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June 15, 2023

Charter School Board
21st Century Charter School at Gary, Inc.
556 Washington Street
Gary, IN 46402

We have reviewed the report prepared by 21st Century Charter School at Gary, Inc. and opined upon by Crowe LLP, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of 21st Century Charter School at Gary, 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, Crowe 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 21st Century Charter School at Gary, 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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

21st CENTURY CHARTER SCHOOL @ GARY, INC.

FINANCIAL STATEMENTS

June 30, 2022 and 2021

FINANCIAL STATEMENTS
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
21st Century Charter School @ Gary, Inc.
Gary, Indiana

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of 21st Century Charter School @ Gary, Inc. (the School), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, 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 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 Auditor's 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 from the date the financial statements are available to be issued.

(Continued)

Auditor's 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 auditor's 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the consolidated 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 other 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
January 31, 2023

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,458,624	\$ 1,621,622
Restricted cash	1,583,889	1,573,896
Grants and accounts receivable	824,782	171,191
Prepaid expenses	249,517	133,890
Due from related parties (Note 5)	152,950	74,973
Right of use asset (Note 3)	701,000	1,078,000
Property and equipment, net (Note 2)	<u>14,863,579</u>	<u>11,642,587</u>
 Total assets	 <u>\$ 19,834,341</u>	 <u>\$ 16,296,159</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,681,682	\$ 992,348
Due to related parties (Note 5)	1,086,745	65,208
Lease liability (Note 3)	701,000	1,078,000
Financing lease liability	162,198	236,120
Bonds and notes payable, net (Note 4)	<u>11,797,626</u>	<u>12,123,622</u>
Total liabilities	15,429,251	14,495,298
NET ASSETS		
Without donor restrictions	<u>4,405,090</u>	<u>1,800,861</u>
 Total liabilities and net assets	 <u>\$ 19,834,341</u>	 <u>\$ 16,296,159</u>

See accompanying notes to financial statements.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Public support and revenues		
Federal grants	\$ 11,799,053	\$ 3,415,779
State and local grants	12,787,872	11,739,326
Supporting services	595,248	38,299
Loss on disposal of equipment	<u>(51,951)</u>	<u>(22,159)</u>
Total revenue and support	<u>25,130,222</u>	<u>15,171,245</u>
Expenses		
Education services	21,571,504	13,050,994
Management and general	<u>954,489</u>	<u>896,140</u>
Total expenses	<u>22,525,993</u>	<u>13,947,134</u>
Change in net assets	2,604,229	1,224,111
Net assets without donor restrictions, beginning of year	<u>1,800,861</u>	<u>576,750</u>
Net assets without donor restrictions, end of year	<u>\$ 4,405,090</u>	<u>\$ 1,800,861</u>

See accompanying notes to financial statements.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 2,604,229	\$ 1,224,111
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	1,288,394	735,593
Right of use amortization expense – financing	57,093	57,091
Right of use amortization expense – operating	377,000	370,000
Loss on disposal of property and equipment	51,951	22,159
PPP loan forgiveness	-	(188,682)
Change in assets and liabilities:		
Grants and accounts receivable	(653,591)	(27,425)
Prepaid expenses	(115,627)	(36,869)
Due to/from related parties	943,560	62,608
Lease liability	(377,000)	(370,000)
Accounts payable and accrued other expenses	689,334	74,121
Net cash from operating activities	<u>4,865,343</u>	<u>1,922,707</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(4,579,426)</u>	<u>(1,682,719)</u>
Net cash from investing activities	<u>(4,579,426)</u>	<u>(1,682,719)</u>
Cash flows from financing activities		
Payment on financing lease liability	(73,922)	(73,327)
Principal payments on bonds and notes payable	<u>(365,000)</u>	<u>(350,000)</u>
Net cash from financing activities	<u>(438,922)</u>	<u>(423,327)</u>
Net change in cash and cash equivalents	(153,005)	(183,338)
Cash and cash equivalents, beginning of year	<u>3,195,518</u>	<u>3,378,856</u>
Cash and cash equivalents, end of year	<u>\$ 3,042,513</u>	<u>\$ 3,195,518</u>
Reconciliation of cash to the Statements of Financial Position:		
Cash and cash equivalents	\$ 1,458,624	\$ 1,621,622
Restricted cash	<u>1,583,889</u>	<u>1,573,896</u>
Total cash and cash equivalents	<u>\$ 3,042,513</u>	<u>\$ 3,195,518</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 1,492,715	\$ 747,576

