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December 9, 2020


Charter School Board  
Dugger Union Community School Corporation  
7356 E Co Rd 50 S  
Dugger, IN 47848

We have reviewed the audit report of Dugger Union Community School Corporation which was opined upon by Greenwalt CPAs, Inc., Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Dugger Union Community School Corporation as of June 30, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Greenwalt CPAs, Inc. 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 Dugger Union Community School Corporation, was prepared in accordance with the guidelines established by the State Board of Accounts.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

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DUGGER UNION COMMUNITY  
SCHOOL CORPORATION

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020 AND 2019

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GREENWALT<sup>CPAs</sup>  
We Deliver Peace of Mind

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# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## TABLE OF CONTENTS

JUNE 30, 2020 AND 2019

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Independent Auditors' Report .....	1
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	8
Other Report .....	16



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Dugger Union Community School Corporation:

We have audited the accompanying financial statements of Dugger Union Community School Corporation (an Indiana public charter school, "the School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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 *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, and *Guidelines for Audits of Charter Schools Performed by Private Examiners* established by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 School'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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Greenwald CPAs, Inc.*

November 18, 2020

DUGGER UNION COMMUNITY SCHOOLS CORPORATION  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2020 AND 2019

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,366,137	\$ 1,028,303
Grants receivable	131,359	70,790
Prepaid expenses	39,894	69,572
	<u>1,537,390</u>	<u>1,168,665</u>
<i>Total current assets</i>		
<b>PROPERTY AND EQUIPMENT</b>		
Land	19,200	19,200
Building and improvements	890,894	701,718
Furniture and equipment	686,565	536,891
Textbooks	251,228	231,896
Vehicles	355,323	355,323
Less: accumulated depreciation	(914,354)	(690,108)
	<u>1,288,856</u>	<u>1,154,920</u>
<i>Total property and equipment, net</i>		
<b>RESTRICTED CASH</b>	<u>37,337</u>	<u>25,000</u>
<i>Total assets</i>	<u>\$ 2,863,583</u>	<u>\$ 2,348,585</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 111,083	\$ 109,837
Accounts payable and accrued expenses	207,931	157,630
Deferred revenue	770	698
Funds held on behalf of others	7,337	-
	<u>327,121</u>	<u>268,165</u>
<i>Total current liabilities</i>		
<b>LONG TERM LIABILITIES</b>		
Notes payable, net of current portion and discount	<u>370,279</u>	<u>467,768</u>
<i>Total liabilities</i>	<u>697,400</u>	<u>735,933</u>
<b>COMMITMENTS (NOTES 6 AND 9)</b>		
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	2,092,530	1,526,402
Board designated	30,000	25,000
	<u>2,122,530</u>	<u>1,551,402</u>
<i>Total net assets without donor restrictions</i>		
With donor restrictions	<u>43,653</u>	<u>61,250</u>
<i>Total net assets</i>	<u>2,166,183</u>	<u>1,612,652</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,863,583</u>	<u>\$ 2,348,585</u>

DUGGER UNION COMMUNITY SCHOOLS CORPORATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE AND SUPPORT</b>						
State education support	\$ 3,766,500	\$ -	\$ 3,766,500	\$ 2,881,626	\$ -	\$ 2,881,626
Grants	887,931	43,081	931,012	595,515	-	595,515
Contributions	28,179	-	28,179	23,647	10,000	33,647
Student fees, net of scholarships of \$7,000 and \$10,162 in 2020 and 2019, respectively	48,223	-	48,223	31,987	-	31,987
Special events, net of expense of \$27,569 and \$19,064 in 2020 and 2019, respectively	23,055	-	23,055	25,051	-	25,051
Other income	30,272	-	30,272	26,866	-	26,866
Net assets released from restriction	60,678	(60,678)	-	20,468	(20,468)	-
<i>Total</i>	<u>4,844,838</u>	<u>(17,597)</u>	<u>4,827,241</u>	<u>3,605,160</u>	<u>(10,468)</u>	<u>3,594,692</u>
<b>EXPENSES</b>						
Program	3,115,003	-	3,115,003	2,595,061	-	2,595,061
Management and general	1,151,251	-	1,151,251	827,129	-	827,129
Fundraising	7,456	-	7,456	403	-	403
<i>Total expenses</i>	<u>4,273,710</u>	<u>-</u>	<u>4,273,710</u>	<u>3,422,593</u>	<u>-</u>	<u>3,422,593</u>
<b>CHANGE IN NET ASSETS</b>	571,128	(17,597)	553,531	182,567	(10,468)	172,099
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,551,402</u>	<u>61,250</u>	<u>1,612,652</u>	<u>1,368,835</u>	<u>71,718</u>	<u>1,440,553</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,122,530</u>	<u>\$ 43,653</u>	<u>\$ 2,166,183</u>	<u>\$ 1,551,402</u>	<u>\$ 61,250</u>	<u>\$ 1,612,652</u>

See accompanying notes to financial statements.

