc. Beginning in the year ending June 30, 2021, Lighthouse Academies, Inc. provided rent abatement for the lease and therefore a donation to the School by allowing it to occupy the modular classroom for free, an amount which is below the fair market value for the rent. The fair market value of the contribution, as determined by the fair market value paid by the school prior to the school year ending June 30, 2021, is \$72,000. The School is responsible for all repairs, maintenance, utilities, and insurance.

NOTE 12 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 LANWI 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.

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
OTHER REPORT
JUNE 30, 2021**

The reports presented herein were prepared in addition to another official report prepared for Lighthouse Academies of Northwest Indiana, Inc. as listed below:

Supplemental Audit Report of Lighthouse Academies of Northwest Indiana, 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*.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>Gary</u>	<u>East Chicago</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash	\$ 3,804,640	\$ 1,824,190	\$ -	\$ 5,628,830
Cash - Restricted for Bond Interest	246,580	61,645	-	308,225
Accounts Receivable:				
Grants	491,625	450,077	-	941,702
Other	29,300	463,682	(433,756)	59,226
Prepaid Expenses	45,440	27,127	-	72,567
Total Current Assets	<u>4,617,585</u>	<u>2,826,721</u>	<u>(433,756)</u>	<u>7,010,550</u>
PROPERTY AND EQUIPMENT, NET	12,821,965	3,146,322	-	15,968,287
OTHER ASSETS				
Cash - Restricted for Debt Service	1,351,430	337,858	-	1,689,288
Cash - Restricted for Property Repairs and Replacement	84,957	41,578	-	126,535
Total Other Assets	<u>1,436,387</u>	<u>379,436</u>	<u>-</u>	<u>1,815,823</u>
 Total Assets	 <u>\$ 18,875,937</u>	 <u>\$ 6,352,479</u>	 <u>\$ (433,756)</u>	 <u>\$ 24,794,660</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Bonds Payable	\$ 268,000	\$ 67,000	\$ -	\$ 335,000
Accounts Payable and Accrued Expenses	1,694,266	460,679	(433,756)	1,721,189
Total Current Liabilities	<u>1,962,266</u>	<u>527,679</u>	<u>(433,756)</u>	<u>2,056,189</u>
LONG-TERM LIABILITIES				
Bonds Payable	15,070,000	3,655,000	-	18,725,000
Less: Unamortized Debt Issuance Costs	(174,238)	(42,336)	-	(216,574)
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	<u>14,895,762</u>	<u>3,612,664</u>	<u>-</u>	<u>18,508,426</u>
Total Liabilities	16,858,028	4,140,343	(433,756)	20,564,615
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>2,017,909</u>	<u>2,212,136</u>	<u>-</u>	<u>4,230,045</u>
 Total Liabilities and Net Assets	 <u>\$ 18,875,937</u>	 <u>\$ 6,352,479</u>	 <u>\$ (433,756)</u>	 <u>\$ 24,794,660</u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Gary	East Chicago	Eliminations	Total
CURRENT ASSETS				
Cash	\$ 2,571,579	\$ 1,267,220	\$ -	\$ 3,838,799
Cash - Restricted for Bond Interest	238,479	59,620	-	298,099
Accounts Receivable:				
Grants	356,721	159,097	-	515,818
Other	186,982	9,553	(132,061)	64,474
Prepaid Expenses	-	3,184	-	3,184
Total Current Assets	<u>3,353,761</u>	<u>1,498,674</u>	<u>(132,061)</u>	<u>4,720,374</u>
PROPERTY AND EQUIPMENT, NET	13,270,643	3,268,208	-	16,538,851
OTHER ASSETS				
Cash - Restricted for Debt Service	1,381,315	345,329	-	1,726,644