See accompanying notes to financial statements.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: 21st Century Charter School @ Gary, Inc. (the School) is a nonprofit corporation established to operate a charter school. The School is dedicated to ensure that all students show growth in character, academics, life skills, the arts, and wellness using teaching skills tailored to meet the needs of each student.

The School was established under the laws of the State of Indiana and operates under a Board of School Directors form of government.

Method of Accounting: The School maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The School is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the School is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

The School has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is “more likely than not” that 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 benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit will be recorded.

The School does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The School recognizes interest and/or penalties related to income tax matters in income tax expense. The School did not have any amounts accrued for interest and penalties at June 30, 2022 and 2021.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents: Cash and cash equivalents consists of bank deposits in accounts that are federally insured up to \$250,000. Bank balances may periodically exceed FDIC insured limits. For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Restricted Cash: Restricted cash consists of funds held in trust accounts for capital expenditures and debt service reserves.

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted. The School does not accrue interest on any of its grants receivables.

Allowances: Allowances are based upon prior experience and management’s analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. The School currently considers all receivables to be fully collectible. The School had no allowance for doubtful accounts recorded as of June 30, 2022 and 2021.

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21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Expenditures for property and equipment and items in excess of \$500 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and improvements	39 years
Property and equipment	3-7 years

Impairment of Long-Lived Assets: In accordance with GAAP, the School reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2022 and 2021, management believes that no impairment exists.

Fair Value of Financial Instruments: Cash and cash equivalents and accounts payable approximate fair value because of the short maturity of these instruments. Grants receivable are not readily marketable. The School has estimated their fair value to be the carrying value. The carrying value of all the School's financial instruments, approximate fair value, except for bonds and notes payable.

Basis of Presentation: The School follows GAAP and reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – The net asset without donor restrictions class includes general assets and liabilities of the School. The net assets without donor restrictions of the School may be used at the discretion of management to support the School's purposes and operations.

Net Assets With Donor Restrictions – The net asset with donor restrictions class includes assets of the School related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. The net asset with donor restrictions class also includes assets of the School related to contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School had no net assets with donor restrictions as of June 30, 2022 and 2021.

Federal and State Grants: Support funded by grants is recognized as the School satisfies the related conditions under various grant agreements. Grant revenue is typically recognized as allowable expenses are incurred or as eligible students are served. The School's basic grant support from the State is based on per-pupil funding. Government grants and contracts are generally subject to conditions that have a barrier and a right of return that must be met before the School is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Supporting Services: Revenue for services (such as employee time) provided to charter schools managed by Greater Education Opportunities Foundation, Inc., (GEOF). Reimbursement is requested for services provided to offset the corresponding expense. Revenue is recognized as services are performed and performance obligations are achieved.

Advertising: The School expenses advertising costs as incurred. During 2022 and 2021, expenses totaling \$195,457 and \$74,988 were incurred for advertising.

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional and Allocated Expenses: Expenses have been classified as program services and supporting services based on the actual direct expenditures and estimated cost allocations. Salaries and related expenses are charged based upon time estimates of personnel. Supporting services include management and general activities of the School. The School did not incur any fundraising expenses for the years ended June 30, 2022 and 2021.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2022, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2022. Management has performed their analysis through January 31, 2023, the date the financial statements were issued.