DUGGER UNION COMMUNITY SCHOOLS CORPORATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020				2019			
	Program	Management & General	Fundraising	Total	Program	Management & General	Fundraising	Total
Salaries and wages	\$ 1,747,665	\$ 695,593	\$ -	\$ 2,443,258	\$ 1,340,374	\$ 490,041	\$ -	\$ 1,830,415
Employee benefits	438,163	167,460	-	605,623	405,788	118,966	-	524,754
Staff development	8,174	-	-	8,174	29,747	-	-	29,747
Professional services	79,523	66,583	-	146,106	47,752	51,933	-	99,685
Repairs and maintenance	62,677	-	-	62,677	72,090	-	-	72,090
Authorizer fees	-	90,310	-	90,310	-	53,048	-	53,048
Food	129,134	-	-	129,134	108,267	-	-	108,267
Advertising	-	10,580	-	10,580	-	9,207	-	9,207
Student transportation	24,701	-	-	24,701	25,175	-	-	25,175
Travel	1,910	628	-	2,538	4,735	965	-	5,700
Classroom, kitchen, and office supplies	88,634	15,610	-	104,244	51,923	9,455	-	61,378
Occupancy	159,486	14,970	-	174,456	171,132	9,643	-	180,775
Depreciation	224,263	-	-	224,263	248,782	-	-	248,782
Information technology	36,385	-	-	36,385	36,580	-	-	36,580
Extra-curricular	42,540	-	-	42,540	50,045	-	-	50,045
Interest	-	21,987	-	21,987	-	23,849	-	23,849
Insurance	-	55,954	-	55,954	-	49,170	-	49,170
Donation	-	-	7,456	7,456	-	-	403	403
Bad debt	-	7,582	-	7,582	-	3,190	-	3,190
COVID-19 instructional	71,748	-	-	71,748	-	-	-	-
Other	-	3,994	-	3,994	2,671	7,662	-	10,333
	<u>3,115,003</u>	<u>1,151,251</u>	<u>7,456</u>	<u>4,273,710</u>	<u>2,595,061</u>	<u>827,129</u>	<u>403</u>	<u>3,422,593</u>
Special events expense netted with revenue	-	-	27,569	27,569	-	-	19,064	19,064
<i>Total functional expenses</i>	<u>\$ 3,115,003</u>	<u>\$ 1,151,251</u>	<u>\$ 35,025</u>	<u>\$ 4,301,279</u>	<u>\$ 2,595,061</u>	<u>\$ 827,129</u>	<u>\$ 19,467</u>	<u>\$ 3,441,657</u>

DUGGER UNION COMMUNITY SCHOOLS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Page 1 of 2

NET CHANGE IN CASH

	<u>2020</u>	<u>RESTATED 2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from the State, grants, and other	\$ 4,754,407	\$ 3,623,138
Cash paid to employees and vendors	(3,917,288)	(3,123,921)
Interest paid	(8,393)	(8,381)
	<u>828,726</u>	<u>490,836</u>
<i>Net cash provided by operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(381,055)</u>	<u>(361,837)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	<u>(109,837)</u>	<u>(91,819)</u>
<b>NET INCREASE IN CASH</b>	337,834	37,180
<b>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</b>	1,053,303	1,011,123
<b>CHANGE IN RESTRICTED CASH</b>	<u>12,337</u>	<u>5,000</u>
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>	<u>\$ 1,403,474</u>	<u>\$ 1,053,303</u>
<b>NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES</b>		
Property and equipment in accounts payable	<u>\$ -</u>	<u>\$ 22,856</u>
Discount on loan payable	<u>\$ 13,594</u>	<u>\$ 15,468</u>

DUGGER UNION COMMUNITY SCHOOLS CORPORATION

STATEMENTS OF CASH FLOWS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Page 2 of 2

RECONCILIATION OF CHANGE IN NET ASSETS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>2020</u>	<u>2019</u>
CHANGE IN NET ASSETS	\$ 553,531	\$ 172,099
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	224,263	248,782
Discount on loan payable	13,594	15,468
<i>(Increase) decrease in operating assets</i>		
Grants receivable	(60,569)	33,577
Prepaid expenses	29,678	(5,070)
Restricted cash	(12,337)	(5,000)
<i>Increase (decrease) in operating liabilities</i>		
Accounts payable and accrued liabilities	73,157	31,111
Deferred revenue	72	(131)
Funds held on behalf of others	7,337	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 828,726</u>	<u>\$ 490,836</u>

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### DESCRIPTION OF ORGANIZATION

Dugger Union Community Schools Corporation ("the School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Grace College. The School provides educational instruction to approximately 400 students in grades kindergarten through twelve.

