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February 28, 2024

Charter School Board
Charter School of the Dunes, Inc.
Lake County, Indiana

We have reviewed the audit report of Charter School of the Dunes, Inc., which was opined upon by Donovan CPAs, 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 Charter School of the Dunes, Inc., 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, Donovan CPAs prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Charter School of the Dunes, Inc.

Opinion

We audited the consolidated financial statements of Charter School of the Dunes, Inc. and Affiliate (the "School"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the School as of June 30, 2023 and 2022 and the changes in its consolidated net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the School's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee 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, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which 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 audits, significant audit findings, and certain internal control-related matters we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Likewise, the consolidating schedules of financial position on pages 15 and 16 and the consolidating schedules of activities and change in net assets on pages 17 and 18 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also issued our report dated February 14, 2024 on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized 'D'.

Indianapolis, Indiana
February 14, 2024

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,730,270	\$ 4,591,989
Grants receivable	<u>1,625,944</u>	<u>159,592</u>
<i>Total current assets</i>	<u>5,356,214</u>	<u>4,751,581</u>
PROPERTY AND EQUIPMENT		
Land	750,641	750,641
Buildings and improvements	11,306,585	11,303,937
Construction in progress	8,898,916	20,848
Furniture and equipment	710,588	845,015
Textbooks	198,492	198,492
Less: accumulated depreciation	<u>(3,883,596)</u>	<u>(3,549,562)</u>
<i>Property and equipment, net</i>	<u>17,981,626</u>	<u>9,569,371</u>
TOTAL ASSETS	<u><u>\$ 23,337,840</u></u>	<u><u>\$ 14,320,952</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 377,000	\$ 377,000
Construction costs payable	822,044	-
Accounts payable and accrued expenses	<u>415,346</u>	<u>299,692</u>
<i>Total current liabilities</i>	<u>1,614,390</u>	<u>676,692</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	3,551,500	3,928,500
Less: unamortized debt issuance costs	<u>(392,655)</u>	<u>(445,009)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>3,158,845</u>	<u>3,483,491</u>
<i>Total liabilities</i>	4,773,235	4,160,183
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>18,564,605</u>	<u>10,160,769</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 23,337,840</u></u>	<u><u>\$ 14,320,952</u></u>

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

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT		
State education support	\$ 5,757,664	\$ 5,584,225
Grant revenue	10,967,564	2,980,730
Student fees	45,939	25,116
Interest income	64,145	691
Contributions	848	2,577
Other income	76,881	37,281
	<u>16,913,041</u>	<u>8,630,620</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	6,545,282	6,052,877
Management and general	1,963,923	1,820,493
	<u>8,509,205</u>	<u>7,873,370</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	8,403,836	757,250
NET ASSETS, BEGINNING OF YEAR	<u>10,160,769</u>	<u>9,403,519</u>
NET ASSETS, END OF YEAR	<u>\$ 18,564,605</u>	<u>\$ 10,160,769</u>

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

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</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>
Salaries and wages	\$ 3,254,180	\$ 1,039,224	\$ 4,293,404	\$ 3,142,502	\$ 981,611	\$ 4,124,113
Employee benefits	861,028	309,819	1,170,847	825,657	283,169	1,108,826
Other professional services	536,102	197,440	733,542	433,882	146,224	580,106
Depreciation	468,461	-	468,461	510,241	-	510,241
Food service	403,654	-	403,654	350,632	-	350,632
Classroom, kitchen, and office supplies	274,032	80,246	354,278	243,012	34,865	277,877
Transportation service	344,392	-	344,392	249,586	-	249,586
Occupancy	261,109	-	261,109	249,113	-	249,113
Authorizer oversight fees	-	171,192	171,192	-	168,711	168,711
Interest	84,368	-	84,368	32,522	-	32,522
Insurance	-	73,119	73,119	-	58,373	58,373
Staff development and recruitment	51,129	7,309	58,438	6,349	6,809	13,158
Communications	-	48,314	48,314	-	89,361	89,361
Other	6,827	37,260	44,087	9,381	51,370	60,751
<i>Total functional expenses</i>	<u>\$ 6,545,282</u>	<u>\$ 1,963,923</u>	<u>\$ 8,509,205</u>	<u>\$ 6,052,877</u>	<u>\$ 1,820,493</u>	<u>\$ 7,873,370</u>