NOTE 2 - PROPERTY AND EQUIPMENT

At June 30, the carrying value of land, buildings and building improvements, and equipment, consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 296,500	\$ 296,500
Building and building improvements	11,894,576	11,656,674
Equipment	<u>8,215,985</u>	<u>3,959,292</u>
	20,407,061	15,912,466
Less: accumulated depreciation	<u>(5,543,482)</u>	<u>(4,269,879)</u>
	<u>\$ 14,863,579</u>	<u>\$ 11,642,587</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$1,249,390 and \$695,022, respectively.

NOTE 3 - LEASES

Right of use ("ROU") assets represent the School's right to use the underlying assets for the lease term and lease liabilities represent the net present value of the School's obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the School's incremental borrowing rate on the lease commencement date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain the School will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. As permitted by ASC 842, leases with an initial term of twelve months or less ("short-term leases") are not recorded on the accompanying statement of financial position.

The School leases modular space, vehicles, and a postage meter under various non-cancelable operating leases which expire at various dates through fiscal year 2023.

In July 2019, the School and GEOFF entered into a building lease agreement for a second facility to expand operations for the 2020-2021 school year. The agreement requires monthly rent payments of \$30,000 maturing on June 30, 2023. Rent expense for the years ended June 30, 2022 and 2021 was \$360,000, annually.

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2022 and 2021

NOTE 3 - LEASES (Continued)

The School has recognized a right of use asset of \$902,483 and \$1,336,576, respectively, and a lease liability of \$701,000 and \$1,314,120, respectively, on the statements of financial position as of June 30, 2022, and 2021. The School utilized the 5-year Treasury rate to determine the net present value of the lease liability which approximated 1.76% at lease inception.

In accordance with GAAP, the School recognizes rent expense on a straight-line basis. The future maturities lease payments under operating leases are as follows:

2023	\$ 395,603
2024	<u>360,000</u>
Total minimum lease payments	\$ 755,603
Present value discount	<u>(54,603)</u>
 Lease liability	 <u>\$ 701,000</u>

Operating lease expense for the year ended June 30, 2022 and 2021 was approximately \$402,448 and \$396,984, respectively.

NOTE 4 - BONDS AND NOTES PAYABLE

Bonds and notes payable consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Series 2013A bonds payable, maturing in March 2033, including interest computed at 6%, secured by Real Estate Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, and Trust Accounts and interest in the Project, as defined in the Loan Agreement dated February 1, 2013. Principal payments began on February 28, 2018.	\$ 4,350,000	\$ 4,625,000
Series 2013A bonds payable, maturing in March 2043, including interest computed at 6.25%, secured by Real Estate Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, and Trust Accounts and interest in the Project, as defined in the Loan Agreement dated February 1, 2013. Principal payments begin on February 28, 2034.	7,355,000	7,355,000
Note payable to State of Indiana Treasurer to support charter school operations, payable in semi-annual installments of \$45,000, plus interest computed at 1.00%, through maturity in July 2026.	<u>405,000</u>	<u>495,000</u>
	12,110,000	12,475,000
Bond issuance cost, net of accumulated amortization	<u>(312,374)</u>	<u>(351,378)</u>
Total bonds and notes payable, net	<u>\$ 11,797,626</u>	<u>\$ 12,123,622</u>

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 4 - BONDS AND NOTES PAYABLE (Continued)

The estimated future principal payments due on long term debt are:

2023	\$ 380,000
2024	400,000
2025	415,000
2026	435,000
2027	410,000
Thereafter	<u>10,070,000</u>
	<u>\$ 12,110,000</u>

Total interest expense during the years ended June 30, 2022 and 2021 were \$1,487,665 and \$1,527,392, respectively. The School has financial and nonfinancial covenants associated with the bond obligations. At June 30, 2022 and 2021, the School was not in compliance with a covenant. The bondholder has provided a waiver of covenant violation agreement.

