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May 9, 2023

Charter School Board  
Charter School of the Dunes, Inc.  
7300 Melton Rd  
Gary, IN 46403

We have reviewed the audit report of Charter School of the Dunes, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Charter School of the Dunes, Inc., as of June 30, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

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

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

Tammy R. White, CPA  
Deputy State Examiner

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**

Together with Independent Auditors' Report

For the Years Ended June 30, 2022 and 2021



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# Donovan CPAs

## *Independent Auditors' Report*

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

### **Opinion**

We have audited the financial statements of Charter School of the Dunes, Inc. and Affiliate (the "School"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

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## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

## **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Likewise, the consolidating schedules of financial position on pages 16 and 17 and the consolidating schedules of activities and change in net assets on pages 18 and 19 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023 on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana  
February 22, 2023

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 4,591,989	\$ 3,925,196
Grants receivable	<u>159,592</u>	<u>201,618</u>
<i>Total current assets</i>	<u>4,751,581</u>	<u>4,126,814</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	750,641	750,641
Buildings and improvements	11,324,785	11,306,585
Furniture and equipment	845,015	701,619
Textbooks	198,492	299,465
Less: accumulated depreciation	<u>(3,549,562)</u>	<u>(3,157,332)</u>
<i>Property and equipment, net</i>	<u>9,569,371</u>	<u>9,900,978</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 14,320,952</u></u>	<u><u>\$ 14,027,792</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 377,000	\$ 377,000
Accounts payable and accrued expenses	<u>299,692</u>	<u>439,136</u>
<i>Total current liabilities</i>	<u>676,692</u>	<u>816,136</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	3,928,500	4,305,500
Less: unamortized debt issuance costs	<u>(445,009)</u>	<u>(497,363)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>3,483,491</u>	<u>3,808,137</u>
<i>Total liabilities</i>	4,160,183	4,624,273
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>10,160,769</u>	<u>9,403,519</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 14,320,952</u></u>	<u><u>\$ 14,027,792</u></u>

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

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 5,584,225	\$ 5,435,827
Grant revenue	2,980,730	2,321,147
Student fees	25,116	1,104
Contributions	2,577	4,190
Interest income	691	679
Other income	37,281	22,014
	<u>8,630,620</u>	<u>7,784,961</u>
<i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	6,052,877	5,553,614
Management and general	1,820,493	1,399,560
	<u>7,873,370</u>	<u>6,953,174</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	757,250	831,787
<b>OTHER INCOME</b>		
Paycheck Protection Program loan forgiveness income	-	760,200
	<u>-</u>	<u>760,200</u>
<b>CHANGE IN NET ASSETS</b>	757,250	1,591,987
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>9,403,519</u>	<u>7,811,532</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 10,160,769</u>	<u>\$ 9,403,519</u>

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

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 3,142,502	\$ 981,611	\$ 4,124,113	\$ 2,796,534	\$ 787,768	\$ 3,584,302
Employee benefits	825,657	283,169	1,108,826	730,932	180,128	911,060
Other professional services	433,882	105,187	539,069	292,063	123,462	415,525
Depreciation	510,241	-	510,241	496,035	-	496,035
Food service	350,632	-	350,632	140,020	-	140,020
Classroom, kitchen, and office supplies	243,012	34,865	277,877	421,728	15,861	437,589
Transportation service	249,586	-	249,586	225,662	-	225,662
Occupancy	249,113	-	249,113	285,674	-	285,674
Authorizer oversight fees	-	168,711	168,711	-	172,085	172,085
Insurance	-	58,373	58,373	-	48,289	48,289
Interest	32,522	-	32,522	147,210	-	147,210
Staff development and recruitment	6,349	6,809	13,158	13,334	-	13,334
Other	9,381	181,768	191,149	4,422	71,967	76,389
<i>Total functional expenses</i>	<u>\$ 6,052,877</u>	<u>\$ 1,820,493</u>	<u>\$ 7,873,370</u>	<u>\$ 5,553,614</u>	<u>\$ 1,399,560</u>	<u>\$ 6,953,174</u>

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

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 757,250	\$ 1,591,987
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness income	-	(760,200)
Depreciation	510,241	496,035
Amortization of debt issuance costs	52,354	52,354
Changes in certain assets and liabilities:		
Grants receivable	42,026	(8,886)
Accounts payable and accrued expenses	<u>(139,444)</u>	<u>174,551</u>
<i>Net cash provided by operating activities</i>	1,222,427	1,545,841
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(178,634)	(97,535)
<b>FINANCING ACTIVITIES</b>		
Principal repayment of notes payable	<u>(377,000)</u>	<u>(377,000)</u>
<b>NET CHANGE IN CASH</b>	666,793	1,071,306
<b>CASH, BEGINNING OF YEAR</b>	<u>3,925,196</u>	<u>2,853,890</u>
<b>CASH, END OF YEAR</b>	<u>\$ 4,591,989</u>	<u>\$ 3,925,196</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 171,916	\$ 119,731