The School receives the majority of its funding from the Indiana Department of Education. Their revenues are supplemented with funds from grants and contributions.

#### BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

The School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2020 and 2019. The School maintained cash in excess of Federal Deposit Insurance Corporation (FDIC) limits of approximately \$1,200,000 and \$810,000 at June 30, 2020 and 2019, respectively.

#### GRANTS RECEIVABLE

Grants receivable represent the uncollected portion of funds from grants awarded to the School. Grants receivable are unsecured and are due from Indiana governmental entities and private funders over periods of time up to thirty days from the statement of financial position date. Grants receivable are stated at the amount determined by public statute or by the underlying private funding agreements. Generally, there is not significant risk of loss of these amounts due since they are statutorily determined and obligated. However, there is some risk that public funding from the State of Indiana could be reduced from amounts previously determined during periods of prolonged economic downturn.

The School reviews grants receivable and writes off any amount to be deemed uncollectible. There were no allowances as of June 30, 2020 and 2019. All grants receivable are collectible within one year.

#### PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased, or, if contributed, at the estimated fair value at the date of the gift. The School capitalizes additions of property and equipment in excess of \$1,000 that have a useful life or extend the useful life greater than one year. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### PROPERTY AND EQUIPMENT, CONTINUED

Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets generally as follows:

Building and improvements	40 years
Furniture and equipment	3 to 7 years
Textbooks	4 to 5 years
Vehicles	5 years

#### RESTRICTED CASH

As part of its charter agreement with Grace College (Note 9), the School is required to hold in an escrow account funds to pay for legal, wind down of operations, and audit expenses that would be associated with dissolution should it occur. Per the agreement, the School was required to place a minimum of \$30,000 into the account by the sixth year of operations. The School complied with this requirement during fiscal year 2020. Cash held on behalf of others for an annual math scholarship was \$7,337 and is included in restricted cash at June 30, 2020.

#### NET ASSETS

The School maintains the following classifications of net assets:

##### Without Donor Restrictions

These include revenue and expenses from the regular operations of the School, which are at the discretion of management and the Board of Directors.

##### Without Donor Restrictions – Board Designated

The School's charter is authorized through Grace College (Note 9 and "Restricted Cash"). Grace College requires that the School establish and maintain an account held in escrow of \$30,000 no later than six years after the School's establishment. The escrow account is designated for any potential dissolution of the School. At June 30, 2020 and 2019, the School held \$30,000 and \$25,000, respectively, in escrow which have been presented as board designated net assets in the statements of financial position.

##### With Donor Restrictions

These include contributions and grants with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets with donor restrictions consist of a contribution related to scholarships and a below-market interest rate loan that will be released ratably over the life of the loan. See Notes 3 and 4.

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### 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 is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants as costs are incurred.

#### CONTRIBUTIONS AND GRANTS

Contributions and grants are recognized when the donor makes an unconditional promise to give to the School and are recorded at their fair values as revenues and assets in the period the promise was received. Contributions with donor restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

#### ADVERTISING

Advertising expenses totaled \$10,580 and \$9,207 for fiscal years 2020 and 2019, respectively. The School's policy is to recognize advertising expenditures in the period in which they are incurred.

#### FUNCTIONAL ALLOCATION OF EXPENSES

In the accompanying statements of functional expense, all expenses are allocated to program, management and general, and fundraising expenses. Expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived.

#### TAX STATUS

The School is an Indiana not-for-profit corporation, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

#### SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through November 18, 2020, which is the date these financial statements were available to be issued.

#### NEW ACCOUNTING PRONOUNCEMENT

The School has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of July 1, 2019. The ASU provided clarified guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The School applied the update on a modified prospective basis to agreements that were either not completed as of the effective date or entered into as of the effective date. The application of the update had no impact on net assets as of July 1, 2019.

