



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

March 8, 2024

Charter School Board
Duneland Charter School, Inc.
d/b/a Discovery Charter School
Porter County, Indiana

We have reviewed the audit report of Duneland Charter School, Inc. d/b/a Discovery Charter School which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Duneland Charter School, Inc. d/b/a Discovery Charter School as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

In addition to the report presented herein, a Supplemental Audit Report for Duneland Charter School, Inc. d/b/a Discovery Charter School, 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

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL**

FINANCIAL STATEMENT

YEAR ENDED JUNE 30, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

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**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
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YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Duneland Charter School, Inc.
dba: Discovery Charter School
Chesterton, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Duneland Charter School, Inc. dba: Discovery Charter School, which comprise the statement of financial position as of June 30, 2023, and the related statement of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duneland Charter School, Inc. dba: Discovery Charter School as of June 30, 2023, and the changes in its net assets and its cash flows for the year 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). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Duneland Charter School, Inc. dba: Discovery Charter 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 Duneland Charter School, Inc. dba: Discovery Charter School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 Duneland Charter School, Inc. dba: Discovery Charter 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 Duneland Charter School, Inc. dba: Discovery Charter 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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 14, 2024

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	1,616,743
Grants Receivable, Net		142,116
Student Fees Receivable		7,820
Prepaid Expenses		48,626
Total Current Assets		1,815,305

PROPERTY AND EQUIPMENT

Land		408,188
Buildings and Improvements		6,178,328
Furniture and Equipment		1,605,833
Textbooks		94,956
Less: Accumulated Depreciation		(2,659,393)
Property and Equipment, Net		5,627,912

OTHER ASSETS

Cash and Equivalents - Restricted for Debt Service		651,824
Cash and Equivalents - Restricted for Prepaid Interest		7,030
Security Deposits		10,770
Operating Right of Use (ROU) Asset		8,646
Total Other Assets		678,270

Total Assets	\$	8,121,487
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current Portion of Debt	\$	117,500
Accounts Payable and Accrued Expenses		324,368
Refundable Advance		605,574
Operating Lease Liability - Current Portion		6,865
Total Current Liabilities		1,054,307

LONG-TERM LIABILITIES

Debt, Net of Current Portion		6,763,750
Less: Unamortized Debt Issuance Cost		(271,545)
Operating lease Liability - Less Current Portion		1,781
Total Long-Term Liabilities		6,493,986

Total Liabilities		7,548,293
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NET ASSETS

Without Donor Restrictions		573,194
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Total Liabilities and Net Assets	\$	8,121,487
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See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
 DBA: DISCOVERY CHARTER SCHOOL
 STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
 YEAR ENDED JUNE 30, 2023**

REVENUE AND SUPPORT	
State Education Support	\$ 4,050,163
Grant Revenue	1,254,829
Student Fees	228,111
Contributions	171,000
Interest Income	12,562
Other Income	72,822
Total Revenue and Support	5,789,487
 EXPENSES	
Program Services	4,232,815
Management and General	1,523,108
Total Expenses	5,755,923
 CHANGE IN NET ASSETS	 33,564
Net Assets - Beginning of Year	539,630
 NET ASSETS - END OF YEAR	 \$ 573,194

See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 2,269,294	\$ 448,210	\$ 2,717,504
Employee Benefits	550,786	139,980	690,766
Professional Services	430,567	178,629	609,196
Repairs and Maintenance	-	9,468	9,468
Authorizer Oversight Fees	-	73,786	73,786
Food Services	215,261	-	215,261
Transportation Services	100,147	-	100,147
Travel	3,489	759	4,248
Classroom, Kitchen, and Office Supplies	201,269	47,213	248,482
Occupancy	121,042	-	121,042
Information Technology	39,899	22,220	62,119
Depreciation	288,992	-	288,992
Interest	12,069	474,069	486,138
Insurance	-	67,669	67,669
Advertising	-	15,860	15,860
Other	-	45,245	45,245
	<u> </u>	<u> </u>	<u> </u>
Total Expenses by Function	<u><u>\$ 4,232,815</u></u>	<u><u>\$ 1,523,108</u></u>	<u><u>\$ 5,755,923</u></u>

