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June 28, 2019

Charter School Board
Global Leadership Academy, Inc. d/b/a Steel City Academy
2650 W. 35th Avenue
Gary, IN 46408

We have reviewed the audit report of Global Leadership Academy Inc. d/b/a Steel City Academy which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Global Leadership Academy, Inc. d/b/a Steel City Academy as of June 30, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Emphasis of Matter Regarding Going Concern paragraph included in the Independent Auditors' Report and further detailed in Note 2.

Additionally, we call your attention to the finding in the report on pages 19 through 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

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

In addition to the report presented herein, a Supplemental Audit Report for Global Leadership Academy, Inc. d/b/a Steel City Academy, 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.


Paul D. Joyce, CPA
State Examiner

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Change in Net Assets (Deficiency).....	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 11
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards.....	12
Notes to the Schedule of Expenditures of Federal Awards.....	13
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	14 - 15
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE <i>UNIFORM GUIDANCE</i>...	16 - 18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	19 - 21
VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION	22
OTHER REPORT	23



Donovan CPAs

Independent Auditors' Report

The Board of Directors
Global Leadership Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Global Leadership Academy, Inc. d/b/a Steel City Academy (the "School"), which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities and change in net assets (deficiency), 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 audits 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 auditors consider internal control relevant to the School'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Leadership Academy, Inc. as of June 30, 2018 and 2017, and the changes in its net assets (deficiency), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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, 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 May 28, 2019 on our consideration the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control over financial reporting and compliance.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As discussed in Note 2 to the financial statements, the School had significant unfavorable financial results which raise substantial doubt about its ability to continue as a going concern. Management's intentions with respect to this matter are also described in Note 2. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

DONOVAN



Indianapolis, Indiana
May 28, 2019

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 33,042	\$ 627,682
Grants receivable	208,292	135,502
Prepaid expenses	5,000	6,329
	<hr/>	<hr/>
<i>Total current assets</i>	246,334	769,513
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Land	140,000	140,000
Building and improvements	1,593,667	764,043
Furniture and equipment	280,780	123,888
Construction in progress	-	143,010
Less: accumulated depreciation	(122,930)	(34,528)
	<hr/>	<hr/>
<i>Property and equipment, net</i>	1,891,517	1,136,413
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 2,137,851</u>	<u>\$ 1,905,926</u>
LIABILITIES AND NET DEFICIENCY		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 126,599	\$ 70,477
Accounts payable and accrued expenses	342,828	266,028
Payroll tax liability	240,949	56,970
	<hr/>	<hr/>
<i>Total current liabilities</i>	710,376	393,475
LONG-TERM LIABILITIES		
Notes payable, net of current portion	1,531,979	1,658,723
	<hr/>	<hr/>
<i>Total liabilities</i>	2,242,355	2,052,198
NET DEFICIENCY	<hr/>	<hr/>
	(104,504)	(146,272)
TOTAL LIABILITIES AND NET DEFICIENCY	<u>\$ 2,137,851</u>	<u>\$ 1,905,926</u>

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT		
State education support	\$ 2,339,445	\$ 1,113,903
Grant revenue	1,339,510	509,621
Contributions	31,697	29,884
Student fees	-	1,426
Other income	<u>27,747</u>	<u>54</u>
<i>Total revenue and support</i>	<u>3,738,399</u>	<u>1,654,888</u>
EXPENSES		
Program services	3,198,050	1,522,808
Management and general	<u>498,581</u>	<u>352,844</u>
<i>Total expenses</i>	<u>3,696,631</u>	<u>1,875,652</u>
CHANGE IN NET ASSETS (DEFICIENCY)	41,768	(220,764)
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	<u>(146,272)</u>	<u>74,492</u>
NET DEFICIENCY, END OF YEAR	<u>\$ (104,504)</u>	<u>\$ (146,272)</u>