Cash - Restricted for Property Repairs and Replacement	109,282	41,575	-	150,857
Total Other Assets	<u>1,490,597</u>	<u>386,904</u>	<u>-</u>	<u>1,877,501</u>
 Total Assets	 <u>\$ 18,115,001</u>	 <u>\$ 5,153,786</u>	 <u>\$ (132,061)</u>	 <u>\$ 23,136,726</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES				
Current Portion of Bonds Payable	\$ 252,000	\$ 63,000	\$ -	\$ 315,000
Accounts Payable and Accrued Expenses	1,210,816	411,793	(132,061)	1,490,548
Total Current Liabilities	<u>1,462,816</u>	<u>474,793</u>	<u>(132,061)</u>	<u>1,805,548</u>
LONG-TERM LIABILITIES				
Loan Payable Under Paycheck Protection Program	1,805,215	-	-	1,805,215
Bonds Payable	15,338,000	3,722,000	-	19,060,000
Less: Unamortized Debt Issuance Costs	(181,652)	(44,138)	-	(225,790)
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	<u>16,961,563</u>	<u>3,677,862</u>	<u>-</u>	<u>20,639,425</u>
 Total Liabilities	 18,424,379	 4,152,655	 (132,061)	 22,444,973
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS	<u>(309,378)</u>	<u>1,001,131</u>	<u>-</u>	<u>691,753</u>
 Total Liabilities and Net Assets (Deficit)	 <u>\$ 18,115,001</u>	 <u>\$ 5,153,786</u>	 <u>\$ (132,061)</u>	 <u>\$ 23,136,726</u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) BY SCHOOL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Gary	East Chicago	Eliminations	Total
REVENUE AND SUPPORT				
State Education Support	\$ 10,863,542	\$ 4,191,200	\$ -	\$ 15,054,742
Grant Revenue	7,136,695	1,843,729	-	8,980,424
In-Kind Contributions	72,000	-	-	72,000
Student Fees	12,035	1,101	-	13,136
Contributions	108	-	-	108
Interest	188	47	-	235
Other	51,167	560,661	(517,491)	94,337
Total Revenue and Support	<u>18,135,735</u>	<u>6,596,738</u>	<u>(517,491)</u>	<u>24,214,982</u>
EXPENSES				
Program Services	13,029,666	4,422,576	(517,491)	16,934,751
Management and General	2,778,782	963,157	-	3,741,939
Fundraising	-	-	-	-
Total Expenses	<u>15,808,448</u>	<u>5,385,733</u>	<u>(517,491)</u>	<u>20,676,690</u>
CHANGES IN NET ASSETS	2,327,287	1,211,005	-	3,538,292
Net Assets (Deficit) - Beginning of Year	<u>(309,378)</u>	<u>1,001,131</u>	<u>-</u>	<u>691,753</u>
NET ASSETS - END OF YEAR	<u>\$ 2,017,909</u>	<u>\$ 2,212,136</u>	<u>\$ -</u>	<u>\$ 4,230,045</u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) BY SCHOOL
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Gary	East Chicago	Eliminations	Total
REVENUE AND SUPPORT				
State Education Support	\$ 10,780,173	\$ 4,001,190	\$ -	\$ 14,781,363
Grant Revenue	5,096,714	1,515,115	-	6,611,829
Student Fees	4,407	12,999	-	17,406
Contributions	355,181	500	-	355,681
Interest	23,411	5,853	-	29,264
Other	171,719	47,274	(80,000)	138,993
Total Revenue and Support	<u>16,431,605</u>	<u>5,582,931</u>	<u>(80,000)</u>	<u>21,934,536</u>
EXPENSES				
Program Services	13,559,815	4,044,035	(80,000)	17,523,850
Management and General	2,568,856	884,411	-	3,453,267
Fundraising	-	-	-	-
Total Expenses	<u>16,128,671</u>	<u>4,928,446</u>	<u>(80,000)</u>	<u>20,977,117</u>
CHANGES IN NET ASSETS	302,934	654,485	-	957,419
Net Assets (Deficit) - Beginning of Year	<u>(612,312)</u>	<u>346,646</u>	<u>-</u>	<u>(265,666)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (309,378)</u>	<u>\$ 1,001,131</u>	<u>\$ -</u>	<u>\$ 691,753</u>