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

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Charter School of the Dunes, Inc. is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana operating a public charter school established under Indiana Code 20-24 which served approximately 720 students in kindergarten through eighth grade during the 2021-2022 school year (680 students during the 2020-2021 school year). Charter School of the Dunes, Inc. maintains control over CSOTD Holdings, Inc., a public benefit not-for-profit organization established for the purpose of constructing and owning a building to serve as an educational facility.

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

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

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

As of June 30, 2022 and 2021, the School had only net assets without donor restrictions.

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

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

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

Debt Issuance Costs – The School incurred costs totaling \$725,304 associated with securing financing for the construction of the school facility. Amortization of these debt issuance costs is provided on a straight-line basis over the term of the agreements. Accumulated amortization was \$280,295 and \$227,941 as of June 30, 2022 and 2021, respectively. Amortization expense was \$52,354 for each of the years ended June 30, 2022 and 2021, and is included in interest expense. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability on the consolidated statements of financial position.

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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 and minor replacement costs 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	35 years
Furniture and equipment	3 to 5 years
Textbooks	5 years

Taxes on Income – Charter School of the Dunes, Inc. and its affiliate, CSOTD Holdings, Inc., have received determinations from the U.S. Treasury Department stating they qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code as tax-exempt organizations; however, each entity would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021 no accounting for federal and state income taxes was required to be included in the accompanying consolidated financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2018 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 22, 2023, the date these consolidated financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the consolidated financial statements or related disclosures would be required.

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 2 - REVENUE RECOGNITION**

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

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

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

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

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

**NOTE 3 - NOTES PAYABLE**

Notes payable consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Note payable to BMO Harris Bank	\$ 4,103,000	\$ 4,435,000
Note payable to the Indiana Common School Fund	202,500	247,500
	<u>4,305,500</u>	<u>4,682,500</u>
Less: current portion	<u>(377,000)</u>	<u>(377,000)</u>
Long-term portion	\$ <u>3,928,500</u>	\$ <u>4,305,500</u>

The note payable to BMO Harris Bank provides for interest at 5.39%, of which interest at 4.91% is subsidized by the U.S. Treasury from the purchase of Qualified School Construction Bonds; however, the subsidy is subject to reduction dependent upon federal sequestration adjustments. The note payable amortizes through December 2030. The loan is secured by a blanket lien on all school assets. The loan agreement contains certain covenants that limit the School’s ability to create liens, incur debt, and change management. The School met all debt covenants as of and for the year ended June 30, 2022.

Included with the initial bond transaction is a \$9,237,456 note receivable and payable between CSOTD Holdings, Inc. and Charter School of the Dunes, Inc. that is eliminated in consolidation as of both June 30, 2022 and 2021.

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 3 - NOTES PAYABLE, Continued**

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

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

2023	\$ 377,000
2024	377,000
2025	377,000
2026	377,000
2027	377,000
Thereafter	<u>2,420,500</u>
	<u>\$ 4,305,500</u>

**NOTE 4 - PAYCHECK PROTECTION PROGRAM**

On April 29, 2020, the School was granted a loan from BMO Harris Bank in the amount of \$760,200, pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act. The School received notification that the loan was forgiven in full effective January 4, 2021, and therefore recognized the entire amount as PPP loan forgiveness income as of that date.

**NOTE 5 - RETIREMENT PLAN**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers’ Retirement Fund (“TRF”) and the Indiana Public Employees’ Retirement Fund (“PERF”), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System (“INPRS”) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 8.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF for both years ended June 30, 2022 and 2021. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School’s contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2022, TRF was approximately 92% funded and PERF was approximately 93% funded. Retirement plan expense was \$433,747 and \$314,445 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 6 - RISKS AND UNCERTAINTIES**

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

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 6 - RISKS AND UNCERTAINTIES, Continued**

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. At June 30, 2022 and 2021, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits are maintained at BMO Harris Bank and are insured up to the FDIC insurance limit. As of June 30, 2022 and 2021, cash balances exceeded FDIC insurance limits.