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>			<u>2017</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 1,620,189	\$ 269,622	\$ 1,889,811	\$ 703,589	\$ 218,900	\$ 922,489
Employee benefits	324,337	64,562	388,899	134,447	48,531	182,978
Staff development	10,386	12,407	22,793	-	9,759	9,759
Professional services	266,116	50,479	316,595	202,204	14,053	216,257
Student transportation	82,217	-	82,217	-	-	-
Repairs and maintenance	98,176	-	98,176	47,755	-	47,755
Food service	260,053	-	260,053	132,152	-	132,152
Equipment	47,874	-	47,874	13,034	-	13,034
Classroom, kitchen, and office supplies	108,298	7,899	116,197	65,465	15,637	81,102
Occupancy	120,876	-	120,876	32,779	-	32,779
Information technology services	90,509	2,279	92,788	55,809	1,593	57,402
Depreciation	88,402	-	88,402	34,528	-	34,528
Interest	-	44,731	44,731	-	28,212	28,212
Insurance	11,550	-	11,550	25,167	-	25,167
Advertising	-	20,032	20,032	-	8,988	8,988
Other	69,067	26,570	95,637	75,879	7,171	83,050
<i>Total functional expenses</i>	<u>\$ 3,198,050</u>	<u>\$ 498,581</u>	<u>\$ 3,696,631</u>	<u>\$ 1,522,808</u>	<u>\$ 352,844</u>	<u>\$ 1,875,652</u>

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets (deficiency)	\$ 41,768	\$ (220,764)
Adjustments to reconcile change in net assets (deficiency) to net cash provided by (used in) operating activities:		
Depreciation	88,402	34,528
Changes in certain assets and liabilities:		
Grants receivable	(72,790)	(89,478)
Prepaid expenses	1,329	(6,329)
Accounts payable and accrued expenses	219,810	115,048
Payroll tax liability	183,979	56,970
	<u>462,498</u>	<u>(110,025)</u>
<i>Net cash provided by (used in) operating activities</i>		
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(986,516)</u>	<u>(511,859)</u>
FINANCING ACTIVITIES		
Proceeds from note payable	-	1,250,000
Principal repayment on note payable	<u>(70,622)</u>	<u>(18,813)</u>
	<u>(70,622)</u>	<u>1,231,187</u>
<i>Net cash provided by (used in) financing activities</i>		
NET CHANGE IN CASH	(594,640)	609,303
CASH, BEGINNING OF YEAR	<u>627,682</u>	<u>18,379</u>
CASH, END OF YEAR	<u>\$ 33,042</u>	<u>\$ 627,682</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 44,731	\$ 28,212
Construction in progress in accounts payable	-	143,010

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Global Leadership Academy, Inc. d/b/a Steel City Academy (the “School”) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter school established under Indiana Code 20-24. During the 2017-2018 school year, the School served approximately 300 students in seventh through tenth grades. The School is sponsored by the Indiana Charter School Board. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

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 School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

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

Cash and Cash Equivalents – For the purpose of the statement of cash flows, the School considers all short-term highly-liquid assets with a maturity of three months or less to be cash equivalents. The School did not have any cash equivalents as of June 30, 2018.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School 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 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:

Buildings and improvements	39 years
Furniture and equipment	3 to 7 years

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Global Leadership Academy, Inc. 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, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2018 and 2017, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Since the School commenced operations in 2017, all tax years are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through May 28, 2019, 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 - GOING CONCERN CONSIDERATION

As reflected in the accompanying financial statements, at June 30, 2018, the School had a net deficiency of approximately \$104,500. Also, at June 30, 2018, current liabilities exceeded current assets by approximately \$464,000. Included in current liabilities at June 30, 2018 are payroll taxes payable to governmental agencies in excess of \$240,000. These factors contribute to a heavy burden of current obligations that the School does not have liquid assets to pay, which therefore raise substantial doubt about the School's ability to continue as a going concern.

The School plans to address these concerns through a strategic effort to 1) increase student enrollment, 2) identify and pursue additional sources of income, and 3) renegotiate contracts and cut costs. Each effort is described below.

The School has an aggressive recruiting plan in place to increase student enrollment. Student enrollment is expected to increase among the current grade levels, as well as through the addition of new grade levels as the School continues to add grades each year until ultimately becoming a full K-12 educational institution. Since the School's inception, it has experienced growth in student enrollment every year. Enrollment has grown from 155 students during the 2016-2017 school year to 447 students during the 2018-2019 school year. Due to spacing constraints, the School will be forced to take on additional debt to expand the building to accommodate the growth in enrollment, however, the School has instituted other cost-cutting measures to ensure all variable costs are kept to a minimum.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 2 - GOING CONCERN CONSIDERATION, Continued

The School has also been on an active campaign to increase its donor base and community partnerships. In the 2018-2019 school year, this campaign has led to funding of the after-school program and funding of year-end field trips for the students, resulting in approximately \$60,000 in savings in the budget. The School has also increased its social media presence which has resulted in more than \$5,000 in donations in the 2018-2019 school year. The School's finance department and Board are both actively searching for and applying for operational grants in addition to the grants funded through the Indiana Department of Education.

