Calumet College of St. Joseph Annual Charter School Report 2017-2018

Schools Authorized

- Charter School of the Dunes, Gary Indiana
- Hammond Academy of Science and Technology, Hammond, Indiana

CHARTER SCHOOL OF THE DUNES *(Authorized through 2021)*

Principal: Mr. Justin Stok

I: TEST Data ISTEP – CHARTER SCHOOL OF THE DUNES

2016-2017 ISTEP+ RESULTS

– The ISTEP+ measures student achievement in grades 3-8 in the area of English/Language Arts (ELA), math, science and social studies saw modest improvements that allowed the. Gains were seen in primary and elementary scores however challenges remain in the secondary (middle school) grades.

SUBJECT	TOTAL PASSING ISTEP	PERCENTAGE	TOTAL NOT PASSING ISTEP	PERCENTAGE
MATH	50	18%	233	82%
E/LA	92	33%	188	67%
BOTH	30	11%	250	89%

NWEA – CHARTER SCHOOL OF THE DUNES

- Northwest Evaluation Association, NWEA, tests are important because they allow teachers, parents, and students keep track of progress and growth in math and reading. The results of these tests are very helpful to teachers because it breaks down a student's strengths and weaknesses in a subject.

GRADE	EOY Testing	
	Reading	Math
2	-1%	+5%
3	+1%	+3%
4	-9%	+10%
5	-9%	+5%
6	-9%	+7%
7	+3%	-2%
8	+3%	-8%
Reading	Several students with reading difficulty- below grade level	
Math	Focus on Math instruction based on ISTEP Results. Results are Math score improvements	

II: STUDENT ENROLLMENT DATA – CHARTER SCHOOL OF THE DUNES

PART II: STUDENT ENROLLMENT DATA		2016/17
Enrollment Beginning of Year		570
Enrollment End of Year		553
Attendance Rates (overall)		92%
Suspensions		12
Expulsions		3
AVG Class Size		20
Student Mobility Rate		11%
Truancy Rate (10 +)		3%
Possessions of alcohol or weapon		0
Number of Bullying Incidents		2
Number of Graduates		N/A
Number of Students taking advanced Placement Scores of 3 – 4 – or 5		N/A

ENROLLMENT BY PROGRAM – CHARTER SCHOOL OF THE DUNES

PART III: ENROLLMENT BY PROGRAM	2016/17
High Ability	7
Free/Reduced Lunch	92%
LEP	n/a
High School Remediation (Average per semester)	N/A
Middle School Remediation (Average per semester-Math & E/LA)	27 - 8th 22 – 7th 16 – 6th
Title I program	SCHOOLWIDE
Special Education Program	28 Students
Summer School Enrollment	20 Students
School days /Hours	185/1295
Technology Accessibility	100%

PART IV: PROGRAMS – CHARTER SCHOOL OF THE DUNES

Remediation: Teachers and staff follow our Indiana Department of Education reading plan and RTI recommendations for tier II and tier III students.

- Computer accessibility
- Extended day learning
- Afterschool Tutoring

- Title I:
  - School-Wide
  - Extended Day and year
- Summer School: General education and special education students are accepted into summer school as requested by student and parents. The program runs for 4 weeks during the summer.

V: PARENT PARTICIPATION – CHARTER SCHOOL OF THE DUNES

- Parent partnership have be expanded to include the parent advisory which allows parents to have a say in the school as well as in the decision making process. School functions that include parents:

  - Parent Institute
  - Collaborative Planning
  - Teacher meetings
  - Parents as Resources
  - Academic alignment of standards across curriculum

VI: STAFFING – CHARTER SCHOOL OF THE DUNES

PART VI: STAFFING	
Position	Numbers
Teachers Regular education Special education	31 26 5
Instructional Assistants Classroom (works with all students in need) Special Education Specific	15 1 1
Highly Qualified Teachers	28
Provisional Licenses	1
Non-Instructional Staff	6
Administration	6

Restructure:

New Building Principal

Director of Finance

Assistant Principal

Director of Special Education

Director of Technology

Instructional/Literacy Coach

Teaching Staff

Support-Office Manager

Security

CHARTER SCHOOL OF THE DUNES – VII & VIII: PROFESSIONAL DEVELOPMENT AND PARTNERSHIPS

Professional Development:

- EDGed Consulting
- 8 Steps Process by Pat Davenport
- Innovative Technology in the Classroom
- School Goals and Planning

PARTNERSHIPS:

- Calumet College of St. Joseph
- City of Gary
- BMO Harris Bank
- Chase Bank
- Alliance of the Great Lakes
- Indiana University Northwest

X: SCHOOL BOARD – CHARTER SCHOOL OF THE DUNES

- Tom Cera – Board President
- Paul Orner – Board Treasurer
- Shalonda Drayton - Member
- Kimberly Boone – Member
- Member at Large

Goals and Future Planning

Goals:

- 95% Attendance
- 60% Pass rate on both ELA and Math ISTEP+
- Weekly PLC Meetings

Future Plans:

- Enrollment to 590
- Conversion of existing classrooms
- Creation of intervention rooms
- High Ability pull out for grades 3-8
- Implementation of restorative just program

HAMMOND ACADEMY OF SCIENCE AND TECHNOLOGY

(Authorized through 2023)

HAMMOND ACADEMY OF SCIENCE & TECHNOLOGY

Hammond Academy of
Science & Technology
33 Muenich Ct.
Hammond, IN 46320
(219)852-0500
(219)852-4153

Principal: Dr. Sean Egan

I: TEST Data ISTEP – HAMMOND ACADEMY OF SCIENCE & TECHNOLOGY

Hammond Academy of Science and Technology is currently school with an Accountability grade of "B". The school emphasize technology integration into all educational facets.

