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January 26, 2022


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, 2020 to June 30, 2021. 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, 2021 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, 2021 AND 2020

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GREENWALT<sup>CPAs</sup>

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DUGGER UNION COMMUNITY SCHOOL CORPORATION

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JUNE 30, 2021 AND 2020

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## 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, 2021 and 2020, 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, 2021 and 2020, 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.*

December 13, 2021

DUGGER UNION COMMUNITY SCHOOLS CORPORATION  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2021 AND 2020

ASSETS

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                    |                     |                     |
| Cash                                     | \$ 2,001,929        | \$ 1,366,137        |
| Grants receivable                        | 99,532              | 131,359             |
| Prepaid expenses                         | 57,696              | 39,894              |
|  | <u>2,159,157</u>    | <u>1,537,390</u>    |
| <i>Total current assets</i>              |                     |                     |
| <b>PROPERTY AND EQUIPMENT</b>            |                     |                     |
| Land                                     | 19,200              | 19,200              |
| Building and improvements                | 890,895             | 890,894             |
| Furniture and equipment                  | 995,500             | 686,565             |
| Textbooks                                | 293,578             | 251,228             |
| Vehicles                                 | 448,048             | 355,323             |
| Construction in progress                 | 132,492             | -                   |
| Less: accumulated depreciation           | (1,189,123)         | (914,354)           |
|  | <u>1,590,590</u>    | <u>1,288,856</u>    |
| <i>Total property and equipment, net</i> |                     |                     |
| <b>RESTRICTED CASH</b>                   |                     |                     |
|  | <u>37,335</u>       | <u>37,337</u>       |
| <i>Total assets</i>                      | <u>\$ 3,787,082</u> | <u>\$ 2,863,583</u> |

LIABILITIES AND NET ASSETS

|  |                     |                     |
|--|---------------------|---------------------|
| <b>CURRENT LIABILITIES</b>                         |                     |                     |
| Current portion of notes payable                   | \$ 75,000           | \$ 111,083          |
| Accounts payable and accrued expenses              | 396,302             | 207,931             |
| Deferred revenue                                   | 693                 | 770                 |
| Funds held on behalf of others                     | 7,335               | 7,337               |
|  | <u>479,330</u>      | <u>327,121</u>      |
| <i>Total current liabilities</i>                   |                     |                     |
| <b>LONG TERM LIABILITIES</b>                       |                     |                     |
| Notes payable, net of current portion and discount | <u>306,563</u>      | <u>370,279</u>      |
| <i>Total liabilities</i>                           | <u>785,893</u>      | <u>697,400</u>      |
| <b>COMMITMENTS (NOTES 6 AND 9)</b>                 |                     |                     |
| <b>NET ASSETS</b>                                  |                     |                     |
| Without donor restrictions                         |                     |                     |
| Undesignated                                       | 2,864,815           | 2,092,530           |
| Board designated                                   | 30,000              | 30,000              |
|  | <u>2,894,815</u>    | <u>2,122,530</u>    |
| <i>Total net assets without donor restrictions</i> |                     |                     |
| With donor restrictions                            | <u>106,374</u>      | <u>43,653</u>       |
| <i>Total net assets</i>                            | <u>3,001,189</u>    | <u>2,166,183</u>    |
| <i>Total liabilities and net assets</i>            | <u>\$ 3,787,082</u> | <u>\$ 2,863,583</u> |

DUGGER UNION COMMUNITY SCHOOLS CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