The School is also in the process of renegotiating some of its current contracts and opening up for bid other contracts to ensure more competitive contract pricing and terms. Management has put measures in place to closely watch the budget and cash flow.

Management believes the measures it has taken will allow the School to continue as a going concern in the foreseeable future.

NOTE 3 - PAYROLL TAX LIABILITY

In the early stages of the School's operations, management was unaware of its obligation to remit payroll taxes withheld from employees' pays to the proper federal and state agencies. As a result, the School accrued significant balances owed to these agencies for withheld taxes dating back to the third quarter of calendar year 2016. The School has since contacted the agencies to correct the mistake and has agreed to a repayment plan. The balances owed pertaining to this matter are \$240,949 and \$56,970 as of June 30, 2018 and 2017, respectively.

NOTE 4 - RETIREMENT PLANS

The School offers retirement benefits provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plan, the School contributed the full 11% of compensation for eligible teaching faculty. Should the School elect to withdraw from TRF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2017 (the latest year reported), both TRF and PERF were more than 80% funded.

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

Retirement plan expense under the plans was \$42,571 and \$36,715 for the years ended June 30, 2018 and 2017, respectively.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 5 - NOTES PAYABLE

The notes payable consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Note payable to IFF, payable in monthly installments of \$2,161, including interest at 6.375% per annum, secured by substantial all School assets. The note matures March 2022, with a balloon payment of approximately \$190,000 due upon maturity.	\$ 233,766	\$ 244,079
Note payable to the State Board of Education, payable \$50,000 semi-annually (January 1 and July 1) plus interest at 1% per annum	950,000	1,000,000
Note payable to The ARC Northwest Indiana, Inc., payable in monthly installments that increase from \$2,103 in 2016 up to \$3,386 in 2019, including interest at 5.116% per annum, secured by the building. The note matures August 2020, with a balloon payment of \$440,000 due upon maturity.	474,812	485,121
	1,658,578	1,729,200
Less: current portion	(126,599)	(70,477)
Long-term portion	\$ 1,531,979	\$ 1,658,723

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

2019	\$ 126,599
2020	130,121
2021	551,568
2022	300,290
2023	100,000
Thereafter	450,000
	\$ 1,658,578

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

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 6 - COMMITMENT

The School operates under a charter granted by the Indiana Charter School Board (“ICSB”). As the sponsoring organization, ICSB exercises certain oversight responsibilities. Under this charter, the School has agreed to pay ICSB an annual administrative fee equal to .5% of state tuition payments received. Payments under this agreement were \$9,115 and \$3,943 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - RISKS AND UNCERTAINTIES

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at Fifth Third Bank and are insured up to the FDIC insurance limit.

NOTE 8 - FUNCTIONAL EXPENSE REPORTING

The costs of providing educational activities have been summarized on a functional basis in the statement of activities (deficiency) and change in net assets. Accordingly, certain expenses have been allocated between program services and management and general expenses.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 47,230
National School Lunch Program	10.555		<u>88,055</u>
<i>Total for federal grantor agency</i>			<u>135,285</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A			
Grants to Local Educational Agencies	84.010	17-9980 18-9980	587,774
Special Education Cluster			
Special Education - Grants to States	84.027		53,477
Charter Schools Program	84.282	A58-8-18OT- 4722	306,757
Student Support and Academic Enrichment Grants	84.424		<u>59,882</u>
<i>Total for federal grantor agency</i>			<u>1,007,890</u>
Total federal awards expended			\$ <u><u>1,143,175</u></u>

See independent auditors' report and accompanying notes to this schedule

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Global Leadership Academy, Inc. d/b/a Steel City Academy under programs of the federal government for the year ended June 30, 2018. 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 Global Leadership Academy, Inc., it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Global Leadership Academy, Inc. d/b/a Steel City Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST RATE

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



Donovan CPAs

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

The Board of Directors
Global Leadership Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Global Leadership Academy, Inc., d/b/a Steel City Academy (the "School"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets (deficiency), 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 May 28, 2019.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

DONOVAN

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Indianapolis, Indiana
May 28, 2019



Donovan CPAs

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

The Board of Directors
Global Leadership Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited Global Leadership Academy, Inc. d/b/a Steel City Academy's (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2018. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Global Leadership Academy, Inc. d/b/a Steel City Academy 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Uniform Guidance* and which are described in the accompanying schedule of findings and questioned costs as Finding No. 2018-001. Our opinion on the major federal program is not modified with respect to these matters.

