



STATE OF INDIANA
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December 7, 2022

Charter School Board
Duneland Charter School, Inc.
d/b/a Discovery Charter School
800 Canonie Drive
Porter, IN 46304

We have reviewed the audit report of Duneland Charter School, Inc. d/b/a Discovery Charter School which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Duneland Charter School, Inc. d/b/a Discovery Charter School as of June 30, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on pages 23 through 24. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on page 26.

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

In addition to the report presented herein, a Supplemental Audit Report for Duneland Charter School, Inc. d/b/a Discovery Charter School, was prepared in accordance with the guidelines established by the State Board of Accounts.

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

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

Tammy R. White, CPA
Deputy State Examiner

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Duneland Charter School, Inc. dba: Discovery Charter School, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

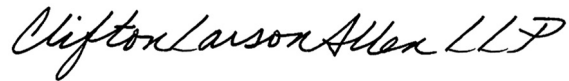
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Discovery Charter 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021, on our consideration of Discovery Charter 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 Discovery Charter 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 Discovery Charter School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
December 16, 2021

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 997,533	\$ 549,252
Grants Receivable	189,458	132,865
Student Fees Receivable	8,582	8,582
Prepaid Expenses	69,643	49,014
Total Current Assets	1,265,216	739,713
PROPERTY AND EQUIPMENT		
Land	408,188	408,188
Buildings and Improvements	5,974,416	5,974,416
Furniture and Equipment	1,553,247	1,372,157
Textbooks	94,956	94,956
Less: Accumulated Depreciation	(2,068,146)	(1,775,314)
Property and Equipment, Net	5,962,661	6,074,403
OTHER ASSETS		
Cash and Equivalents - Restricted for Debt Service	616,656	639,057
Cash and Equivalents - Restricted for Prepaid Interest	5,795	5,760
Security Deposits	12,990	12,990
Total Other Assets	635,441	657,807
Total Assets	\$ 7,863,318	\$ 7,471,923
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Debt	\$ 117,500	\$ 117,500
Accounts Payable and Accrued Expenses	287,257	259,875
Total Current Liabilities	404,757	377,375
LONG-TERM LIABILITIES		
Debt, Net of Current Portion	6,998,750	7,116,250
Less: Unamortized Debt Issuance Cost	(295,683)	(307,752)
Loan Payable Under Payroll Protection Program	507,547	-
Total Long-Term Liabilities	7,210,614	6,808,498
Total Liabilities	7,615,371	7,185,873
NET ASSETS		
Without Donor Restrictions	247,947	286,050
Total Liabilities and Net Assets	\$ 7,863,318	\$ 7,471,923

See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT		
State Education Support	\$ 3,056,948	\$ 3,302,566
Grant Revenue	1,284,991	882,207
Student Fees	36,902	187,707
Contributions	55,995	61,297
Interest Income	1,310	1,713
Other Income	12,103	42,149
Total Revenue and Support	<u>4,448,249</u>	<u>4,477,639</u>
EXPENSES		
Program Services	3,208,801	3,078,214
Management and General	1,277,551	1,184,843
Total Expenses	<u>4,486,352</u>	<u>4,263,057</u>
CHANGE IN NET ASSETS	(38,103)	214,582
Net Assets - Beginning of Year	<u>286,050</u>	<u>71,468</u>
NET ASSETS - END OF YEAR	<u>\$ 247,947</u>	<u>\$ 286,050</u>

See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 1,844,393	\$ 413,865	\$ 2,258,258	\$ 1,701,325	\$ 350,101	\$ 2,051,426
Employee Benefits	462,321	108,218	570,539	409,016	76,823	485,839
Staff Development	4,649	-	4,649	8,682	-	8,682
Professional Services	209,461	19,336	228,797	179,548	25,550	205,098
Repairs and Maintenance	67,674	-	67,674	49,406	-	49,406
Authorizer Oversight Fees	-	57,287	57,287	-	92,164	92,164
Academic Services	-	75,000	75,000	-	75,000	75,000
Food Services	97,735	-	97,735	112,888	-	112,888
Transportation Services	-	-	-	77,178	-	77,178
Travel	207	-	207	4,838	-	4,838
Equipment	12,545	7,544	20,089	4,335	8,452	12,787
Classroom, Kitchen, and Office Supplies	116,391	51,968	168,359	123,617	8,225	131,842
Occupancy	83,031	-	83,031	79,548	-	79,548
Information Technology	4,600	17,511	22,111	23,427	21,165	44,592
Depreciation	292,832	-	292,832	284,649	-	284,649
Interest	12,069	476,419	488,488	12,881	477,594	490,475
Insurance	-	29,541	29,541	-	28,307	28,307
Other	893	20,862	21,755	6,876	21,462	28,338
Total Expenses by Function	\$ 3,208,801	\$ 1,277,551	\$ 4,486,352	\$ 3,078,214	\$ 1,184,843	\$ 4,263,057