SUBJECT	TOTAL PASSING ISTEP+	PERCENTAGE	TOTAL NOT PASSING ISTEP+	PERCENTAGE
MATH	111	44%	140	56%
E/LA	156	62%	96	38%
BOTH	100	40%	151	60%

SUBJECT	TOTAL PASSING 10TH GRADE ISTEP	PERCENTAGE	TOTAL NOT PASSING ISTEP+	PERCENTAGE
MATH	26	34%	50	66%
E/LA	28	37%	47	63%
BOTH	23	31%	52	69%

II: STUDENT ENROLLMENT DATA – HAMMOND ACADEMY OF SCIENCE AND TECHNOLOGY

PART II: STUDENT ENROLLMENT DATA		2016/17
Enrollment Beginning of Year		556
Enrollment End of Year		550
Attendance Rates (overall)		95%
Suspensions		5
Expulsions		1
AVG Class Size		18
Student Mobility Rate		8%
Truancy Rate (10 +)		12
Possessions of alcohol or weapon		0

ENROLLMENT BY PROGRAM – HAMMOND ACADEMY OF SCIENCE AND TECHNOLOGY

PART III: ENROLLMENT BY PROGRAM	2016/17
High Ability	12
Free/Reduced Lunch	65%
LEP	38 students
High School Remediation (Average per semester)	51 Math 38 E/LA
Middle School Remediation (Average per semester-Math & E/LA)	32 - 8^{th} 21 – 7^{th} 23 – 6^{th}
Title I program	153 Targeted
Special Education Program	32 Students
Summer School Enrollment	102 Students
School days /Hours	180/1350
Technology Accessibility (1:1 Technology students and Teachers)	100%

PART IV: PROGRAMS –
HAMMOND ACADEMY OF SCIENCE & TECHNOLOGY

Remediation: Teachers and staff follow our Indiana Department of Education reading plan and RTI recommendations for tier II and tier III students.

- Technology accessibility and curriculum implemented: 1:1 Technology is integrated in to classroom lessons and learning experiences (25 Classrooms have Apple TV projection systems, 20 classrooms have SmartBoards, 4 computer carts with over 105 Macbooks and software which available includes, but is not limited to, Pages, Keynote,Numbers, iMovie, Showbie, Google Classroom, Nearpod, blendspace.com, Actively learn, IXL, Plato, and Study Island.

Title I:

- 153 total students identified and served
- 1 Title I Math teacher (all grades)
- 4 Title I teacher aides

Extended Day Session 1 (first semester)

Extended Day Session 2 (second semester)

Summer Session (16 days)

Summer School: General education and special education students are accepted into summer school as requested by student and parents.

PART V: – PARENT PARTICIPATION
HAMMOND ACADEMY OF SCIENCE & TECHNOLOGY

HAST is fortunate to have parents who are interested and involved in their children's social and academic progress. Over 90% of our parents attend Student-Led conferences at the end of the first, second, and third quarters. Large numbers of parents attend the annual Open House held within the first month of school. Parents are involved as guest speakers, chaperones, and classroom volunteers. When requested, parents avail themselves almost immediately to come to the school to meet with teachers, administrators, counselors, or the school's social worker. We have two very active teachers on our school's Board of Directors.

PART VI: – STAFFING
HAMMOND ACADEMY OF SCIENCE & TECHNOLOGY

PART VI: STAFFING		2016 - 17	
Position		Numbers	%
Teachers Regular education Special education		27 26 1	35%
Instructional Assistants Classroom (works with all students in need) Special Education Specific		10 8 2	13%
Highly Qualified Teachers		26	96%
Provisional Licenses		1	.03%
Non-Instructional Staff		6	7%
Administration		3	4%

Administrative Staff:

– School Leader: supervise all staff, instructional, financial, and operational; coordinate partnerships; supervise student academic and behavioral performance; fundraising; liaison to the school board of directors; grants; parent, student, and community relations; media and communications

– Assistant Principal: state compliance reports, curriculum, Title I

– Business Manager: budget, HR, purchasing, payroll, accounting, grant reimbursements through DOE

– Technology Coordinator: infrastructure maintenance and support, hardware and software acquisition and repair, training and professional development

– Special Education Director: supervision and provision of services to students with IEPs and 504s; student evaluations; screening and determination

– Attendance Clerk: student attendance reports, front office support

– Registrar: student registration, transcripts, enrollment, transfers and withdrawals

– Dean of Discipline: student discipline, teacher referrals, student meetings, parent meetings, detentions/suspensions/expulsion referrals

– Guidance Counselor: master schedule, high school student schedules, all state-mandated and charter-mandated standardized testing, college applications and scholarships, military recruitment coordination, job placement, academic and personal counseling for students

PART VIII: – PARTNERSHIPS
HAMMOND ACADEMY OF SCIENCE & TECHNOLOGY

PARTNERS:

- Purdue Northwest dual credit courses (Advanced Literature, Advanced Composition, Sociology, Psychology)
- Calumet College of St Joseph (Dual credit Art)
- IUN: Calculus
- IvyTech East Chicago campus: Project Lead the Way
- Purdue Northwest: multi-year, multi-school grant with Indiana Council on Higher Education to review college and career readiness of high school students
- Purdue Northwest: Engineering department fuel-cell car prototype development with 7th grade science classes
- BP Amoco: greenhouse and landscaping initiatives
- Hammond Economic Development HUB center for innovation: high school senior student internships focusing on small business development, especially in areas of STEM fields
- St Margaret's Hospital: high school senior student internships in related medical fields and divisions within the hospital
- City of Hammond/Mayor's Office: high school senior student internships with focus on urban planning and government
- City of Hammond/College Bound: high school graduates working service hours through classroom tutoring, marketing, and media at HAST
- Caring Corner: JUMP mentor program for students at risk grades 7 and 8
- City of Hammond/Mayor's Office: voter registration and early voting for eligible students
- Indiana Court of Appeals: live, closed-door trial hearing at HAST open to high school students
- South Shore Center for the Arts: in-school and after-school arts programs; in-school program for all 6th grade students; after-school program for multi-grade level students
- Network for Quality Education: networking with charter schools statewide, participation at National School Choice rally at State Capitol
- Hammond Public Library: reading programs at their Sibley Street facility; student library card registration at HAST
- Walgreen's: annual flu vaccination clinic at HAST, open to the public
- American Red Cross: student-organized blood drive at HAST, open to the public
- Dunes Learning Center: annual 6th grade overnight field trip with focus on environmental issues facing the ecosystems of the Indiana Dunes National Lakeshore
- CPPS Ministry of Reconciliation: visits to HAST for consulting on implementation of hands-on, project-based learning with at-risk high school population in the Englewood community of Chicago
- Class sponsors at HAST: fundraisers throughout the year for each grade level
- Hammond Optimist Club: annual oratory competition
- Hammond Rotary Club: student honors luncheon for graduating seniors