The School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as Finding No. 2018-001 which we consider to aggregate to the level of a material weakness.

The School's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

DONOVAN

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

Indianapolis, Indiana
May 28, 2019

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness identified?	Yes
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major programs:	

CFDA Number

Name of Federal Program or Cluster

84.010

Title I Part A
Grants to Local Educational Agencies

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

II. Financial Statement Findings

No matters are reportable.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

III. Federal Award Findings and Questioned Costs

FINDING NO. 2018-001 DOCUMENT RETENTION

Federal Agency:	U.S. Department of Education
Pass-Through Agency:	Indiana Department of Education
Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010
Award Year:	FY 2016-2017 & 2017-2018

Questioned
Costs

Condition

Due to staff turnover, the School did not retain adequate documentation to allow for reconciliation between expenses applied to the grants and revenues recognized under the grants. This resulted in delays, which caused the single audit reporting package and data collection form to be submitted late to the Federal Audit Clearinghouse (“FAC”). The final expenditure report submitted at the completion of the 2017 grant (file named “Annual Expenditure Report – FINAL”) did not reflect actual expenditures by budget category due to this lack of documentation. Expenditures by expense class in total agreed to the budget. Additionally, the School was unable to provide documentation of paraprofessional qualifications or to show that staff applied to the grant were instructing students deemed eligible for Title I services under the targeted assistance program.

Criteria

2 CFR part 200.512 requires that the audit must be completed and the data collection form and reporting package “must be submitted within the earlier of 30 calendar days after receipt of the auditors’ report(s), or nine months after the end of the audit period.”

34 CFR part 200.58 requires the School to verify that paraprofessionals hold a high-school diploma or its recognized equivalent and meet one of the following requirements:

- Have completed at least two years of study at an institution of higher education.
- Have obtained an associate’s or higher degree.
- Have met a rigorous standard of quality and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, reading/language arts, writing, and mathematics, or reading readiness, writing readiness, and mathematics readiness.

20 USC 6315 requires the School to only render services to children eligible to receive services under a targeted assistance Title I program including “children identified by the school as failing, or most at risk of failing, to meet the challenging State academic standards on the basis of multiple, educational related, objective criteria established by the local educational agency and supplemented by the school”.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

FINDING NO. 2018-001 DOCUMENT RETENTION, Continued

Cause

Due to staff turnover, the School did not retain certain documentation necessary for verifying compliance with the terms of the Title I grant.

Effect

Late filing will result in noncompliance with timely submission of financial information to the grantor agencies. Failure to file correct expense detail resulted in improper presentation of financial information to the grantor agencies. The failure to verify qualifications of paraprofessionals and to adequately track which staff are instructing which students could result in funds being inappropriately expended.

Context

The reporting package and data collection form was not submitted by the March 31, 2019 deadline to the FAC. Due to lack of documentation, we were unable to evaluate paraprofessional qualifications or if staff applied to the grant were instructing students deemed eligible for Title I services under the targeted assistance program. As such, no determination of allowability or questioned costs was possible.

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Recommendation

We recommend the School implement a process to ensure documentation is retained to allow for the timely completion of the audit and verification of compliance with the guidelines of its federal grants.

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION
For the Year Ended June 30, 2018

In July 2018, the School hired a Director of Finance who is, among other things, responsible for grant management and the retention of documents. The School also began using PowerSchool, a comprehensive student information system. The use of PowerSchool will allow the School to match eligible students with qualified instructors without having to track student movement via the use of Excel spreadsheets. The system is as follows:

- Once a student is tested and identified as eligible for Title I services, the student is placed in classes accordingly, as well as assigned to a para-professional for additional services.
- Student lists are printed and archived at the beginning of each quarter.
- Student lists are provided to the Director of Finance to allow for the proper allocation of time as it relates to payroll and grant reimbursement by teachers and para-professionals.
- The back-up documents for grant reimbursements are kept physically and electronically per grant requirements.

Responding School Official: Shanta Mack, Director of Finance

GLOBAL LEADERSHIP ACADEMY, INC.
d/b/a STEEL CITY ACADEMY
OTHER REPORT
For the Year Ended June 30, 2018

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

Supplemental Audit Report of
Global Leadership Academy, Inc. d/b/a Steel City Academy

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*.