See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 33,564
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	288,992
Amortization	12,069
Changes in Operating Assets and Liabilities:	
Grants Receivable	(100,058)
Student Fees Receivable	(4,036)
Prepaid Expenses and Security Deposits	(13,849)
Accounts Payable and Accrued Expenses	47,662
Refundable Advance	605,574
Net Cash Provided by Operating Activities	869,918

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(148,060)
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CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Notes Payable	(117,500)
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**NET CHANGE IN CASH AND CASH EQUIVALENTS AND
RESTRICTED CASH**

604,358

Cash and Cash Equivalents and Restricted Cash - Beginning of Year

1,671,239

**CASH AND CASH EQUIVALENTS AND RESTRICTED CASH -
END OF YEAR**

\$ 2,275,597

**RECONCILIATION OF CASH AND CASH EQUIVALENTS AND
RESTRICTED CASH**

Cash and Cash Equivalents	\$ 1,616,743
Cash and Equivalents - Restricted for Debt Service	651,824
Cash and Equivalents - Restricted for Prepaid Interest	7,030
Total	\$ 2,275,597

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest	\$ 474,069
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See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Duneland Charter School, Inc. dba: Discovery Charter School (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 560 students in grades kindergarten through 12 and is sponsored by Ball State University.

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 conditional 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. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2023, the School did not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Grant and Contribution Revenue

The School receives income from grants and contributions that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents include money market funds and time deposits with maturities of three months or less at the date of purchase.

Grants and Student Fees Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the state of Indiana. The School believes that it is operating in compliance with regulatory requirements; however there is uncertainty as to the final determination of eligibility on the Employer Retention Credit (ERC) funding thus the school has fully allowed for this receivable (see note 11). . Student fees receivable relate to unpaid student fees from the 2022-2023 school year. The School believes that all balances will be collected and as such no allowance for doubtful accounts is deemed necessary for student fees receivable.

Prepaid Expenses

Prepaid expenses relate primarily to insurance paid in advance by the School.

Security Deposits

Security deposits consist of required deposits made with the local utility companies.

Property and Equipment

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

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

Buildings and Improvements	20 to 40 Years
Furniture and Equipment	3 to 7 Years
Textbooks	5 Years

Impairment of Long-Lived Assets

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

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs

The School incurred costs totaling \$362,062 associated with securing financing under the Indiana Finance Authority Education Facilities Revenue Bond. Amortization is provided on a straight-line basis over the 30-year term of the bond. Accumulated amortization as of June 30, 2023 was \$90,517. Amortization expense was \$12,069 for the year ended June 30, 2023. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income

The School has received a determination from the U.S. Internal Revenue Service (IRS) 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 year ended June 30, 2023, 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. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period. The School has elected to adopt the package of practical expedients available in the year of adoption. The School has also elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The School determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in right-of-use (ROU) assets – financing and lease liability – financing in the balance sheet.

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the School has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

As a result of adoption of this standard, the School recognized a ROU asset of \$15,113 and liability of \$15,113 as of the July 1, 2022 date of adoption. Additional detail regarding leases is provided in Note 5, Leases. At June 30, 2023, the School had a right-of-use asset – operating, net, of \$8,647 and a right-of-use liability – operating of \$8,647.

Subsequent Events

The School evaluated subsequent events through February 14, 2024, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 RESTRICTED CASH

Cash and cash equivalents restricted for debt service is reserved solely for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements. Of the total balance, approximately \$600,000 is to be held until all bond debt is paid.

Cash and cash equivalents restricted for prepaid interest represents escrowed prepayments of interest due on the bond in future years.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEBT

Debt was comprised of the following at June 30, 2023:

Description

Indiana Finance Authority Educational Facilities Revenue Bond, Series 2015A with an original amount of \$7,230,000. The principal amount was reduced by \$760,000 using financing from the state of Indiana. The loan principal is payable in annual installments that increase from \$155,000 to \$580,000 from December 2026 to December 2045. Interest payments are made semi-annually at a rate of 7.25% in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements. \$ 6,470,000

Note payable to the Indiana Common School Fund with an original amount of \$1,175,000. The note requires semi-annual payments of \$58,750 plus interest at 1% per annum from January 2017 to July 2026. 411,250

Total 6,881,250

Less: Current Portion (117,500)