See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (38,103)	\$ 214,582
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	292,832	284,649
Amortization	12,069	12,069
Changes in Operating Assets and Liabilities:		
Grants Receivable	(56,593)	(121,278)
Student Fees Receivable	-	3,747
Prepaid Expenses	(20,629)	(6,748)
Accounts Payable and Accrued Expenses	27,382	11,831
Net Cash Provided by Operating Activities	<u>216,958</u>	<u>398,852</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(181,090)	(206,240)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(117,500)	(117,500)
Proceeds from Loan Payable Under Payroll Protection Program	<u>507,547</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>390,047</u>	<u>(117,500)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	425,915	75,112
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	<u>1,194,069</u>	<u>1,118,957</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 1,619,984</u>	<u>\$ 1,194,069</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and Cash Equivalents	\$ 997,533	\$ 549,252
Cash and Equivalents - Restricted for Debt Service	616,656	639,057
Cash and Equivalents - Restricted for Prepaid Interest	5,795	5,760
Total	<u>\$ 1,619,984</u>	<u>\$ 1,194,069</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 476,419</u>	<u>\$ 478,406</u>

See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Duneland Charter School, Inc. dba: Discovery Charter School (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 487 students in grades kindergarten through 12 and is sponsored by Ball State University.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from conditional resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic School year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statements of financial position. As of June 30, 2021 and 2020, the School does not have any conditional grants that have not been recognized as revenue in the statements of activities because conditions have not been met.

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

Grant and Contribution Revenue

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

Cash and Cash Equivalents

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

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the state of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. Student fees receivable relate to unpaid student fees from the 2020-2021 School year. The School believes that all balances will be collected.

Prepaid Expenses

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

Security Deposits

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

Property and Equipment

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

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

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

Impairment of Long-Lived Assets

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

Debt Issuance Costs

The School incurred costs totaling \$362,062 associated with securing financing under the Indiana Finance Authority Education Facilities Revenue Bond. Amortization is provided on a straight-line basis over the 30-year term of the bond. Accumulated amortization as of June 30, 2021 and 2020 was \$66,378 and \$54,309, respectively. Amortization expense was \$12,069 for both years ended June 30, 2021 and 2020. 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.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

The School has received a determination from the U.S. Internal Revenue Service (IRS) stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2021 and 2020, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The School is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

The School evaluated subsequent events through December 16, 2021, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 RESTRICTED CASH

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

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

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 DEBT

Debt was comprised of the following at June 30:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2015A with an original amount of \$7,230,000. The principal amount was reduced by \$760,000 using financing from the state of Indiana. The loan principal is payable in annual installments that increase from \$155,000 to \$580,000 from December 2026 to December 2045. Interest payments are made semi-annually at a rate of 7.25% in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements.	\$ 6,470,000	\$ 6,470,000
Note payable to the Indiana Common School Fund with an original amount of \$1,175,000. The note requires semi-annual payments of \$58,750 plus interest at 1% per annum from January 2017 to July 2026.	<u>646,250</u>	<u>763,750</u>
Total	7,116,250	7,233,750
Less: Current Portion	<u>(117,500)</u>	<u>(117,500)</u>
Long-Term Portion	<u>\$ 6,998,750</u>	<u>\$ 7,116,250</u>

The Indiana Finance Authority Educational Facilities Revenue Bond agreement contains certain financial covenants pertaining to cash reserves and minimum debt service coverage. The School was in compliance with covenants for June 30, 2021 and 2020.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 117,500
2023	117,500
2024	117,500
2025	117,500
2026	117,500
Thereafter	<u>6,528,750</u>
Total	<u>\$ 7,116,250</u>

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 PAYROLL PROTECTION PROGRAM LOAN

In March 2021, the School received a loan from JPMorgan Chase Bank in the amount of \$507,547 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and unguaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the School fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

The School has classified the loan as long-term in accordance with the terms of the law.