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

Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.
Wesley Chapel, Florida

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 Lighthouse Academies of Northwest Indiana, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
November 19, 2021



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

Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.
Wesley Chapel, Florida

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Lighthouse Academies of Northwest Indiana, Inc.'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 Lighthouse Academies of Northwest Indiana, Inc.'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 Lighthouse Academies of Northwest Indiana, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Lighthouse Academies of Northwest Indiana, 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, 2021.

Report on Internal Control Over Compliance

Management of Lighthouse Academies of Northwest Indiana, Inc. 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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

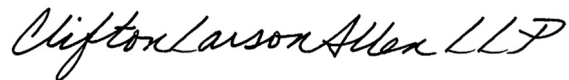
Lighthouse Academies of Northwest Indiana, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lighthouse Academies of Northwest Indiana, Inc.'s response was not subjected to the auditing 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.

Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

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

We have audited the financial statements of Lighthouse Academies of Northwest Indiana, Inc. as of and for the year ended June 30, 2021, and have issued our report thereon dated November 19, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Indianapolis, Indiana
September 8, 2022

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through Indiana Department of Education:				
Child Nutrition Cluster				
National School Breakfast Program	10.553	N/A	\$ -	\$ 137,527
National School Lunch Program	10.555	N/A	-	223,185
Total Child Nutrition Cluster			<u>-</u>	<u>360,712</u>
Total U.S. Department of Agriculture			-	360,712
U.S Department of Education				
Passed through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A200014, S010A210014	-	2,188,580
Special Education Cluster				
Special Education Grants to States	84.027	H027A190084	-	672,541
Special Education Grants to States	84.027	H173A190104	-	7,121
Total Special Education Cluster			<u>-</u>	<u>679,662</u>
Arts in Education	84.351	S367A200013, S367A200013	-	208,970
English Language Acquisition State Grants	84.365	S365A190014	-	11,915
Student Support and Academic Enrichment Program	84.424	S424A200015, S424A210015	-	172,197
Education Stabilization Fund Program				
COVID-19 ESSER Formula Fund I	84.425D	S425D200013	-	1,437,190
COVID-19 ESSER Formula Fund II	84.425D	S425D210013	-	66,000
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	S425C200018	-	169,400
Total Education Stabilization Fund Program			<u>-</u>	<u>1,672,590</u>
Total U.S. Department of Education			-	4,933,914
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 5,294,626</u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lighthouse Academies of Northwest Indiana, Inc. under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LANWI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LANWI.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	___x___ yes _____ no

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2021 – 001 Schedule of Expenditures of Federal Awards Preparation

Federal agency: All

Federal program title: All

Assistance Listing Number: Multiple

Pass-Through Agency: Indiana Department of Education

Pass-Through Number(s): Multiple

Award Period: Multiple

Type of Finding:

- Material Weakness in Internal Control over Compliance

Criteria or specific requirement: 2 CFR, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F, §200.510(b) requires that auditees prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502. At a minimum, the schedule must:

1. List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
3. Provide total Federal awards expended for each individual Federal program and the Assistance listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
4. Include the total amount provided to subrecipients from each Federal program.
5. For loan or loan guarantee programs described in §200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
6. Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10 percent de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 001 Schedule of Expenditures of Federal Awards Preparation (Continued)

Condition: During testing, it was noted the School's draft SEFA did not properly identify items 1-3 as noted above. Additionally, the School did not complete the footnote disclosures related to the SEFA. We noted missing Assistance Listing Numbers, improper subtotalling, no name or pass-through identifying information, and missing subparts that are required to be identified under Assistance Listing 84.425. Additionally, the SEFA was not initially prepared on the same basis of accounting as the financial statements, i.e. accrual basis, thus resulting in an adjustment of approximately \$330,000.

Questioned costs: None

Context: The conditions noted above were discovered as a systemic problem during the reconciliation process between the amounts recorded in the financial statements for grant expenditures and the amounts initially shown in the SEFA. The reconciliation process included all Assistance Listing numbers.

Cause: The School did not have the controls in place to ensure that the SEFA was prepared and reviewed in accordance with 2 CFR, Part 200 and US GAAP.

Effect: Inaccurate presentation and clustering of programs affects the presentation of the SEFA and the conduct of the audit procedures applicable to the expenditures. Additionally, federal funds could be expended that are not accurately reported.

Repeat Finding: No

Recommendation: We recommend the School utilize the practice aids provided during the course of the audit and establish controls to ensure that the SEFA is prepared in compliance with 2 CFR, Part 200 and U.S. GAAP, specifically as it relates to accrual basis of accounting and presentation.

Views of responsible officials: There is no disagreement with the audit finding.



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**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2021**

U.S. Department of Education

Lighthouse Academies of Northwest Indiana, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2021.

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

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

FINDINGS—FINANCIAL STATEMENT AUDIT

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

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

U.S. Department of Education

2021-001 Schedule of Expenditures of Federal Awards Preparation

Recommendation: We recommend the School utilize the practice aids provided during the course of the audit and establish controls to ensure that the SEFA is prepared in compliance with 2 CFR, Part 200 and U.S. GAAP, specifically as it relates to accrual basis of accounting and presentation.

Explanation of disagreement with audit finding: While management agrees that the SEFA had to be corrected, we believe that this was due to a miscommunication during the transition of finance teams and not an issue with lack of controls. The standard audit was prepared and completed by the former finance team for LHA while the single audit was done by the new finance team. As part of the financial audit, the old team created a preliminary SEFA. The new finance team presumed that this SEFA had been reviewed by the old team and auditors and would match the already approved and processed audit so that no changes would be necessary, and any changes made would affect the financial audit. During the single audit, the auditors revealed that the SEFA had not yet been reviewed and did not match the financial audit. Upon this understanding the new finance team was able to update the SEFA and provide accurate numbers and information to fully match the financial audit and meet all requirements. All expenses were supported and there were no questioned costs or exceptions found during the single audit.

Action in response to finding: The new finance team will be responsible for all parts of future audits and is now fully aware of the requirements for the SEFA. We will complete the SEFA on this basis and in this presentation moving forward.

Name(s) of the contact person(s) responsible for corrective action: Jonathan Tebeleff

Planned completion date for corrective action plan: Completed

If the U.S. Department of Education has questions regarding this plan, please call Jonathan Tebeleff at 410-707-2102.