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### NEW ACCOUNTING PRONOUNCEMENT, CONTINUED

The School has adopted FASB Accounting Standards Update (ASU) 2016-18, *Restricted Cash*, during fiscal year 2020. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The update also requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. The School applied the update retrospectively, which resulted in the restatement of the beginning of the year cash balance in the statement of cash flows for the year ended June 30, 2019.

The School has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of and for the year ended June 30, 2020. The ASU and all subsequently issued clarifying ASU's replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The update provides organizations with a single revenue recognition model for recognizing revenue from school operations; specifically requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to students. The School has adopted ASU 2014-09 on the modified retrospective basis. The provisions of Topic 606 were adopted for the year ended June 30, 2020 and had no impact on net assets as of July 1, 2019.

### 2. AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating and other commitments. The School has various sources of liquid assets at its disposal, including cash and receivables.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to ongoing activities of the school as well as the supporting operations to be general expenditures.

Financial assets available for general expenditure, within one year, consist of the following at June 30:

Financial assets at year-end	<u>2020</u>	<u>2019</u>
Cash	\$ 1,403,474	\$ 1,053,303
Grants receivable	<u>131,359</u>	<u>70,790</u>
Total financial assets	<u>1,534,833</u>	<u>1,124,093</u>
Less amounts not available to be used within one year		
Restricted cash	(37,337)	(25,000)
Net assets with donor restrictions	<u>(997)</u>	<u>(5,000)</u>
Financial assets not available to be used with one year	<u>(38,334)</u>	<u>(30,000)</u>
Financial assets available for general expenditure within one year	<u>\$ 1,496,499</u>	<u>\$ 1,094,093</u>

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### 3. NOTES PAYABLE

The School has a note payable with a financial lender which expires in June 2021. The loan was \$350,000 with the interest rate of 4.71% and requires semi-annual payments including principal and interest of \$18,898. At June 30, 2020 and 2019, the balance outstanding was \$36,518 and \$71,355, respectively. This loan is secured by buses.

The School obtained a loan from the State of Indiana through the Charter and Innovation School Advance Program for \$750,000 in November 2015, which matures in July 2026. The interest rate on the loan is 1% per annum and semi-annual payments of \$37,500 principal plus interest are being deducted from the School's monthly state tuition support payments.

The loan is considered below-market and, to reflect the time value of money, the liability recorded in the statements reflects the future payments discounted at an imputed interest rate of 3.5%, which was the School's long-term borrowing rate at loan inception. The balance on the loan at June 30, 2020 and 2019 was \$487,500 and \$562,500 net of unamortized discounts of \$42,656 and \$56,250, respectively.

The future aggregate minimum principal payments on the note and loan payable are as follows for the years ending June 30:

2021	\$	111,083
2022		75,000
2023		75,000
2024		75,000
2025		75,000
Thereafter		<u>112,935</u>
Total loan and note payable		524,018
Less: current portion		(111,083)
Less: discount on loan payable		<u>(42,656)</u>
Long term portion	\$	<u><u>370,279</u></u>

### 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were held for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Scholarships	\$ -	\$ 5,000
Below-market interest rate loan	42,656	56,250
Other	<u>997</u>	<u>-</u>
Total	<u>\$ 43,653</u>	<u>\$ 61,250</u>

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### 5. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the fiscal year:

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 5,000	\$ 5,000
Below-market interest rate loan	13,594	15,468
Counseling and Intervention funds	<u>42,084</u>	<u>-</u>
Total	<u>\$ 60,678</u>	<u>\$ 20,468</u>

### 6. OPERATING LEASES

The School leases copier equipment under operating leases with various expiration dates through October 2021. Total expense under operating leases for fiscal years 2020 and 2019 was \$5,883 and \$4,264, respectively.

Future minimum rental payments required under operating leases for the years ending June 30 are as follows:

2020	\$ 5,249
2021	5,249
2022	<u>844</u>
	<u>\$ 11,342</u>

### 7. 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. Under the plans, the School contributes 5.5% of compensation for electing teaching faculty to TRF and 11.2% of compensation for other electing employees to PERF in 2020 and the School contributes 7.5% of compensation for electing teaching faculty to TRF and 11.2% of compensation for other electing employees to PERF in 2019, respectively. For TRF, the School also contributes a discretionary 1.35% above the state-imposed requirement. 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, 2019 (the latest year reported), both TRF and PERF were at least 79% funded. A copy of the complete annual report for the year ended June 30, 2019 can be obtained at:

[https://www.in.gov/inprs/files/2019\\_INPRSCAFRBook.pdf](https://www.in.gov/inprs/files/2019_INPRSCAFRBook.pdf)

Retirement plan expense was \$169,047 and \$159,464 for the years ended June 30, 2020 and 2019, respectively.