**NOTE 7 - COMMITMENTS**

The School operates under a charter granted by Calumet College of Saint Joseph. The charter is effective through June 30, 2025 and is renewable thereafter by mutual consent. As the sponsoring organization, Calumet College of Saint Joseph exercises certain oversight responsibilities. Under the charter, the School agreed to pay the sponsor an annual administrative fee not to exceed 3% of state tuition support. Payments under this agreement were \$168,711 and \$172,085 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 8 - LIQUIDITY**

Financial assets held by the School include cash and grants receivable totaling \$4,751,581 and \$4,126,814 as of June 30, 2022 and 2021, respectively, all of which was available to meet cash needs for general expenditures within one year.

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

**NOTE 9 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing educational activities have been summarized on a functional basis in the consolidated statements of activities and change in net assets. Management of the School 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 was required.

SUPPLEMENTARY INFORMATION

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

<b>Federal Grantor Agency/Pass-Through Entity/Cluster Title/Program Title/ Project Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Awards Expended</b>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 152,423
National School Lunch Program	10.555		339,995
Summer Food Service Program for Children	10.559		49,401
Commodities - Noncash Assistance	10.555		<u>36,387</u>
<i>Total U.S. Department of Agriculture</i>			<u>578,206</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A200014	289,809
Title I, Part A: Grants to Local Educational Agencies	84.010	S010A210014	681,712
Title II, Supporting Effective Instruction State Grants	84.367	S367A200013	28,739
Title IV, Student Support and Academic Enrichment Grants	84.424A	S424A200015	23,215
Special Education Cluster			
Special Education - Grants to States	84.027A	21611-564-PN01	130,378
Special Education - American Rescue Plan	84.027X	22611-564-ARP	14,791
Education Stabilization Fund			
Governor's Emergency Education Relief Fund	84.425C		2,775
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	267,700
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	<u>67,966</u>
<i>Total U.S. Department of Education</i>			<u>1,507,085</u>
<i>Total federal awards expended</i>			<u>\$ 2,085,291</u>

See independent auditors' report and accompanying notes to this schedule

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Charter School of the Dunes, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 - INDIRECT COST RATE**

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

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

**June 30, 2022**

	<b>Charter School of the Dunes, Inc.</b>	<b>CSOTD Holdings, Inc.</b>	<b>Consolidating Entries</b>	<b>Consolidated</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 4,591,989	\$ -	\$ -	\$ 4,591,989
Grants receivable	<u>159,592</u>	<u>-</u>	<u>-</u>	<u>159,592</u>
<i>Total current assets</i>	<u>4,751,581</u>	<u>-</u>	<u>-</u>	<u>4,751,581</u>
<b>PROPERTY AND EQUIPMENT</b>				
Land	264,799	485,842	-	750,641
Building and improvements	229,355	11,095,430	-	11,324,785
Furniture and equipment	845,015	-	-	845,015
Textbooks	198,492	-	-	198,492
Less: accumulated depreciation	<u>(749,289)</u>	<u>(2,800,273)</u>	<u>-</u>	<u>(3,549,562)</u>
<i>Property and equipment, net</i>	<u>788,372</u>	<u>8,780,999</u>	<u>-</u>	<u>9,569,371</u>
<b>OTHER ASSETS</b>				
Note receivable	<u>9,237,456</u>	<u>-</u>	<u>(9,237,456)</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 14,777,409</u></u>	<u><u>\$ 8,780,999</u></u>	<u><u>\$ (9,237,456)</u></u>	<u><u>\$ 14,320,952</u></u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of notes payable	\$ 377,000	\$ -	\$ -	\$ 377,000
Accounts payable and accrued expenses	<u>299,692</u>	<u>-</u>	<u>-</u>	<u>299,692</u>
<i>Total current liabilities</i>	<u>676,692</u>	<u>-</u>	<u>-</u>	<u>676,692</u>
<b>LONG-TERM LIABILITIES</b>				
Notes payable, net of current portion	3,928,500	9,237,456	(9,237,456)	3,928,500
Less: unamortized debt issuance costs	<u>(71,778)</u>	<u>(373,231)</u>	<u>-</u>	<u>(445,009)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>3,856,722</u>	<u>8,864,225</u>	<u>(9,237,456)</u>	<u>3,483,491</u>
<i>Total liabilities</i>	4,533,414	8,864,225	(9,237,456)	4,160,183
<b>NET ASSETS</b>	<u>10,243,995</u>	<u>(83,226)</u>	<u>-</u>	<u>10,160,769</u>
<b>TOTAL LIABILITES AND NET ASSETS</b>	<u><u>\$ 14,777,409</u></u>	<u><u>\$ 8,780,999</u></u>	<u><u>\$ (9,237,456)</u></u>	<u><u>\$ 14,320,952</u></u>