Long-Term Portion \$ 6,763,750

The Indiana Finance Authority Educational Facilities Revenue Bond agreement contains certain financial covenants pertaining to cash reserves and minimum debt service coverage. The School was in compliance with covenants for June 30, 2023.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 117,500
2025	117,500
2026	117,500
2027	58,750
2028	-
Thereafter	<u>6,470,000</u>
Total	<u><u>\$ 6,881,250</u></u>

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 LEASES – ASC 842

The School leases two copiers from a third party under a long-term, noncancelable lease agreement. The lease expires in 2024. In the normal course of business, it is expected that this lease will be renewed or replaced by similar leases. Lease expense associated with all third party leases was \$7,161 for the year ended June 30, 2023.

The following tables provide quantitative information concerning the School's leases for the year ended June 30, 2023:

Lease Cost:	
Operating Lease Cost:	\$ 7,161
Other Information:	
Operating Cash Flows from Operating Leases	\$ 7,161
Right-of-Use Assets Obtained in Exchange for New	
Operating Lease Liabilities:	\$ 15,113
Weighted-Average Remaining Lease Term -	
Operating Leases:	1.3 years
Weighted-Average Discount Rate - Operating Leases	6.00%

A maturity analysis of annual discounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending December 31,</u>	
2024	\$ 7,161
2025	<u>1,790</u>
Undiscounted Cash Flows	8,952
(Less) Imputed Interest	<u>(305)</u>
Total Present Value	<u>\$ 8,646</u>
Short-Term Lease Liabilities	\$ 6,865
Long-Term Lease Liabilities	<u>1,781</u>
Total	<u>\$ 8,646</u>

DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are 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. For the year ended June 30, 2023, the School contributed 5.5% of compensation for eligible teaching personnel to TRF and 11.2% for other employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2022 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively.

The School also maintains a Section 403(b) retirement plan. Employees may contribute up to 100% of their compensation provided they are at least 18 years of age and have at least 30 days of employment. There is no provision for an employer match.

Retirement plan expenses totaled \$145,934 during the year ended June 30, 2023.

NOTE 6 COMMITMENTS

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 to Ball State University an annual administrative fee equal to 2% of state tuition support. Payments under this charter agreement were \$73,786 for the year ended June 30, 2023. The charter remains in effect until June 30, 2027, and is renewable thereafter by mutual consent.

NOTE 7 RISKS AND UNCERTAINTIES

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

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. Any changes in state or federal legislation could significantly impact 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. At June 30, 2023, 95% of the net receivable balance was due from the state of Indiana, respectively.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 RISKS AND UNCERTAINTIES (CONTINUED)

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

NOTE 8 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2023 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash, grants, and student fees receivable.

Financial Assets	\$ 2,425,533
Less: Those Unavailable for General Expenditures	
Within One Year, Due to:	
Cash and Cash Equivalents Restricted for Debt	
Service	(651,824)
Cash and Cash Equivalents Restricted for Construction	<u>(7,030)</u>
Financial Assets Available to Meet Cash Needs	
for General Expenditures Within One Year	<u><u>\$ 1,766,679</u></u>

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 9 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories is required.

DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. It provided a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid for employees in an effort to help business retain their workforce and avoid layoffs. It is a refundable payroll tax credit that could be claimed quarterly if certain criteria were met.

For the fourth quarter of 2020, the School complied with the conditions of ERC funding from the U.S. Treasury in the amount of \$273,690.

For the first, second, and third quarters of 2021, the School complied with the conditions of ERC funding from the U.S. Treasury in the amount of \$869,400.

Grants related to this program are classified as grants receivable. The University recognized a grant receivable and loss contingency of \$1,143,090 related to eligibility uncertainty and ongoing IRS audit of the ERC claim during the year ended June 30, 2023.

During the year ended June 30, 2023, the School received ERC funding from the IRS in the amount of \$605,574. Due to the eligibility uncertainty and ongoing IRS audit of the School's ERC claim, the School has classified these funds as refundable advances.

The IRS may review funding eligibility of funds for compliance with program requirements based on dollar thresholds and other factors.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
OTHER REPORT
YEAR ENDED JUNE 30, 2023**

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

Supplemental Audit Report of Duneland Charter School, Inc.
dba: Discovery Charter School

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*.



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