NOTE 5 RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are a cost-sharing multiemployer defined benefit retirement plan governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2021 and 2020, the School contributed 5.5% of compensation for eligible teaching personnel to TRF and 11.2% for other employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2020 (the latest year reported), TRF and PERF were approximately 101% and 83% funded, respectively.

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

Retirement plan expenses totaled \$139,508 and \$126,779 during the years ended June 30, 2021 and 2020, respectively.

NOTE 6 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 2% of state tuition support. Payments under this charter agreement were \$57,287 and \$92,164 for the years ended June 30, 2021 and 2020, respectively. The charter remains in effect until June 30, 2021 and is renewable thereafter by mutual consent.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 RISKS AND UNCERTAINTIES

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2021 and 2020, 96% and 94% of the receivable balance was due from the state of Indiana, respectively.

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

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the School, COVID-19 has impacted various parts of its 2020 and 2021 operations and financial results. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 8 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2021 and 2020 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash, grants, and student fees receivable.

	2021	2020
Financial Assets	\$ 1,818,024	\$ 1,335,516
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Cash and Cash Equivalents Restricted for Debt Service	(616,656)	(639,057)
Cash and Cash Equivalents Restricted for Construction	(5,795)	(5,760)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,195,573	\$ 690,699

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 LIQUIDITY (CONTINUED)

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

NOTE 9 FUNCTIONAL EXPENSE REPORTING

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

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
OTHER REPORT
YEAR ENDED JUNE 30, 2021**

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

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

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Duneland Charter School, Inc. dba: Discovery Charter School, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Duneland Charter School, Inc. dba: Discovery Charter School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Duneland Charter School, Inc. dba: Discovery Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Duneland Charter School, Inc. dba: Discovery Charter School's internal control.

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

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

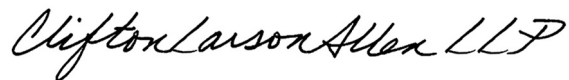
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Indianapolis, Indiana
December 16, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Discovery Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Duneland Charter School, Inc. dba: Discovery Charter School's major federal programs for the year ended June 30, 2021. Duneland Charter School, Inc. dba: Discovery Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Duneland Charter School, Inc. dba: Discovery Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-001 that we consider to be material weaknesses.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Duneland Charter School, Inc. dba: Discovery Charter School as of and for the year ended June 30, 2021, and have issued our report thereon dated December 16, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
July 7, 2022

DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed-Through the Indiana Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A190014	\$ 2,791
Title I Grants to Local Educational Agencies	84.010	S010A200014	38,260
Total Assistance Listing Number 84.010			<u>41,051</u>
Passed-Through the Indiana Department of Education:			
Special Education Grants to States	84.027	H027A190084	16,038
Special Education Grants to States	84.027	H027A190084	86,968
Total Assistance Listing Number 84.027			<u>103,006</u>
Passed-Through the Indiana Department of Education:			
Charter Schools	84.282	S282D190002	438,224
Passed-Through the Indiana Department of Education:			
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	S367A200013	10,094
Passed-Through the Indiana Department of Education:			
Student Support and Academic Enrichment Program	84.424	S424A200015	10,988
Passed-Through the Indiana Department of Education:			
COVID 19: Education Stabilization Fund	84.425D	S425D210013	151,072
Total U.S. Department of Education			<u>754,434</u>
Total Expenditures of Federal Awards			<u>\$ 754,434</u>

DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Duneland Charter School, Inc. dba: Discovery Charter School under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Duneland Charter School, Inc. dba: Discovery Charter School. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Discovery Charter 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

Duneland Charter School, Inc. dba: Discovery Charter School has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 SUBRECIPIENTS

Duneland Charter School, Inc. dba: Discovery Charter School did not make any federal awards to subrecipients for the year ending June 30, 2021.