|   | 2021                          |                            |                     | 2020                          |                            |                     |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|   | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR<br>RESTRICTIONS | TOTAL               | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR<br>RESTRICTIONS | TOTAL               |
| <b>REVENUE AND SUPPORT</b>  |                               |                            |                     |                               |                            |                     |
| State education support   | \$ 4,287,472                  | \$ -                       | \$ 4,287,472        | \$ 3,766,500                  | \$ -                       | \$ 3,766,500        |
| Grants  | 788,343                       | 209,538                    | 997,881             | 887,931                       | 43,081                     | 931,012             |
| Contributions   | 18,811                        | -                          | 18,811              | 28,179                        | -                          | 28,179              |
| Student fees, net of scholarships of \$10,171 and<br>\$7,000 in 2021 and 2020, respectively | 61,306                        | -                          | 61,306              | 48,223                        | -                          | 48,223              |
| Special events, net of expense of \$16,574 and<br>\$27,569 in 2021 and 2020, respectively   | 38,369                        | -                          | 38,369              | 23,055                        | -                          | 23,055              |
| Other income  | 26,734                        | -                          | 26,734              | 30,272                        | -                          | 30,272              |
| Net assets released from restriction  | 146,817                       | (146,817)                  | -                   | 60,678                        | (60,678)                   | -                   |
| <i>Total revenue and support</i>  | <u>5,367,852</u>              | <u>62,721</u>              | <u>5,430,573</u>    | <u>4,844,838</u>              | <u>(17,597)</u>            | <u>4,827,241</u>    |
| <b>EXPENSES</b>   |                               |                            |                     |                               |                            |                     |
| Program   | 3,342,408                     | -                          | 3,342,408           | 3,115,003                     | -                          | 3,115,003           |
| Management & general  | 1,249,789                     | -                          | 1,249,789           | 1,151,251                     | -                          | 1,151,251           |
| Fundraising   | 3,370                         | -                          | 3,370               | 7,456                         | -                          | 7,456               |
| <i>Total expenses</i>   | <u>4,595,567</u>              | <u>-</u>                   | <u>4,595,567</u>    | <u>4,273,710</u>              | <u>-</u>                   | <u>4,273,710</u>    |
| <b>CHANGE IN NET ASSETS</b>   | 772,285                       | 62,721                     | 835,006             | 571,128                       | (17,597)                   | 553,531             |
| <b>NET ASSETS, BEGINNING 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>    |
| <b>NET ASSETS, END OF YEAR</b>  | <u>\$ 2,894,815</u>           | <u>\$ 106,374</u>          | <u>\$ 3,001,189</u> | <u>\$ 2,122,530</u>           | <u>\$ 43,653</u>           | <u>\$ 2,166,183</u> |

See accompanying notes to financial statements.

DUGGER UNION COMMUNITY SCHOOLS CORPORATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

|  | 2021                |                         |                  |                     | 2020                |                         |                  |                     |
|--|---------------------|-------------------------|------------------|---------------------|---------------------|-------------------------|------------------|---------------------|
|  | PROGRAM             | MANAGEMENT<br>& GENERAL | FUNDRAISING      | TOTAL               | PROGRAM             | MANAGEMENT<br>& GENERAL | FUNDRAISING      | TOTAL               |
| Salaries and wages                         | \$ 1,926,852        | \$ 743,907              | \$ -             | \$ 2,670,759        | \$ 1,747,665        | \$ 695,593              | \$ -             | \$ 2,443,258        |
| Employee benefits                          | 468,017             | 173,220                 | -                | 641,237             | 438,163             | 167,460                 | -                | 605,623             |
| Staff development                          | 953                 | -                       | -                | 953                 | 8,174               | -                       | -                | 8,174               |
| Professional services                      | 84,055              | 70,542                  | -                | 154,597             | 79,523              | 66,583                  | -                | 146,106             |
| Repairs and maintenance                    | 40,631              | -                       | -                | 40,631              | 62,677              | -                       | -                | 62,677              |
| Authorizer fees                            | -                   | 109,825                 | -                | 109,825             | -                   | 90,310                  | -                | 90,310              |
| Food                                       | 100,715             | -                       | -                | 100,715             | 129,134             | -                       | -                | 129,134             |
| Advertising                                | -                   | 7,462                   | -                | 7,462               | -                   | 10,580                  | -                | 10,580              |
| Student transportation                     | 34,242              | -                       | -                | 34,242              | 24,701              | -                       | -                | 24,701              |
| Travel                                     | 13,341              | 2,297                   | -                | 15,638              | 1,910               | 628                     | -                | 2,538               |
| Classroom, kitchen, and office supplies    | 77,185              | 21,719                  | -                | 98,904              | 88,634              | 15,610                  | -                | 104,244             |
| Occupancy                                  | 154,096             | 13,072                  | -                | 167,168             | 159,486             | 14,970                  | -                | 174,456             |
| Depreciation                               | 274,768             | -                       | -                | 274,768             | 224,263             | -                       | -                | 224,263             |
| Information technology                     | 85,286              | -                       | -                | 85,286              | 36,385              | -                       | -                | 36,385              |
| Extra-curricular                           | 47,540              | -                       | -                | 47,540              | 42,540              | -                       | -                | 42,540              |
| Interest                                   | -                   | 17,680                  | -                | 17,680              | -                   | 21,987                  | -                | 21,987              |
| Insurance                                  | -                   | 63,044                  | -                | 63,044              | -                   | 55,954                  | -                | 55,954              |
| Donation                                   | -                   | -                       | 3,370            | 3,370               | -                   | -                       | 7,456            | 7,456               |
| Bad debt                                   | -                   | 22,540                  | -                | 22,540              | -                   | 7,582                   | -                | 7,582               |
| COVID-19 instructional                     | 34,727              | -                       | -                | 34,727              | 71,748              | -                       | -                | 71,748              |
| Other                                      | -                   | 4,481                   | -                | 4,481               | -                   | 3,994                   | -                | 3,994               |
|  | <u>3,342,408</u>    | <u>1,249,789</u>        | <u>3,370</u>     | <u>4,595,567</u>    | <u>3,115,003</u>    | <u>1,151,251</u>        | <u>7,456</u>     | <u>4,273,710</u>    |
| Special events expense netted with revenue | -                   | -                       | 16,574           | 16,574              | -                   | -                       | 27,569           | 27,569              |
| <i>Total functional expenses</i>           | <u>\$ 3,342,408</u> | <u>\$ 1,249,789</u>     | <u>\$ 19,944</u> | <u>\$ 4,612,141</u> | <u>\$ 3,115,003</u> | <u>\$ 1,151,251</u>     | <u>\$ 35,025</u> | <u>\$ 4,301,279</u> |