PART X: – SCHOOL BOARD
HAMMOND ACADEMY OF SCIENCE & TECHNOLOGY

- Kris Sakelaris (Hammond Legal Aid), President
- Heather Garay (Human Rights Commission)
- Owana Miller (Hammond Economic Development), Secretary
- Dave Ryan (Lakeshore Chamber of Commerce)
- Mario Rubio – (First Midwest Bank)
- Howard Cohen (Purdue Northwest)
- Janet Venecz (Hammond City Council)
- Heather Garay (Comptroller, City of Hammond)
- Mark McLaughlin (Chief of Staff, City of Hammond)
- Anne Herbert (At-large)
- Gustavo Lopez (HAST parent)
- Marty Wieglos (HAST parent)
- Mira Projovic (Teacher)

Goals and Planning

Goals:

- Align a writing program in ELA courses for grades 6-12
- Improve Middle School test performance on state assessments
- Dual credit with multiple post secondary institutions
- Improve Math performance for high school participants
- Align high schools student learning plans with state approved graduation pathways.

Planning:

- Exploration of expansion to a second campus
  - Focus groups and conversations have begun with no definite plans

CALUMET COLLEGE OF ST. JOSEPH ADMINISTRATIVE FEES RECEIVED

Fees spent for monitoring personnel and allowable re-investment into the charter schools:

ADMINISTRATIVE FEES 2015/2016	RECEIVED	EXPENDED
Hammond Academy of Science and Technology and Charter School of the Dunes	185,617.33	
Training support & Overhead		21,165
Charter Office Staff (Monitoring Visits)		102,695
Travel to sites		4,500
School Support		40,050
Training Materials		7,100

CALUMET COLLGE OF ST. JOSEPH APPLICATIONS/RENEWALS/REVOCATIONS

-New applications for 2016/2017 – None

-Renewals (Decisions announced 1/25/2018):

-Charter School of the Dunes (Renewed for three years)

-Hammond Academy of Science and Technology (Renewed 5 years)

Revocations for 2017/2018 - None

Rationale for Renewal

Charter School of the Dunes

- New Leadership Team
- Improvement strategy for performance
- Board support and commitment
- Increased enrollment
- Budgetary compliance

Hammond Academy of Science and Technology

- Consistent performance
- Growth in all areas of compliance
- Commitment to performance improvement
- Community support and assistance.

CALUMET COLLEGE OF ST. JOSEPH - MONITORING

Charter School Office:

Dr. Dawn Greene – Charter Schools Director

Mark Sperling – Support

Ms. Elaine Hayes – Monitor

Charter Board:

Dr. Ginger Rodriguez – Vice President of Academic Affairs

Mr. Gene Kessler

Ms. Lynn Miskus

Ms. Angela Sanchez

Dr. Dawn Greene

MONITORING

- Monthly review of:
  - Operations, Finance, Academic Performance
  - Professional Development
    - *Offered annually*
    - *Mid-year and annual evaluation*
    - *Teacher and Administrative support*
    - *Feedback and Updates to policy/reporting*
    - *Board Support*

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2017 and 2016

Donovan CPAs

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Donovan CPAs

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Charter School of the Dunes, Inc. and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Charter School of the Dunes, Inc. and Affiliate as of June 30, 2017 and 2016 and the consolidated activities and change in 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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), and is not a required part of the consolidated financial statements. Additionally, the accompanying consolidating schedules of financial position and activities and change in net assets on pages 14 through 17 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, and consolidating schedules of financial position and activities and change in net assets are 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 December 7, 2017 on our consideration of Charter School of the Dunes, Inc.'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 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 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 Charter School of the Dunes, Inc.'s internal control over financial reporting and compliance.

DONOVAN

Donovan

Indianapolis, Indiana
December 7, 2017

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	$ 456,710	$ 547,493
Cash - lender restricted	99,572	99,572
Grants receivable	63,115	93,049
Interest income receivable	53,885	53,885
Prepaid expenses	9,609	11,092
Total current assets	682,891	805,091
PROPERTY AND EQUIPMENT		
Land	485,842	485,842
Buildings and improvements	11,229,279	11,199,279
Furniture and equipment	554,934	554,934
Textbooks	293,201	244,939
Less: accumulated depreciation	(1,817,424)	(1,397,791)
Property and equipment, net	10,745,832	11,087,203
OTHER ASSETS		
Cash - lender restricted	175,888	270,360
Note receivable	9,237,456	9,237,456
Total other assets	9,413,344	9,507,816
TOTAL ASSETS	$ 20,842,067	$ 21,400,110
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 640,415	$ 631,198
Accounts payable and accrued expenses	516,411	542,133
Total current liabilities	1,156,826	1,173,331
LONG-TERM LIABILITIES		
Notes payable, net of current portion	19,125,835	19,764,108
Less: unamortized debt issuance costs	(646,363)	(668,509)
Total long-term liabilities, net of unamortized debt issuance costs	18,479,472	19,095,599
Total liabilities	19,636,298	20,268,930
NET ASSETS, UNRESTRICTED	1,205,769	1,131,180
TOTAL LIABILITIES AND NET ASSETS	$ 20,842,067	$ 21,400,110

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, 2017 and 2016

	2017	2016
REVENUE AND SUPPORT		
State education support	$ 3,431,545	$ 3,439,323
Grant revenue	1,471,271	1,349,264
Student fees	34,867	16,382
Interest income	93,242	93,335
Contributions	1,738	8,331
Fundraising income	170	9,590
Other income	18,491	21,772
Total revenue and support	5,051,324	4,937,997
EXPENSES		
Program services	4,033,324	3,830,507
Management and general	943,411	1,018,352
Total expenses	4,976,735	4,848,859
CHANGE IN NET ASSETS	74,589	89,138
NET ASSETS, BEGINNING OF YEAR	1,131,180	1,042,042
NET ASSETS, END OF YEAR	$ 1,205,769	$ 1,131,180