NOTE 5 - RELATED PARTY TRANSACTIONS

The School has a management agreement with the Greater Educational Opportunities Foundation (GEOF). Under the management agreement, GEOF charges administrative and per student fees in exchange for the management, operation, administration, IT support, payroll and accounting services provided. During the years ended June 30, 2022 and 2021, the School paid GEOF administrative fees of \$826,762 and \$804,943, respectively. As part of the management services provided, GEOF acts as the payor of certain operating expenses including a self-funded insurance plan for employee medical and prescription drug insurance managed by GEOF. GEOF is reimbursed by the School. During the years ended June 30, 2022 and 2021, the School paid GEOF reimbursements of \$715,814 and \$549,921, respectively, for self-insurance expense and other reimbursements. The School's board retains final authority and responsibility for financial and budgetary commitments. At June 30, 2022 and 2021, the School has a payable to GEOF for \$1,086,745 and \$65,208, respectively, for various transactions and a receivable from GEOF in the amount of \$152,950 and \$74,973, respectively, for overpayment of administrative fees.

NOTE 6 - CHARTER AGREEMENT

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay Ball State University an annual administrative fee equal to 3% of State tuition support, along with other licensing fees. Payments under this charter agreement were \$313,645 and \$295,636 for the years ended June 30, 2022 and 2021, respectively.

In June 2021, Ball State University, the School's charter authorizer, placed the School on probation in relation to certain governance conditions of the charter. The School's Board is working closely with Ball State University to address these concerns. The authorizer was changed to Indiana Charter School Board (ICSB) effective July 1, 2022.

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2022 and 2021

NOTE 7 - PENSION PLANS

The School's faculty and certain administrative employees are participants in a 403(b) tax deferred annuity retirement plan. All participants may contribute to the plan. There were no employer matching contributions to the plan for the years ended June 30, 2022 and 2021.

The School participates in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost sharing multi-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multi-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The School employees are required to contribute three percent of their annual covered salary. The School is required to contribute an actuarially determined rate determined annually for PERF and TRF. The School's expense for the years ended June 30, 2022 and 2021 was \$648,007 and \$397,035, respectively.

NOTE 8 - FUNCTIONAL EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the program and supporting functions of the School. Functions include program expense for education services and management and general activities. The table below presents these functional expenses by their natural classification for the years ended June 30, 2022 and 2021, respectively.

	2022		
	Education Services	Management and General	Total
Salaries and benefits	\$ 10,858,535	\$ -	\$ 10,858,535
Student support and supplies	2,319,903	-	2,319,903
Office and operation expense	1,529,864	-	1,529,864
Depreciation and amortization	1,345,487	-	1,345,487
Building and grounds	3,259,621	-	3,259,621
Service contracts	2,258,094	954,489	3,212,583
Total expenses	\$ 21,571,504	\$ 954,489	\$ 22,525,993

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2022 and 2021

NOTE 8 - FUNCTIONAL EXPENSES BY NATURE (Continued)

	2021		
	Education Services	Management and General	Total
Salaries and benefits	\$ 7,245,706	\$ -	\$ 7,245,706
Student support and supplies	1,794,562	-	1,794,562
Office and operation expense	946,269	-	946,269
Depreciation and amortization	792,684	-	792,684
Building and grounds	1,697,809	-	1,697,809
Service contracts	573,964	896,140	1,470,104
Total expenses	\$ 13,050,944	\$ 896,140	\$ 13,947,134

NOTE 9 - LIQUIDITY AND AVAILABILITY

The School's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2022	2021
Cash and cash equivalents	\$ 1,458,624	\$ 1,621,622
Restricted cash	1,583,889	1,573,896
Grants and accounts receivable	824,782	171,191
Due from related parties	152,950	74,973
	4,020,245	3,441,682
Less amount not available to be used within one year:		
Restricted cash	1,583,889	1,573,896
Financial assets available to meet general expenditures Within one year	\$ 2,436,356	\$ 1,867,786

As noted in Note 1, restricted cash consists of funds held in trust accounts for capital expenditures and debt service reserves. As a result, this restricted cash is not available for general expenditures and must be removed from the available assets within one year amount disclosed above. As part of the School's liquidity management, the School invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 10 - COVID-19 IMPACT

During 2020, the School was awarded an allocation of Elementary and Secondary School Emergency Relief Funding through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) totaling \$1,047,055, and fully spent and recognized the corresponding grant revenue during the period.