See independent auditors' report

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

**June 30, 2021**

	<u>Charter School of the Dunes, Inc.</u>	<u>CSOTD Holdings, Inc.</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 3,925,196	\$ -	\$ -	\$ 3,925,196
Grants receivable	<u>201,618</u>	<u>-</u>	<u>-</u>	<u>201,618</u>
<i>Total current assets</i>	<u>4,126,814</u>	<u>-</u>	<u>-</u>	<u>4,126,814</u>
<b>PROPERTY AND EQUIPMENT</b>				
Land	264,799	485,842	-	750,641
Building and improvements	211,155	11,095,430	-	11,306,585
Furniture and equipment	701,619	-	-	701,619
Textbooks	299,465	-	-	299,465
Less: accumulated depreciation	<u>(674,071)</u>	<u>(2,483,261)</u>	<u>-</u>	<u>(3,157,332)</u>
<i>Property and equipment, net</i>	<u>802,967</u>	<u>9,098,011</u>	<u>-</u>	<u>9,900,978</u>
<b>OTHER ASSETS</b>				
Note receivable	<u>9,237,456</u>	<u>-</u>	<u>(9,237,456)</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 14,167,237</u></u>	<u><u>\$ 9,098,011</u></u>	<u><u>\$ (9,237,456)</u></u>	<u><u>\$ 14,027,792</u></u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of notes payable	\$ 377,000	\$ -	\$ -	\$ 377,000
Accounts payable and accrued expenses	<u>439,136</u>	<u>-</u>	<u>-</u>	<u>439,136</u>
<i>Total current liabilities</i>	<u>816,136</u>	<u>-</u>	<u>-</u>	<u>816,136</u>
<b>LONG-TERM LIABILITIES</b>				
Notes payable, net of current portion	4,305,500	9,237,456	(9,237,456)	4,305,500
Less: unamortized debt issuance costs	<u>(80,222)</u>	<u>(417,141)</u>	<u>-</u>	<u>(497,363)</u>
<i>Total long-term liabilities, net of unamortized debt issuance costs</i>	<u>4,225,278</u>	<u>8,820,315</u>	<u>(9,237,456)</u>	<u>3,808,137</u>
<i>Total liabilities</i>	5,041,414	8,820,315	(9,237,456)	4,624,273
<b>NET ASSETS</b>	<u>9,125,823</u>	<u>277,696</u>	<u>-</u>	<u>9,403,519</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 14,167,237</u></u>	<u><u>\$ 9,098,011</u></u>	<u><u>\$ (9,237,456)</u></u>	<u><u>\$ 14,027,792</u></u>

See independent auditors' report

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

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

See independent auditors' report

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Year Ended June 30, 2021**

	<u>Charter School of the Dunes, Inc.</u>	<u>CSOTD Holdings, Inc.</u>	<u>Consolidated</u>
<b>REVENUE AND SUPPORT</b>			
State education support	\$ 5,435,827	\$ -	\$ 5,435,827
Grant revenue	2,321,147	-	2,321,147
Student fees	1,104	-	1,104
Interest income	679	-	679
Contributions	4,190	-	4,190
Other	22,014	-	22,014
	<u>7,784,961</u>	<u>-</u>	<u>7,784,961</u>
 <i>Total revenue and support</i>			
<b>EXPENSES</b>			
Program services	5,192,692	360,922	5,553,614
Management and general	1,399,560	-	1,399,560
	<u>6,592,252</u>	<u>360,922</u>	<u>6,953,174</u>
 <i>Total expenses</i>			
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	1,192,709	(360,922)	831,787
 <b>PAYCHECK PROTECTION PROGRAM</b>			
<b>LOAN FORGIVENESS INCOME</b>	<u>760,200</u>	<u>-</u>	<u>760,200</u>
<b>CHANGE IN NET ASSETS</b>	1,952,909	(360,922)	1,591,987
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,172,914</u>	<u>638,618</u>	<u>7,811,532</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 9,125,823</u>	<u>\$ 277,696</u>	<u>\$ 9,403,519</u>

See independent auditors' report



# Donovan CPAs

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

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

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 consolidated financial statements of Charter School of the Dunes, Inc. (the "School") and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 22, 2023.

### Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana  
February 22, 2023



# Donovan CPAs

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

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

### **Report on Compliance for Each Major Federal Program**

We have audited Charter School of the Dunes, Inc.'s (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 (CFR) 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 the 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 the School's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the 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, 2022.

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## Report on Internal Control Over Compliance

Management of the 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 the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 the 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

DONOVAN



Indianapolis, Indiana  
February 22, 2023

**CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2022**

**I. Summary of Auditors' Results**

***Financial Statements***

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

***Federal Awards***

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

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A: Grants to Local Educational Agencies

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

**II. Financial Statement Findings**

No matters were reportable.

**III. Federal Award Findings and Questioned Costs**

No matters were reportable.