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, 2017 and 2016

	2017			2016		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 2,028,922	$ 390,925	$ 2,419,847	$ 1,849,655	$ 456,003	$ 2,305,658
Employee benefits	525,883	90,071	615,954	474,943	112,090	587,033
Staff development and recruitment	23,669	640	24,309	42,288	1,646	43,934
Authorizer oversight fees	-	71,547	71,547	-	72,409	72,409
Food service	279,811	-	279,811	237,317	-	237,317
Transportation service	163,489	-	163,489	192,785	-	192,785
Other professional services	106,246	234,877	341,123	113,322	224,269	337,591
Classroom, kitchen, and office supplies	55,875	10,503	66,378	70,750	14,683	85,433
Occupancy	228,810	-	228,810	194,548	-	194,548
Depreciation	419,633	-	419,633	452,762	-	452,762
Interest	198,640	-	198,640	198,967	-	198,967
Insurance	-	37,973	37,973	-	31,976	31,976
Asset management fees	-	86,946	86,946	-	87,211	87,211
Other	2,346	19,929	22,275	3,170	18,065	21,235
Total functional expenses	$ 4,033,324	$ 943,411	$ 4,976,735	$ 3,830,507	$ 1,018,352	$ 4,848,859

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, 2017 and 2016

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	$ 74,589	$ 89,138
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Restricted cash expended for operations	94,472	103,891
Depreciation	419,633	452,762
Amortization of debt issuance costs	22,146	22,146
Changes in certain assets and liabilities:		
Grants receivable	29,934	93,527
Prepaid expenses	1,483	(7,005)
Accounts payable and accrued expenses	(25,722)	(203,143)
Net cash provided by operating activities	616,535	551,316
INVESTING ACTIVITIES		
Purchases of property and equipment	(78,262)	(294,636)
FINANCING ACTIVITIES		
Proceeds from note payable	-	450,000
Principal repayment of notes payable	(629,056)	(526,973)
Net cash used in financing activities	(629,056)	(76,973)
NET CHANGE IN CASH	(90,783)	179,707
CASH, BEGINNING OF YEAR	547,493	367,786
CASH, END OF YEAR	$ 456,710	$ 547,493

SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 178,750	$ 158,916

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 that operates a public charter school established under Indiana Code 20-24. Charter School of the Dunes, Inc. maintains control over CSOTD Holdings, Inc., a public benefit not-for-profit organization established in April 2012 and organized for the purpose of construction of 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.

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.

Grants Receivable – Grants receivable relate 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.

Debt Issuance Costs – The School incurred costs associated with securing financing under the loan agreements with BMO Harris Bank and NNMF SUB-CDE XVII, LLC. Total costs incurred were $124,500 and $600,804, respectively. Amortization is provided on a straight-line basis over the term of the agreements (25 and 35 years, respectively). Accumulated amortization as of June 30, 2017 and 2016 was $78,941 and $56,795, respectively. Amortization expense for both years ended June 30, 2017 and 2016 was $22,146 and is included in interest expense. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs is presented as a direct deduction from the carrying amount of the related debt liability.

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

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment, Continued – 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 that 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, 2017 and 2016 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 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 tax years ending after 2013 are open to audit for both federal and state purposes.

In 2014, the School received a penalty assessment from the Internal Revenue Service in the amount of $50,000 relating to the late filing of Form 990, Return of Organization Exempt from Income Tax, for the year ended June 30, 2012 for which it filed an appeal requesting the penalty be waived. No liability for this assessment has been included in the accompanying consolidated financial statements and no correspondence has been received from the Internal Revenue Service since the appeal was filed.

Subsequent Events – The School evaluated subsequent events through December 7, 2017, 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

Restricted cash represents loan proceeds received by CSOTD Holdings, Inc. that are restricted by the lender for payment of financing related costs. Restricted cash was comprised of the following account balances as of June 30:

	2017	2016
Asset management fees	$ 275,359	$ 369,831
Stabilization asset management fee	101	101
	$ 275,460	$ 369,932

NOTE 3 - NOTE RECEIVABLE

The note receivable is due from Chase NMTC CSOTD Investment Fund, LLC, an entity created to facilitate the funding and construction of the School's facility. The note carries an interest rate of 1% per annum and is secured by all assets of Chase NMTC CSOTD Investment Fund, LLC, consisting primarily of its interest in NNMF SUB-CDE XLII, LLC. Interest only is payable on the note until December 1, 2019, at which time it converts to an amortizing loan payable in equal installments of principal and interest through December 1, 2042.

The School borrowed funds from BMO Harris Bank, which when combined with its own resources were loaned to Chase NMTC CSOTD Investment Fund, LLC. Chase NMTC CSOTD Investment Fund, LLC was able to secure an additional equity investment in order to complete the funding required for the project. Chase NMTC CSOTD Investment Fund, LLC, in turn, loaned the amount necessary for construction of the facility to CSOTD Holdings, Inc. through an affiliated entity (NNMF SUB-CDE XVII, LLC). See Note 4 for information regarding these debt obligations.

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	2017	2016
Note payable to BMO Harris Bank	$ 6,480,913	$ 7,063,913
Note payable to NNMF SUB-CDE XVII, LLC	9,237,456	9,237,456
Note payable to NNMF SUB-CDE XVII, LLC	3,567,544	3,567,544
Note payable to Food Service Professionals, Inc.	52,837	76,393
Note payable to the Indiana Common School Fund	427,500	450,000
	19,766,250	20,395,306
Less: current portion	(640,415)	(631,198)
Long-term portion	$ 19,125,835	$ 19,764,108

The note payable to BMO Harris Bank required interest payments only until January 2014, when it converted to an amortizing loan with a term of 25 years. The loan 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 loan is secured by a blanket lien on all School business assets, including a collateral assignment of the School's loan to Chase NMTC CSOTD Investment Fund, LLC. The loan agreement contains certain covenants that limit the School's ability to create liens, incur debt, and change management. The loan agreement also contains covenants requiring the maintenance of required reserves, and establishes a minimum debt service coverage ratio (1.20/1) and minimum levels of student enrollment. The School was not in compliance with covenants for the 2017 fiscal year relating to debt service coverage ratio or minimum levels of student enrollment. Management has requested and anticipates receiving a waiver on both covenant violations.