During 2021, the School was awarded an allocation of the Education Stabilization Relief Fund through the Elementary and Secondary School Emergency Relief Funding (ESSER II) through the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act totaling \$4,141,759. As of June 30, 2022 and 2021, the School expended \$2,844,510 and \$822,307 of funding, respectively, which is being recognized within the federal grant revenue line of the statement of activities. As of June 30, 2022, the School had yet to receive \$389,367 and has recorded a corresponding grants receivable. The remaining \$474,942 of the awarded is expected to be expended and recognized during future fiscal years.

During 2021, the School was awarded an allocation of the Education Stabilization Relief Fund through the Elementary and Secondary School Emergency Relief Funding (ESSER III) through American Rescue Plan (ARP) Act totaling \$9,301,802. As of June 30, 2022 and 2021, the School expended \$5,411,164 and \$34,918 of funding, respectively, which is being recognized within the federal grant revenue line of the statement of activities. As of June 30, 2022, the School had yet to receive \$138,450 and has recorded a corresponding grants receivable. The remaining \$3,855,720 of the awarded is expected to be expended and recognized during future fiscal years.

During 2021, the School was awarded an allocation of the Education Stabilization Relief Fund through the Governor's Emergency Education Relief funding totaling \$175,800. As of June 30, 2022, the School expended \$134,688 of funding, which is being recognized within the federal grant revenue line of the statement of activities. The remaining \$41,112 of the awarded is expected to be expended and recognized during future fiscal years.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through Number	Total Federal Expenditures
<u>U.S. Department or Agriculture</u>			
Passed through the Indiana Department of Education			
National School Lunch Program	10.555	9545	\$ 939,522
School Breakfast Program	10.553	9545	<u>332,700</u>
Total Child Nutrition Cluster			1,272,222
<u>U.S. Department or Education</u>			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	S010A200014	148,220
Title I Grants to Local Educational Agencies	84.010	S010A210014	<u>1,039,476</u>
Total for Title I Grants to Local Educational Agencies			1,187,696
Special Education Cluster			
Special Education Grants to States	84.027A	18611-532-PN01	4,681
Special Education Grants to States	84.027A	20611-532-PN01	3,099
Special Education Grants to States	84.027A	21611-532-PN01	1,453
Special Education Grants to States	84.027A	22611-532-PN01	<u>39,540</u>
Total Special Education cluster			48,773
Charter School Programs	84.282A	U282A210017	900,000
COVID-19 – Education Stabilization Fund			
Governor’s Emergency Education Relief Fund Elementary and Secondary School Emergency Relief (ESSER I and II) Fund	84.425C	46369	134,688
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425D	S425D20013	2,844,510
Total Education Stabilization Fund	84.425U	S425U210013	<u>5,411,164</u>
			8,390,362
Total expenditures of federal awards			<u>\$ 11,799,053</u>

See accompanying note to the Schedule of Expenditures of Federal Awards.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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 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, or cash flows of the School.

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

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S 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
21st Century Charter School @ Gary, Inc.
Gary, Indiana

We have audited, 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, the financial statements of 21st Century Charter School @ Gary, Inc. (the School) , which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 31, 2023.

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

Report on 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 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*.

(Continued)

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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
January 31, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
21st Century Charter School @ Gary, Inc.
Gary, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 21st Century Charter School @ Gary, Inc. (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the 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.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
January 31, 2023

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2022

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of report the audit issued on whether the
 Financial statements audited were prepared
 In accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not
 considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not
 considered to be material weaknesses? Yes None Reported

Type of auditor’s report issued on compliance for
 major programs:

Unmodified

Any audit findings disclosed that are required to be
 reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
84.282	Charter School Program
84.425	Covid-19 - Education Stabilization Fund

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

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None noted.

Section III –Federal Award Findings and Questioned Costs

None noted.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
OTHER REPORT
June 30, 2022

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

Indiana State Board of Accounts Compliance Report of 21st Century Charter School @ Gary. Inc.

The above 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 addressing is *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.