DUGGER UNION COMMUNITY SCHOOLS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Page 1 of 2

NET CHANGE IN CASH

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                    |                     |                     |
| Cash received from the State, grants, and other                | \$ 5,462,319        | \$ 4,781,418        |
| Cash paid to employees and vendors                             | (4,248,158)         | (3,931,962)         |
| Interest paid  | (5,961)             | (8,393)             |
|  | <u>1,208,200</u>    | <u>841,063</u>      |
| <i>Net cash provided by operating activities</i>               |                     |                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |                     |                     |
| Purchases of property and equipment                            | (460,892)           | (381,055)           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |                     |                     |
| Payments on notes payable                                      | (111,518)           | (109,837)           |
| <b>NET INCREASE IN CASH</b>                                    | 635,790             | 350,171             |
| <b>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</b>             | <u>1,403,474</u>    | <u>1,053,303</u>    |
| <b>CASH AND RESTRICTED CASH, END OF YEAR</b>                   | 2,039,264           | 1,403,474           |
| <b>LESS RESTRICTED CASH, END OF YEAR</b>                       | <u>(37,335)</u>     | <u>(37,337)</u>     |
| <b>CASH, END OF YEAR</b>                                       | <u>\$ 2,001,929</u> | <u>\$ 1,366,137</u> |
| <b>NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES</b> |                     |                     |
| Property and equipment in accounts payable                     | <u>\$ 115,610</u>   | <u>\$ -</u>         |
| Discount on loan payable                                       | <u>\$ 11,719</u>    | <u>\$ 13,594</u>    |

DUGGER UNION COMMUNITY SCHOOLS CORPORATION

STATEMENTS OF CASH FLOWS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Page 2 of 2

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

|   | <u>2021</u>         | <u>2020</u>       |
|---|---------------------|-------------------|
| CHANGE IN NET ASSETS  | \$ 835,006          | \$ 553,531        |
| ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS<br>TO NET CASH PROVIDED BY OPERATING ACTIVITIES |                     |                   |
| Depreciation  | 274,768             | 224,263           |
| Discount on loan payable  | 11,719              | 13,594            |
| <i>(Increase) decrease in operating assets</i>  |                     |                   |
| Grants receivable   | 31,827              | (60,569)          |
| Prepaid expenses  | (17,802)            | 29,678            |
| <i>Increase (decrease) in operating liabilities</i>   |                     |                   |
| Accounts payable and accrued liabilities  | 72,761              | 73,157            |
| Deferred revenue  | (77)                | 72                |
| Funds held on behalf of others  | (2)                 | 7,337             |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | <u>\$ 1,208,200</u> | <u>\$ 841,063</u> |

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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. Those 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, 2021 and 2020. The School maintained cash in excess of Federal Deposit Insurance Corporation (FDIC) limits of approximately \$1,800,000 and \$1,200,000 at June 30, 2021 and 2020, 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, 2021 and 2020. 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, 2021 AND 2020

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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. Cash held on behalf of others for an annual math scholarship was \$7,335 and \$7,337 and is included in restricted cash at June 30, 2021 and 2020, respectively.