The notes payable to NNMF SUB-CDE XVII, LLC relate to borrowings by CSOTD Holdings, Inc. to finance the construction of the school facility. The loans each provide for interest only at .9% per annum to be paid until December 1, 2019, when they convert to amortizing loans with a term of 27 years. The loans are secured by all business assets.

NOTE 4 - NOTES PAYABLE, Continued

The note payable to Food Service Professionals, Inc. is non-interest bearing and is payable in monthly installments of $2,142 through December 2019. The note is collateralized by specific items of equipment.

The note payable to Indiana Common School Fund requires semi-annual payments of principal and interest from January 2017 to July 2026, with interest at 1% per annum.

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

2018	$	640,415
2019		647,422
2020		614,000
2021		377,000
2022		377,000
Thereafter		17,110,413
	$	19,766,250

NOTE 5 - LEASES

The School leases office equipment under an operating lease which expires in September 2018. Total lease expense under operating leases for the years ended June 30, 2017 and 2016 was $18,778 and $27,507, respectively. A schedule of minimum lease obligations is as follows for the years ending June 30:

2018	$	16,164
2019		4,041

NOTE 6 - COMMITMENTS

The School operates under a charter granted by Calumet College of Saint Joseph. 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 $71,547 and $72,409 for the years ended June 30, 2017 and 2016, respectively.

As part of the financing of the school facilities, the School has agreed to pay NNMF SUB-CDE XVII, LLC an asset management fee in the amount of $78,571 per year for as long as the construction project loans remain outstanding. In addition, the School is responsible for certain tax and accounting fees incurred by NNMF SUB-CDE XVII, LLC. Expense for the years ended June 30, 2017 and 2016 relating to these fees was $86,946 and $87,211, respectively.

NOTE 7 - 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 7.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF. 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, 2016 (the latest year reported), both TRF and PERF were more than 80% funded.

Retirement plan expense was $201,314 and $217,416 for the years ended June 30, 2017 and 2016, respectively.

NOTE 8 - RISKS AND UNCERTAINTIES

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2017 and 2016, substantially all of the accounts 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.

NOTE 9 - FUNCTIONAL EXPENSE REPORTING

The costs of providing educational activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain expenses have been allocated between program and management services.

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		$ 73,464
National School Lunch Program	10.555		207,506
Total for cluster			280,970
U.S. DEPARTMENT OF EDUCATION			
Pass-through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	16-9310/17-9310	723,061
Special Education Cluster			
Special Education - Grants to States	84.027	14217-575-PN01	92,417
Improving Teacher Quality State Grants	84.367	16-9310/17-9310	100,615
Total for federal grantor agency			916,093
Total federal awards expended			$ 1,197,063

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, 2017

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, 2017. 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, changes in net assets 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.

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2017

	Charter School of the Dunes, Inc.	CSOTD Holdings, Inc.	Consolidating Entries	Consolidated
	ASSETS			
CURRENT ASSETS				
Cash	$ 456,710	$ -	$ -	$ 456,710
Cash - lender restricted	-	99,572	-	99,572
Grants receivable	63,115	-	-	63,115
Due from affiliate	-	64,893	(64,893)	-
Interest income receivable	53,885	-	-	53,885
Prepaid expenses	9,609	-	-	9,609
Total current assets	583,319	164,465	(64,893)	682,891
PROPERTY AND EQUIPMENT				
Land	-	485,842	-	485,842
Building and improvements	133,849	11,095,430	-	11,229,279
Furniture and equipment	554,934	-	-	554,934
Textbooks	293,201	-	-	293,201
Less: accumulated depreciation	(602,211)	(1,215,213)	-	(1,817,424)
Property and equipment, net	379,773	10,366,059	-	10,745,832
OTHER ASSETS				
Cash - lender restricted	-	175,888	-	175,888
Note receivable	9,237,456	-	-	9,237,456
Total other assets	9,237,456	175,888	-	9,413,344
	$ 10,200,548	$ 10,706,412	$ (64,893)	$ 20,842,067
	LIABILITIES AND NET ASSETS (DEFICIENCY)			
CURRENT LIABILITIES				
Current portion of notes payable	$ 640,415	$ -	$ -	$ 640,415
Accounts payable and accrued expenses	428,261	88,150	-	516,411
Due to affiliate	64,893	-	(64,893)	-
Total current liabilities	1,133,569	88,150	(64,893)	1,156,826
LONG-TERM LIABILITIES				
Notes payable, net of current portion	6,320,835	12,805,000	-	19,125,835
Less: unamortized debt issuance costs	(107,070)	(539,293)	-	(646,363)
Total long-term liabilities, net of unamortized debt issuance costs	6,213,765	12,265,707	-	18,479,472
Total liabilities	7,347,334	12,353,857	(64,893)	19,636,298
NET ASSETS (DEFICIENCY)	2,853,214	(1,647,445)	-	1,205,769
	$ 10,200,548	$ 10,706,412	$ (64,893)	$ 20,842,067

See independent auditors' report

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2016

	Charter School of the Dunes, Inc.	CSOTD Holdings, Inc.	Consolidating Entries	Consolidated
ASSETS				
CURRENT ASSETS				
Cash	$ 547,493	$ -	$ -	$ 547,493
Cash - lender restricted	-	99,572	-	99,572
Grants receivable	93,049	-	-	93,049
Due from affiliate	-	61,385	(61,385)	-
Interest income receivable	53,885	-	-	53,885
Prepaid expenses	11,092	-	-	11,092
Total current assets	705,519	160,957	(61,385)	805,091
PROPERTY AND EQUIPMENT				
Land	-	485,842	-	485,842
Building and improvements	103,849	11,095,430	-	11,199,279
Furniture and equipment	554,934	-	-	554,934
Textbooks	244,939	-	-	244,939
Less: accumulated depreciation	(499,590)	(898,201)	-	(1,397,791)
Property and equipment, net	404,132	10,683,071	-	11,087,203
OTHER ASSETS				
Cash - lender restricted	-	270,360	-	270,360
Note receivable	9,237,456	-	-	9,237,456
Total other assets	9,237,456	270,360	-	9,507,816
	$ 10,347,107	$ 11,114,388	$ (61,385)	$ 21,400,110
LIABILITIES AND NET ASSETS (DEFICIENCY)				
CURRENT LIABILITIES				
Current portion of long-term debt	$ 631,198	$ -	$ -	$ 631,198
Accounts payable and accrued expenses	455,264	86,869	-	542,133
Due to affiliate	61,385	-	(61,385)	-
Total current liabilities	1,147,847	86,869	(61,385)	1,173,331
LONG-TERM LIABILITIES				
Notes payable, net of current portion	6,959,108	12,805,000	-	19,764,108
Less: unamortized debt issuance costs	(112,050)	(556,459)	-	(668,509)
Total long-term liabilities, net of unamortized debt issuance costs	6,847,058	12,248,541	-	19,095,599
Total liabilities	7,994,905	12,335,410	(61,385)	20,268,930
NET ASSETS (DEFICIENCY)	2,352,202	(1,221,022)	-	1,131,180
	$ 10,347,107	$ 11,114,388	$ (61,385)	$ 21,400,110