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

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 8,403,836	\$ 757,250
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	468,461	510,241
Amortization of debt issuance costs	52,354	52,354
Changes in certain assets and liabilities:		
Grants receivable	(1,466,352)	42,026
Accounts payable and accrued expenses	<u>115,654</u>	<u>(139,444)</u>
<i>Net cash provided by operating activities</i>	7,573,953	1,222,427
INVESTING ACTIVITIES		
Purchases of property and equipment	(8,058,672)	(178,634)
FINANCING ACTIVITIES		
Principal payment on notes payable	<u>(377,000)</u>	<u>(377,000)</u>
NET CHANGE IN CASH	(861,719)	666,793
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,591,989</u>	<u>3,925,196</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,730,270</u></u>	<u><u>\$ 4,591,989</u></u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 32,014	\$ 35,727

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

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Charter School of the Dunes, Inc. is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana operating a public charter school established under Indiana Code 20-24 which served approximately 700 students in kindergarten through eighth grade during the 2022-2023 school year (720 students during the 2021-2022 school year). Charter School of the Dunes, Inc. operates under a charter granted by Calumet College of Saint Joseph. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. Charter School of the Dunes, Inc. maintains control over CSOTD Holdings, Inc., a public benefit not-for-profit organization established for the purpose of constructing and owning a building to serve as an educational facility.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Charter School of the Dunes, Inc. and its affiliate, CSOTD Holdings, Inc., collectively referred to as the “School.” All significant intercompany transactions and balances have been eliminated in consolidation.

Consolidated Financial Statement Presentation – The School reports its consolidated financial position and activities according to two classes of net assets:

- net assets without donor restrictions - which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions - which represent resources restricted by donors for specific time or purpose.

As of June 30, 2023 and 2022, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. During the year ended June 30, 2023, the School opened a money market account at First Merchants Bank. The money market account meets the definition of a cash equivalent and had a balance of \$2,557,218 as of June 30, 2023. The money market account earned \$64,145 in interest during the year ended June 30, 2023.

Grants Receivable – Grants receivable primarily relate to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of assets and expenditures which materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

Construction in progress as of December 31, 2023 relates to the construction of an early learning facility. The contract sum stated in the construction agreement totaled approximately \$13,399,000, including all change orders. As of June 30, 2023, the School's remaining commitment on the contract totaled approximately \$4,538,000.

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	35 years
Furniture and equipment	3 to 5 years
Textbooks	5 years

Debt Issuance Costs – The School incurred costs totaling \$725,304 associated with securing financing for the construction of the school facility. Amortization of these debt issuance costs is provided on a straight-line basis over the term of the agreements. Accumulated amortization was \$332,649 and \$280,295 as of June 30, 2023 and 2022, respectively. Amortization expense was \$52,354 for each of the years ended June 30, 2023 and 2022 and is included in interest expense.

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 on the consolidated statements of financial position.

Taxes on Income – Charter School of the Dunes, Inc. and its affiliate, CSOTD Holdings, Inc., have received determinations from the U.S. Treasury Department stating they qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code as tax-exempt organizations; however, each entity would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2023 and 2022 no accounting for federal and state income taxes was required to be included in the accompanying consolidated 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 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 examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2019 are open to audit for both federal and state purposes.

Reclassifications – Certain reclassifications have been made to the consolidated statement of functional expenses for the year ended June 30, 2022 to conform to the year ended June 30, 2023 presentation. There is no effect to previously reported net assets as of June 30, 2022.

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

NOTE 2 - REVENUE RECOGNITION

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

A significant portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

The School also receives contributions and grants from other agencies and individuals and these are recorded in accordance with the terms of the underlying agreements.

Student fees are recognized in the year in which the services are rendered.