**DUNELAND CHARTER SCHOOL, INC.
 DBA: DISCOVERY CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2021
 (SEE INDEPENDENT AUDITORS' REPORT)**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes _____ no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.282	Charter Schools
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u> x </u> no

DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2021 – 001

Federal Agency: All

Federal Program Title: All

Assistance Listing Number: Multiple

Pass-Through Agency: Indiana Department of Education

Pass-Through Number(s): Multiple

Award Period: Multiple

Type of Finding:

- Material Weakness in Internal Control over Compliance

Criteria or Specific Requirement: 2 CFR, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F, §200.510(b) requires that auditees prepare a schedule of expenditures of federal awards (the “Schedule”) for the period covered by the auditee’s financial statements which must include the total federal awards expended as determined in accordance with §200.502. At a minimum, the schedule must:

1. List individual federal programs by federal agency. For a cluster of programs, provide the cluster name, list individual federal programs within the cluster of programs, and provide the applicable federal agency name. For R&D, total federal awards expended must be shown either by individual federal award or by federal agency and major subdivision within the federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
3. Provide total federal awards expended for each individual federal program and the Assistance listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
4. Include the total amount provided to subrecipients from each federal program.
5. For loan or loan guarantee programs described in §200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total federal awards expended for loan or loan guarantee programs in the schedule.
6. Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 001 (Continued)

Condition: During the audit, it was noted that the School's draft Schedule did not properly identify items 1-3 as noted above. We noted missing Assistance Listing Numbers, improper subtotalling, no name or pass-through identifying information, and missing subparts that are required to be identified under Assistance Listing 84.425. Additionally, the Schedule was not initially prepared on the same basis of accounting as the financial statements, i.e. accrual basis. After multiple iterations, the adjustments approximated \$146,600.

Questioned Costs: None

Context: The conditions noted above were discovered as a systemic problem during the reconciliation process between the amounts recorded in the financial statements for grant expenditures and the amounts initially shown in the Schedule. The reconciliation process included all Assistance Listing numbers.

Cause: The School did not have the controls in place to ensure that the Schedule was prepared and reviewed in accordance with 2 CFR, Part 200, Subpart F, §200.510(b) and US GAAP.

Effect: The Schedule of the School could be materially misstated and inaccurately presented. Inaccurate presentation and clustering of programs affects the presentation of the Schedule and the conduct of the audit procedures applicable to the expenditures. Additionally, federal funds could be expended that are not accurately reported.

Repeat Finding: No

Recommendation: We recommend the School utilize the practice aids provided during the audit and establish controls to ensure that the Schedule is prepared in compliance with 2 CFR, Part 200 and U.S. GAAP, specifically as it relates to accrual basis of accounting and presentation.

Views of Responsible Officials: There is no disagreement with the audit finding.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2021**

U.S. Department of Education

Duneland Charter School, Inc. DBA: Discovery Charter School respectfully submits the following corrective action plan for the year ended June 30, 2021.

Audit period: July 1, 2020 through June 30, 2021

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

U.S. Department of Education

2021-001 Schedule of Expenditures of Federal Awards Preparation

Recommendation: The School should continue to review all GAAP requirements for transactions entered to ensure conformity with GAAP and to establish and maintain internal controls including monitoring to ensure the fair presentation of the financial data. We recommend the School utilize the practice aids provided during the audit and establish controls to ensure that the Schedule is prepared in compliance with 2 CFR, Part 200 and U.S. GAAP, specifically as it relates to accrual basis of accounting and presentation.

Action in response to finding: As this was the School's first single audit, there was some confusion on how to correctly fill out the SEFA. Now that we have encountered the form and single audit, we have installed the proper controls to ensure its accurate completion should the need arise again. We have created a template based on this year's corrected version and will use that, along with any aides provided by the auditors, as our guide going forward.

Name(s) of the contact person(s) responsible for corrective action: Kiki Kourkouvis

Planned completion date for corrective action plan: 06/15/2022

If the U.S. Department of Education has questions regarding this plan, please call Kiki Kourkouvis at 312.235.4500 Ext.9.

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