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, 2017

	Charter School of the Dunes, Inc.	CSOTD Holdings, Inc.	Consolidating Entries	Consolidated
REVENUE AND SUPPORT				
State education support	$ 3,431,545	$ -	$ -	$ 3,431,545
Grant revenue	1,471,271	-	-	1,471,271
Student fees	34,867	-	-	34,867
Interest income	92,769	473	-	93,242
Contributions	1,738	-	-	1,738
Fundraising	170	-	-	170
Rental income	-	125,000	(125,000)	-
Other	18,491	-	-	18,491
Total revenue and support	5,050,851	125,473	(125,000)	5,051,324
EXPENSES				
Program services	3,707,620	450,704	(125,000)	4,033,324
Management and general	842,219	101,192	-	943,411
Total expenses	4,549,839	551,896	(125,000)	4,976,735
CHANGE IN NET ASSETS	501,012	(426,423)	-	74,589
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	2,352,202	(1,221,022)	-	1,131,180
NET ASSETS (DEFICIENCY), END OF YEAR	$ 2,853,214	$ (1,647,445)	$ -	$ 1,205,769

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2016

	Charter School of the Dunes, Inc.	CSOTD Holdings, Inc.	Consolidating Entries	Consolidated
REVENUE AND SUPPORT				
State education support	$ 3,439,323	$ -	$ -	$ 3,439,323
Grant revenue	1,349,264	-	-	1,349,264
Student fees	16,382	-	-	16,382
Interest income	92,716	619	-	93,335
Contributions	8,331	-	-	8,331
Fundraising	9,590	-	-	9,590
Rental income	-	125,000	(125,000)	-
Other	21,772	-	-	21,772
Total revenue and support	4,937,378	125,619	(125,000)	4,937,997
EXPENSES				
Program services	3,506,084	449,423	(125,000)	3,830,507
Management and general	901,762	116,590	-	1,018,352
Total expenses	4,407,846	566,013	(125,000)	4,848,859
CHANGE IN NET ASSETS	529,532	(440,394)	-	89,138
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	1,822,670	(780,628)	-	1,042,042
NET ASSETS (DEFICIENCY), END OF YEAR	$ 2,352,202	$ (1,221,022)	$ -	$ 1,131,180

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, 2017, 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 December 7, 2017.

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.

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

Donovan

Indianapolis, Indiana
December 7, 2017

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, 2017. 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, Charter School of the Dunes, Inc. 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, 2017.

Report on Internal Control over Compliance

Management of Charter School of the Dunes, Inc. 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

Donovan

Indianapolis, Indiana
December 7, 2017

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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 programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A Cluster 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?	No

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.

CHARTER SCHOOL OF THE DUNES, INC. AND AFFILIATE
OTHER REPORT
For the Year Ended June 30, 2017

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

Supplemental Audit Report of Charter School of the Dunes, Inc.

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*.

The Hammond Urban Academy, Inc.

Report to the Board of Directors
October 26, 2017

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October 26, 2017

Board of Directors
The Hammond Urban Academy, Inc.
33 Muenich Court
Hammond, IN 46320

Attention: Dr. Sean Egan

We are pleased to present this report related to our audit of the financial statements of The Hammond Urban Academy, Inc. (the School) as of and for the year ended June 30, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for The Hammond Urban Academy, Inc.'s financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to The Hammond Urban Academy, Inc.

RSM US LLP

Contents

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated September 16, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. **Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the School. The School did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Audit Adjustments	Audit adjustments proposed by us and recorded by the School are shown in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Area	Comments
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit
Letter Communicating Material Weaknesses in Internal Control Over Financial Reporting	We have separately communicated the material weaknesses in internal control over financial reporting identified during our audit of the financial statements, and this communication is attached as Exhibit A.
Significant Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and the management of the School, including the representation letter provided to us by management, are attached as Exhibit B.

Summary of Recorded Audit Adjustments

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Revenue	Expenses
To adjust accumulated depreciation	$ 221,424	$ -	$ 221,424	$ -	$ (221,424)
To record prior year adjustment to accumulated depreciation	217,576	-	217,576	-	-
To record restricted revenue	-	-	9,527	-	-
To record restricted revenue	-	-	(9,527)	-	-
To adjust accounts receivable	(8,216)	-	(8,216)	(8,216)	-
To adjust deferred bond issuance costs capitalized	(201,806)	-	(201,806)	-	201,806
To adjust accrued interest expense	-	21,701	(21,701)	-	21,701
Total change in net assets effect				$ (8,216)	$ 2,083
Total financial position effect	$ 228,978	$ 21,701	$ 207,277		

Summary of Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position, results of operations, cash flows and related financial statement disclosures. Following is a summary of those differences.