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

NOTE 3 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Note payable to BMO Harris Bank	\$ 3,771,000	\$ 4,103,000
Note payable to the Indiana Common School Fund	<u>157,500</u>	<u>202,500</u>
	3,928,500	4,305,500
Less: current portion	<u>(377,000)</u>	<u>(377,000)</u>
Long-term portion	<u>\$ 3,551,500</u>	<u>\$ 3,928,500</u>

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 3 - NOTES PAYABLE, Continued

The note payable to BMO Harris Bank provides for interest at 5.39%, of which interest at 4.91% is subsidized by the U.S. Treasury from the purchase of Qualified School Construction Bonds; however, the subsidy is subject to reduction dependent upon federal sequestration adjustments. The note payable amortizes through December 2030. The loan is secured by a blanket lien on all school assets. The loan agreement contains certain covenants limiting the School's ability to create liens, incur debt, and change management. The School met all debt covenants as of and for the year ended June 30, 2023.

Included with the initial bond transaction is a \$9,237,456 note receivable and payable between CSOTD Holdings, Inc. and Charter School of the Dunes, Inc. which is eliminated in consolidation as of both June 30, 2023 and 2022.

The note payable to Indiana Common School Fund requires semi-annual payments of \$22,500 plus interest through July 2026. Interest accrues at 1% per annum.

Annual principal maturities of the notes payable are as follows for the years ending June 30:

2024	\$	377,000
2025		377,000
2026		377,000
2027		354,500
2028		332,000
Thereafter		<u>2,111,000</u>
	\$	<u>3,928,500</u>

NOTE 4 - RETIREMENT PLAN

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. Under the plans, the School contributed 9% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF during the year ended June 30, 2023 (8.5% and 11.2% for the year ended June 30, 2022). Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2023, TRF was approximately 88% funded and PERF was approximately 81% funded. Retirement plan expense was \$416,160 and \$433,747 for the years ended June 30, 2023 and 2022, respectively.

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 5 - RISKS AND UNCERTAINTIES

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

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

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2023 and 2022, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits are maintained at BMO Harris Bank and are insured up to the FDIC insurance limit. As of June 30, 2023 and 2022, and regularly throughout the years then ended, cash balances exceeded FDIC insurance limits.

NOTE 6 - COMMITMENTS

As the sponsoring organization, Calumet College of Saint Joseph exercises certain oversight responsibilities. Under the charter, the School agreed to pay the sponsor an annual authorizer oversight fee not to exceed 3% of state tuition support. Payments under this agreement were \$171,192 and \$168,711 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 - LIQUIDITY

Financial assets held by the School include cash and grants receivable totaling \$5,356,214 and \$4,751,581 as of June 30, 2023 and 2022, respectively, all of which was available to meet cash needs for general expenditures within one year.

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 8 - FUNCTIONAL EXPENSE REPORTING

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

SUPPLEMENTARY INFORMATION

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/ Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 178,030
National School Lunch Program	10.555		320,775
Commodities - Noncash Assistance	10.555		<u>28,574</u>
<i>Total U.S. Department of Agriculture</i>			<u>527,379</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A210014	160,788
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A220014	798,245
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A220014	43,793
Title II, Supporting Effective Instruction State Grants	84.367	S367A210013	31,206
Title IV, Student Support and Academic Enrichment Grants	84.424A	S424A210015	53,538
Special Education Cluster			
Special Education - Grants to States	84.027A	21611-564-PN01	14,937
Special Education - Grants to States	84.027A	22611-564-PN01	59,708
Special Education - American Rescue Plan	84.027X	22611-564-ARP	28,568
State Charter School Facilities Incentive Grants Program	84.282D	S282D190002	377,438
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	100,871
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	2,827,500
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	<u>4,909,533</u>
<i>Total U.S. Department of Education</i>			<u>9,406,125</u>
<i>Total federal awards expended</i>			<u>\$ 9,933,504</u>

See independent auditors' report and accompanying notes to this consolidated schedule

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS

For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Charter School of the Dunes, Inc. and Affiliate (the “School”) under programs of the federal government for the year ended June 30, 2023. 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 consolidated operations of the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST RATE