**DUGGER UNION COMMUNITY SCHOOL CORPORATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**8. FEDERAL, STATE, AND LOCAL GRANT AWARDS**

In accordance with guidelines established by the Indiana State Board of Accounts, this federal, state, and local grant information was included to aid in the verification of Indiana financial assistance on the Annual Financial Report (AFR).

<b>Program Name</b>	<b>Grantor Name</b>	<b>CFDA</b>	<b>Revenue</b>	<b>Expense</b>	<b>Funding Type</b>
National School Lunch Program	Indiana Department of Education	10.555	\$ 181,530	\$ 118,654	Federal grant passed through state or local government
Title I, Part A	Indiana Department of Education	84.010	\$ 153,257	\$ 153,257	Federal grant passed through state or local government
Special Education Cluster (IDEA, Part B)	Indiana Department of Education	84.027	\$ 82,301	\$ 82,301	Federal grant passed through state or local government
Title IV	Indiana Department of Education	84.424	\$ 2,970	\$ 2,970	Federal grant passed through state or local government
Javits Gifted and Talented Students Education	Indiana Department of Education	84.206	\$ 25,726	\$ 25,726	Federal grant passed through state or local government
Early Intervention	Indiana Department of Education	84.181	\$ 1,611	\$ 1,611	Federal grant passed through state or local government
Excellence in Performance	Indiana Department of Education	N/A	\$ 18,426	\$ 18,426	Federal grant passed through state or local government
Summer School Reimbursement	Indiana Department of Education	N/A	\$ 2,089	\$ 2,089	State or Local Government
Adult Lunch Reimbursement	Indiana Department of Education	N/A	\$ 210	\$ 210	State or Local Government
Secured Schools Safety Grant	Indiana Department of Education	N/A	\$ 13,788	\$ 13,788	State or Local Government
Rural Education Achievement Grant	Indiana Department of Education	N/A	\$ 36,642	\$ 36,642	State or Local Government
SIG Revenue	Indiana Department of Education	N/A	\$ 14,513	\$ 14,513	State or Local Government
State Curriculum Materials	Indiana Department of Education	N/A	\$ 17,018	\$ 17,018	State or Local Government
Formative Assistance Grant	Indiana Department of Education	N/A	\$ 4,827	\$ 4,827	State or Local Government

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### 8. FEDERAL, STATE, AND LOCAL GRANT AWARDS, CONTINUED

Basic Tuition Support	Indiana Department of Education	N/A	\$ 3,766,500	\$ 3,766,500	State or Local Government
Charter Facility Grant	Indiana Department of Education	N/A	\$ 375,750	\$ 375,750	State or Local Government
State Lunch Match	Indiana Department of Education	N/A	\$ 354	\$ 354	State or Local Government
			\$ 4,697,512	\$ 4,634,636	

### 9. COMMITMENTS

The School operates under a charter granted by Grace College. As the sponsoring organization, Grace College exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Grace College an annual administrative fee equal to 3% of state tuition and complexity grant support received. Expense under this charter agreement was \$90,310 and \$53,048 for the years ended June 30, 2020 and 2019, respectively. The charter remains in effect until May 31, 2022 and is renewable thereafter by mutual consent.

### 10. RISKS AND UNCERTAINTIES

The School provides educational instruction services to persons primarily residing in Dugger, Indiana and greater Sullivan County, 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 fiscal years 2020 and 2019, 97.2% and 96.7% of the School's revenue came from the Indiana Department of Education, respectively. Furthermore, at June 30, 2020 and 2019, substantially all of the grants receivable balance was due from the State of Indiana.

In March 2020, the World Health Organization declared a worldwide pandemic due to the outbreak of a novel strain of coronavirus, called COVID-19. During the fiscal year 2020, the School spent approximately \$72,000 in instructional and operational funds specifically related to COVID-19. The School began its 2020-2021 school year in August 2020 with all students attending virtually. The extent of the impact of COVID-19 on the School's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the students, teachers, faculty, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the School's financial condition or results of operations is uncertain.

### 11. RECLASSIFICATION

Certain accounts in the fiscal year 2019 financial statements have been reclassified for comparative purposes to conform with the presentation in the fiscal year 2020 financial statements. These reclassifications had no impact on net assets as of June 30, 2019.

DUGGER UNION COMMUNITY SCHOOL CORPORATION  
OTHER REPORT  
FOR THE YEAR ENDED JUNE 30, 2020

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

Supplemental Audit Report of Dugger Union Community School Corporation