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Revenue	Expenses
Reversed opening net asset misstatements	$ -	$ -	$ 12,408	$ (9,300)	$ 21,708
Current year misstatements					
None	-	-	-	-	-
	$ -	$ -	$ 12,408	$ (9,300)	$ 21,708

Exhibit A—Letter Communicating Material Weaknesses in Internal Control Over Financial Reporting

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October 26, 2017

To Management and the Board of Directors
Hammond Urban Academy, Inc.
Hammond, Indiana

In planning and performing our audit of the financial statements of Hammond Urban Academy, Inc. (the School) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Therefore, material weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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. We consider the following deficiencies in the School's internal control to be a material weakness:

Preparation of Financial Statements in accordance with GAAP
During the course of our audit, we identified several adjustments to the trial balance originally presented to us by management that individually and in aggregate represented a material effect on the financial statements. These adjustments related to several accounts including accounts receivable, deferred financing costs, accrued interest, revenue, and interest expense and had a result of lowering the change in net assets by approximately $232,000. Since the adjustments related to several different accounts and were not isolated to a single transaction, we believe the underlying deficiencies could be pervasive to the entire financial statements and thus rises to the level of a material weakness.

We concluded that these adjustments resulted from the lack of oversight by management and/or knowledge of properly accounting for certain transactions. We suggest that management design proper controls to ensure that the trial balance is reviewed in detail periodically, at a minimum annually, to ensure all accounts are reconciled and accurate to their knowledge. In addition, if there are areas where management is not aware of the proper treatment for accounting for a transaction, we recommend that management perform appropriate research into the proper accounting treatment, which can include consulting with their external auditor.

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and the State Board of Accounts, and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

Exhibit B—Significant Written Communications Between Management and Our Firm

October 26, 2017

RSM US LLP
P.O. Box 99
Elkhart, IN 46515-00999

This representation letter is provided in connection with your audits of the financial statements of Hammond Urban Academy, Inc. (the School), which comprise the statements of financial position as of June 30, 2016 and 2015, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated September 16, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for 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.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. There are no events subsequent to the date of the financial statements for which U.S. GAAP requires adjustment or disclosure.

7. There are no known actual or possible litigation or claims to be accounted for and/or disclosed in accordance with U.S. GAAP.

8. We have informed you of all uncorrected misstatements.

   As of and for the year ended June 30, 2016, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Revenue	Expenses
Reversed opening net asset misstatements	$ -	$ -	$ 12,408	$ (9,300)	$ 21,708
Current year misstatements					
None	-	-	-	-	-
	$ -	$ -	$ 12,408	$ (9,300)	$ 21,708

Information Provided

9. We have provided you with:

   a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

   b. Additional information that you have requested from us for the purpose of the audits;

   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and

   d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

10. All transactions have been recorded in the accounting records and are reflected in the financial statements.

11. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

12. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

13. We have no knowledge of any allegations of fraud or suspected fraud affecting the School's financial statements received in communications from employees, former employees, regulators or others.

14. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements. Additionally, we specifically represent that we are responsible for determining that we are not subject

to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

15. We are not aware of any pending or threatened litigation and claims whose effects were considered when preparing the financial statements, and we have not consulted legal counsel concerning litigation or claims.

16. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

17. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the School's ability to record, process, summarize and report financial data.

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

20. With respect to supplementary information presented in relation to the financial statements as a whole:

    a. We acknowledge our responsibility for the presentation of such information.

    b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

    d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

Hammond Urban Academy, Inc.

Egan

Dr. Sean Egan,
School Leader

Dennis N Small Jr.

Dennis Small,
Business Manager

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October 26, 2017

To Management and the Board of Directors
The Hammond Urban Academy, Inc.
Hammond, Indiana

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of The Hammond Urban Academy, Inc. (the School) as of and for the year ended June 30, 2016. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the School's practices and procedures.

Student Receivables

We found that the School does not record student receivables during the school year. The School records tuition revenue when cash is received from the student. We recommend the School record tuition revenue when earned during the year and monthly reconcile balances due from students as receivable and record any bad debt expense to properly reflect the School's financial position and activity during the year.

Following are descriptions of other identified items that we consider to be management advice related to areas of noncompliance with the Indiana State Board of Accounts Charter School Manual:

Uncollectible Accounts

We found that the School collects fees from students for multiple items and fees. The school pursues delinquent accounts for collection but does not have a formal policy established to address uncollectible accounts. According to Part 10 of the manual, Prescribed Forms, Taxes, and General Information, the School must have a written policy concerning a procedure for the writing off of bad debt, uncollectible accounts receivable, or any adjustments to recorded balances. We recommend adopting a formal, written policy and placing it into practice.

ADM Reporting

We noted that the Average Daily Membership (ADM) is to be certified by the building level administrator. According to Part 9 of the manual, General Information and Statutory Citations, written certification of ADM must include at a minimum a statement detailing the names and location of the records used to substantiate the ADM claimed. Records to substantiate the ADM claim were provided but a statement detailing the name and location of the records had not been created. We recommend including the detail of the names and location of the records with School's ADM certification in a documented accessible location.

Travel Expenses

We noted that the School's travel policy states that on-the-job travel mileage will be reimbursed at the same rate as the rate set by the Internal Revenue Service. According to Part 8 of the manual, Internal Controls, the charter school must establish a reasonable mileage reimbursement rate in their travel policy. During testing, the identified rate used by the school for travel reimbursements was .50 per mile. This does not agree to the rate set by the Internal Revenue Service during the 2015-2016 fiscal year. We recommend updating the reimbursement rate for travel expenses to match the rate set by the Internal Revenue Service as to comply with the School's travel policy.

Review Prepaid Accounts - School Lunch
We noted that the School reconciles prepaid lunch on an annual basis. According to Part 17 of the manual, School Lunch, Subsidiary records by student must be routinely reconciled to the cash balance, and at month end. We recommend establishing procedures to reconcile the prepaid lunch account on a monthly basis.

Free and Reduced Lunch Applications
We noted that the School could not provide the applications of families who applied for free and reduced lunch for the 2015-16 school year. Therefore we were unable to perform the test over student status in the free and reduced lunch program. We recommend that the School maintain applications in a safe place to ensure substantiation is available to private examiners charged with conducting required audit procedures.

Review Ticket Sale Procedures
We noted that the School has multiple extra-curricular events and pre-numbered tickets are used. According to Part 8 of the manual, the School designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. The designee must see that proper accounting is made for the cash received from those sold. All tickets shall be pre-numbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the charter school, the charter school's receipt issued therefore must show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. We recommend client begins tracking ticket sales based on the requirements of the manual noted above.