#### 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, 2021 and 2020, the School held \$30,000 in escrow which has 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. See Note 4.

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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 \$7,462 and \$10,580 for fiscal years 2021 and 2020, 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 expenses, 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 December 13, 2021, which is the date these financial statements were available to be issued.

### 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.

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### 2. AVAILABLE RESOURCES AND LIQUIDITY, CONTINUED

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

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Financial assets at year-end                                       |                     |                     |
| Cash and restricted cash   | \$ 2,039,264        | \$ 1,403,474        |
| Grants receivable  | <u>99,532</u>       | <u>131,359</u>      |
| Total financial assets   | <u>2,138,796</u>    | <u>1,534,833</u>    |
| Less amounts not available to be used within one year              |                     |                     |
| Restricted cash  | (37,335)            | (37,337)            |
| Net assets with donor restrictions                                 | <u>(106,374)</u>    | <u>(43,653)</u>     |
| Financial assets not available to be used within one year          | <u>(143,709)</u>    | <u>(80,990)</u>     |
| Financial assets available for general expenditure within one year | <u>\$ 1,995,087</u> | <u>\$ 1,453,843</u> |

### 3. NOTES PAYABLE

The School had a note payable with a financial lender which was paid off in June 2021. The loan was \$350,000 with the interest rate of 4.71% and required semi-annual payments including principal and interest of \$18,898. The balance outstanding at June 30, 2020 was \$36,518; 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, 2021 and 2020 was \$412,500 and \$487,500, net of unamortized discounts of \$30,937 and \$42,656, respectively.

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

|                                |                   |
|--------------------------------|-------------------|
| 2022                           | \$ 75,000         |
| 2023                           | 75,000            |
| 2024                           | 75,000            |
| 2025                           | 75,000            |
| 2026                           | 75,000            |
| Thereafter                     | <u>37,500</u>     |
| Total loan and note payable    | 412,500           |
| Less: current portion          | (75,000)          |
| Less: discount on loan payable | <u>(30,937)</u>   |
| Long term portion              | <u>\$ 306,563</u> |

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### 4. NET ASSETS WITH DONOR RESTRICTIONS

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

|                                 | <u>2021</u>       | <u>2020</u>      |
|---------------------------------|-------------------|------------------|
| School lunch program            | \$ 62,004         | \$ -             |
| Textbook program                | 7,066             | -                |
| Below-market interest rate loan | 30,937            | 42,656           |
| FEMA COVID relief               | 6,367             | -                |
| Other                           | -                 | 997              |
| Total                           | <u>\$ 106,374</u> | <u>\$ 43,653</u> |

### 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>2021</u>       | <u>2020</u>      |
|-----------------------------------|-------------------|------------------|
| Scholarships                      | \$ -              | \$ 5,000         |
| Below-market interest rate loan   | 11,719            | 13,594           |
| School lunch program              | 94,825            | -                |
| Formative assessment              | 4,428             | -                |
| Indiana literacy                  | 1,653             | -                |
| Counseling and intervention funds | 34,192            | 42,084           |
| Total                             | <u>\$ 146,817</u> | <u>\$ 60,678</u> |

### 6. OPERATING LEASES

The School leases office equipment under operating leases with various expiration dates through July 2026.

The School leases copier equipment under operating leases with various expiration dates through October 2021.

Total expense under operating leases for fiscal years 2021 and 2020 was \$5,249 and \$5,883, respectively.

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

|      |                  |
|------|------------------|
| 2022 | \$ 5,545         |
| 2023 | 4,701            |
| 2024 | 3,307            |
| 2025 | 520              |
| 2026 | 520              |
|      | <u>\$ 14,593</u> |

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### 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 2021 and 2020. 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 and PERF. As of June 30, 2020 (the latest year reported), both TRF and PERF were at least 90% funded. A copy of the complete annual report for the year ended June 30, 2020 can be obtained at:

[https://www.in.gov/inprs/files/INPRSConsolidatedAR\\_FY20\\_Introductory.pdf](https://www.in.gov/inprs/files/INPRSConsolidatedAR_FY20_Introductory.pdf)

Retirement plan expense was \$200,542 and \$169,047 for the years ended June 30, 2021 and 2020, respectively.