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

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2023

	Charter School of the Dunes, Inc.	CSOTD Holdings, Inc.	Consolidating Entries	Consolidated
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	ASSETS			
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,730,270	\$ -	\$ -	\$ 3,730,270
Grants receivable	1,625,944	-	-	1,625,944
<i>Total current assets</i>	<u>5,356,214</u>	<u>-</u>	<u>-</u>	<u>5,356,214</u>
PROPERTY AND EQUIPMENT				
Land	264,799	485,842	-	750,641
Building and improvements	211,155	11,095,430	-	11,306,585
Construction in progress	8,898,916	-	-	8,898,916
Furniture and equipment	710,588	-	-	710,588
Textbooks	198,492	-	-	198,492
Less: accumulated depreciation	(766,311)	(3,117,285)	-	(3,883,596)
<i>Property and equipment, net</i>	<u>9,517,639</u>	<u>8,463,987</u>	<u>-</u>	<u>17,981,626</u>
OTHER ASSETS				
Note receivable	9,237,456	-	(9,237,456)	-
TOTAL ASSETS	<u>\$ 24,111,309</u>	<u>\$ 8,463,987</u>	<u>\$ (9,237,456)</u>	<u>\$ 23,337,840</u>
	LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES				
Current portion of notes payable	\$ 377,000	\$ -	\$ -	\$ 377,000
Construction costs payable	822,044	-	-	822,044
Accounts payable and accrued expenses	415,346	-	-	415,346
<i>Total current liabilities</i>	<u>1,614,390</u>	<u>-</u>	<u>-</u>	<u>1,614,390</u>
LONG-TERM LIABILITIES				
Notes payable, net of current portion	3,551,500	9,237,456	(9,237,456)	3,551,500
Less: unamortized debt issuance costs	(63,334)	(329,321)	-	(392,655)
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>3,488,166</u>	<u>8,908,135</u>	<u>(9,237,456)</u>	<u>3,158,845</u>
<i>Total liabilities</i>	5,102,556	8,908,135	(9,237,456)	4,773,235
NET ASSETS	<u>19,008,753</u>	<u>(444,148)</u>	<u>-</u>	<u>18,564,605</u>
TOTAL LIABILITES AND NET ASSETS	<u>\$ 24,111,309</u>	<u>\$ 8,463,987</u>	<u>\$ (9,237,456)</u>	<u>\$ 23,337,840</u>

See independent auditors' report

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2022

	Charter School of the Dunes, Inc.	CSOTD Holdings, Inc.	Consolidating Entries	Consolidated
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	ASSETS			
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,591,989	\$ -	\$ -	\$ 4,591,989
Grants receivable	159,592	-	-	159,592
	<u>4,751,581</u>	<u>-</u>	<u>-</u>	<u>4,751,581</u>
<i>Total current assets</i>				
PROPERTY AND EQUIPMENT				
Land	264,799	485,842	-	750,641
Building and improvements	208,507	11,095,430	-	11,303,937
Construction in progress	20,848	-	-	20,848
Furniture and equipment	845,015	-	-	845,015
Textbooks	198,492	-	-	198,492
Less: accumulated depreciation	(749,289)	(2,800,273)	-	(3,549,562)
	<u>788,372</u>	<u>8,780,999</u>	<u>-</u>	<u>9,569,371</u>
<i>Property and equipment, net</i>				
OTHER ASSETS				
Note receivable	9,237,456	-	(9,237,456)	-
	<u>14,777,409</u>	<u>8,780,999</u>	<u>(9,237,456)</u>	<u>14,320,952</u>
TOTAL ASSETS				
	<u>\$ 14,777,409</u>	<u>\$ 8,780,999</u>	<u>\$ (9,237,456)</u>	<u>\$ 14,320,952</u>
	LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES				
Current portion of notes payable	\$ 377,000	\$ -	\$ -	\$ 377,000
Accounts payable and accrued expenses	299,692	-	-	299,692
	<u>676,692</u>	<u>-</u>	<u>-</u>	<u>676,692</u>
<i>Total current liabilities</i>				
LONG-TERM LIABILITIES				
Notes payable, net of current portion	3,928,500	9,237,456	(9,237,456)	3,928,500
Less: unamortized debt issuance costs	(71,778)	(373,231)	-	(445,009)
	<u>3,856,722</u>	<u>8,864,225</u>	<u>(9,237,456)</u>	<u>3,483,491</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>				
	<u>4,533,414</u>	<u>8,864,225</u>	<u>(9,237,456)</u>	<u>4,160,183</u>
<i>Total liabilities</i>				
NET ASSETS	10,243,995	(83,226)	-	10,160,769
	<u>10,243,995</u>	<u>(83,226)</u>	<u>-</u>	<u>10,160,769</u>
TOTAL LIABILITIES AND NET ASSETS				
	<u>\$ 14,777,409</u>	<u>\$ 8,780,999</u>	<u>\$ (9,237,456)</u>	<u>\$ 14,320,952</u>