### 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).

| Program Name  | Grantor Name                    | CFDA   | Revenue    | Expense    | Funding Type   |
|---|---------------------------------|--------|------------|------------|--|
| National School Lunch Program                                     | Indiana Department of Education | 10.555 | \$ 175,069 | \$ 213,966 | Federal grant passed through state or local government |
| Title I, Part A Cluster   | Indiana Department of Education | 84.010 | 112,977    | 112,977    | Federal grant passed through state or local government |
| Special Education Cluster (IDEA, Part B)                          | Indiana Department of Education | 84.027 | 69,375     | 69,375     | Federal grant passed through state or local government |
| Special Education – Grants for Infants and Families               | Indiana Department of Education | 84.181 | 1,489      | 1,654      | Federal grant passed through state or local government |
| Javits Gifted and Talented Students Education                     | Indiana Department of Education | 84.206 | 20,816     | 20,816     | Federal grant passed through state or local government |
| Title II, Part A – Supporting Effective Instruction State Grants  | Indiana Department of Education | 84.367 | 24,027     | 24,027     | Federal grant passed through state or local government |
| Title IV, Part A, Student Support and Academic Enrichment Program | Indiana Department of Education | 84.424 | 24,384     | 24,384     | Federal grant passed through state or local government |

DUGGER UNION COMMUNITY SCHOOL CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

|  |                                 |         |              |              |  |
|--|---------------------------------|---------|--------------|--------------|--|
| Governor's Emergency Relief (GEER) Fund (Education Stabilization Fund) | Indiana Department of Education | 84.425C | 10,245       | 10,245       | State or Local Government                              |
| FEMA – Emergency Food and Shelter National Board Program               | Indiana Department of Education | 97.024  | 6,367        | 6,367        | State or Local Government                              |
| Technology Grant Revenue   | Indiana Department of Education | N/A     | 49,625       | 49,625       | State or Local Government                              |
| Excellence in Performance  | Indiana Department of Education | N/A     | 20,200       | 20,200       | State or Local Government                              |
| Summer School Reimbursement  | Indiana Department of Education | N/A     | 736          | 736          | State or Local Government                              |
| Adult Lunch Reimbursement  | Indiana Department of Education | N/A     | 251          | 251          | State or Local Government                              |
| Secured Schools Safety Grant   | Indiana Department of Education | N/A     | 1,776        | 1,776        | State or Local Government                              |
| Rural Education Achievement Grant                                      | Indiana Department of Education | 84.358A | 44,097       | 44,097       | Federal grant passed through state or local government |
| State Curriculum Materials   | Indiana Department of Education | N/A     | 26,403       | 26,403       | State or Local Government                              |
| Formative Assistance Grant   | Indiana Department of Education | N/A     | 4,596        | 4,596        | State or Local Government                              |
| Basic Tuition Support  | Indiana Department of Education | N/A     | 4,287,472    | 4,287,472    | State or Local Government                              |
| Charter Facility Grant   | Indiana Department of Education | N/A     | 405,000      | 405,000      | State or Local Government                              |
| State Lunch Match  | Indiana Department of Education | N/A     | 448          | 448          | State or Local Government                              |
|  |                                 |         | \$ 5,285,353 | \$ 5,324,415 |  |

# DUGGER UNION COMMUNITY SCHOOL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### 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 \$109,825 and \$90,310 for the years ended June 30, 2021 and 2020, respectively. The charter remains in effect until May 31, 2022 and is renewable thereafter by mutual consent.

In April 2021, the School committed to an upgrade of the air system in the total amount of \$199,975. As of June 30, 2021, the School had paid installments totaling approximately \$132,000. The upgrade was completed in August 2021.

In April 2021, the School committed to an upgrade of the parking lot in the total amount of \$164,323. As of June 30, 2021, construction had yet to begin.

### 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 2021 and 2020, 97.6% and 97.3% of the School's revenue came from the Indiana Department of Education, respectively. Furthermore, at June 30, 2021 and 2020, 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 2021 and 2020, the School spent approximately \$35,000 and \$72,000, respectively in instructional and operational funds specifically related to COVID-19. 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, 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.

DUGGER UNION COMMUNITY SCHOOL CORPORATION  
OTHER REPORT  
FOR THE YEAR ENDED JUNE 30, 2021

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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