See independent auditors' report

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2023

	Charter School of the Dunes, Inc.	CSOTD Holdings, Inc.	Consolidated
REVENUE AND SUPPORT			
State education support	\$ 5,757,664	\$ -	\$ 5,757,664
Grant revenue	10,967,564	-	10,967,564
Student fees	45,939	-	45,939
Interest income	64,145	-	64,145
Contributions	848	-	848
Other	76,881	-	76,881
	<u>16,913,041</u>	<u>-</u>	<u>16,913,041</u>
<i>Total revenue and support</i>			
EXPENSES			
Program services	6,184,360	360,922	6,545,282
Management and general	1,963,923	-	1,963,923
	<u>8,148,283</u>	<u>360,922</u>	<u>8,509,205</u>
<i>Total expenses</i>			
CHANGE IN NET ASSETS	8,764,758	(360,922)	8,403,836
NET ASSETS, BEGINNING OF YEAR	<u>10,243,995</u>	<u>(83,226)</u>	<u>10,160,769</u>
NET ASSETS, END OF YEAR	<u>\$ 19,008,753</u>	<u>\$ (444,148)</u>	<u>\$ 18,564,605</u>

See independent auditors' report

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2022

	Charter School of the Dunes, Inc.	CSOTD Holdings, Inc.	Consolidated
REVENUE AND SUPPORT			
State education support	\$ 5,584,225	\$ -	\$ 5,584,225
Grant revenue	2,980,730	-	2,980,730
Student fees	25,116	-	25,116
Interest income	691	-	691
Contributions	2,577	-	2,577
Other	37,281	-	37,281
	<u>8,630,620</u>	<u>-</u>	<u>8,630,620</u>
<i>Total revenue and support</i>			
EXPENSES			
Program services	5,691,955	360,922	6,052,877
Management and general	1,820,493	-	1,820,493
	<u>7,512,448</u>	<u>360,922</u>	<u>7,873,370</u>
<i>Total expenses</i>			
CHANGE IN NET ASSETS	1,118,172	(360,922)	757,250
NET ASSETS, BEGINNING OF YEAR	<u>9,125,823</u>	<u>277,696</u>	<u>9,403,519</u>
NET ASSETS, END OF YEAR	<u>\$ 10,243,995</u>	<u>\$ (83,226)</u>	<u>\$ 10,160,769</u>

See independent auditors' report



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

The Board of Directors
Charter School of the Dunes, Inc.

We 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 consolidated financial statements of Charter School of the Dunes, Inc. and Affiliate (the "School"), which comprise the consolidated statement of financial position as of June 30, 2023 and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and issued our report thereon dated February 14, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 a material misstatement of the entity's consolidated 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 which 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 which might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control which we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's consolidated 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 consolidated 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 required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana
February 14, 2024



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
Charter School of the Dunes, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited Charter School of the Dunes, Inc. and Affiliate's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* which could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' 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 which could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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 Auditors' 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 the audit evidence we 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.

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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.

Auditors' 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 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, 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 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 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 which 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance which 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 we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist which 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

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana
February 14, 2024

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023**

I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.