This letter is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving the Hammond Urban Academy, Inc. and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

RSM US LLP

The Hammond Urban Academy, Inc.

Financial Report
6.30.16

Contents

RSM

RSM US LLP

Independent Auditor's Report

To the Board of Directors
The Hammond Urban Academy, Inc.
Hammond, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Hammond Urban Academy, Inc. which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, 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.

Auditor's 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. 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 auditor's 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.

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

To the Board of Directors
The Hammond Urban Academy, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hammond Urban Academy, Inc. as of June 30, 2016 and 2015, 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 Matter—Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of The Hammond Urban Academy, Inc. 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 supplementary information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Elkhart, Indiana
October 26, 2017

The Hammond Urban Academy, Inc.

Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash	$ 871,238	$ 738,787
Grants receivable	23,865	11,439
Prepaid expenses	65,983	61,165
Total current assets	961,086	811,391
Property and Equipment,		
Land	5,671,123	5,671,123
Building and improvements	13,337,095	13,337,095
Furniture and equipment	1,866,336	1,655,233
Textbooks	127,845	125,832
	21,002,399	20,789,283
Accumulated depreciation	4,306,965	3,665,692
	16,695,434	17,123,591
Cash Restricted for Debt Service	915,000	1,148,500
Deferred Loan Costs, net	302,682	201,806
	$ 18,874,202	$ 19,285,288
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 19,620	$ 12,981
Accrued salaries and related benefits	184,540	187,441
Accrued interest	188,356	384,718
Current portion of long-term debt	316,349	305,000
Total current liabilities	708,865	890,140
Long-Term Debt	12,285,630	12,425,000
Net Assets		
Unrestricted	5,870,180	5,970,148
Temporarily restricted for teachers	9,527	-
Total net assets	5,879,707	5,970,148
	$ 18,874,202	$ 19,285,288

See notes to financial statements.

The Hammond Urban Academy, Inc.

Statements Of Activities
Years Ended June 30, 2016 and 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and Support:		
State education support	**$ 3,366,168**	$ 3,429,733
Grant revenue	**656,015**	331,320
Student fees	**231,151**	246,439
Unrestricted contributions	**675,378**	453,001
Other	**64,427**	98,889
Total unrestricted revenues	**4,993,139**	4,559,382
Expenses:		
Program services	**4,331,955**	4,054,859
Management and general	**761,152**	648,534
Total expenses	**5,093,107**	4,703,393
Change in unrestricted net assets	**(99,968)**	(144,011)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Restricted contributions for teachers	**9,527**	-
Change in temporarily restricted net assets	**9,527**	-
Change in net assets	**(90,441)**	(144,011)
Net assets, beginning of year	**5,970,148**	6,114,159
Net assets, end of year	**$ 5,879,707**	$ 5,970,148

See notes to financial statements.

The Hammond Urban Academy, Inc.

Statements Of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Change in net assets	$ (90,441)	$ (144,011)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	860,897	749,077
Change in current assets and liabilities:		
(Increase) decrease in:		
Receivables	(12,426)	39,278
Other current assets	(4,818)	(11,805)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,639	(83,752)
Other current liabilities	(199,263)	(30,576)
Net cash provided by operating activities	560,588	518,211
Cash Flows From Investing Activities		
Acquisition of property and equipment	(213,116)	(116,921)
Release of cash restricted for debt service	233,500	-
Net cash provided by (used in) investing activities	20,384	(116,921)
Cash Flows From Financing Activities		
Principal payments on long-term debt	(12,730,000)	(290,000)
Payment of deferred loan costs	(320,500)	-
Proceeds from long-term borrowings	12,601,979	-
Net cash used in financing activities	(448,521)	(290,000)
Increase in cash	132,451	111,290
Cash, beginning	738,787	627,497
Cash, ending	$ 871,238	$ 738,787
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 913,711	$ 853,563

See notes to financial statements.

Note 1. Nature of School and Significant Accounting Policies

Nature of school: The Hammond Urban Academy, Inc. (the "School") is a public benefit not-for-profit school incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Calumet College of St. Joseph. The School is dedicated to providing the highest quality level of education to students in grades six to twelve by implementing state of the art technology and research-based instruction in an environment conducive to learning.

Significant accounting policies:

Basis of accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: The School has cash on deposit in a financial institution, which, at times, may exceed the limits of coverage provided by the Federal Deposit Insurance Corporation.

For purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Grants 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.

Deferred loan costs: Costs associated with debt issuance are amortized over the life of the related debt obligation using the straight-line method. Amortization of deferred loan costs is included in interest expense and amounted to approximately $219,600 and $10,100 for the years ended June 30, 2016 and 2015 respectively. Amortization expense includes approximately $201,800 related to debt that was extinguished during the year ended June 30, 2016.

Property and equipment: Property and equipment are stated at cost or, if donated to the School, at fair value on the date of acquisition. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited to or charged against income for the period.

Depreciation is computed using the straight-line and accelerated methods for property and equipment over the following estimated useful lives:

	Years
Buildings and improvements	30 to 40
Furniture and equipment	3 to 5
Textbooks	5

The School has a capitalization policy that states all property and equipment in excess of $1,000 are to be capitalized and depreciated.

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

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognized revenue under these grants in the amount of costs and expenses at the time they are incurred.

Contributions: Contributions are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. The School had no permanently restricted net assets as of June 30, 2016 and 2015.

Functional allocation of expenses: Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. The School had no significant fundraising expenses for the years ended June 30, 2016 and 2015.

Income taxes: The School is incorporated as a not-for-profit under the laws of the State of Indiana and is exempt from federal and state income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except for taxes pertaining to unrelated business income, if any, and is not considered a private foundation. Contributions by the public are deductible for income tax purposes.

The School follows the accounting guidance for uncertainty in income taxes. The standard clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. The guidance also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management believes the School has no material uncertainties in income taxes.

The School files Form 990 in the U.S. federal jurisdiction and the related form in the state of Indiana. With few exceptions, the School is no longer subject to examination for years before 2013.

Recent accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is permitted. The updated standard will now be effective for annual periods beginning after December 15, 2018. The School has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs*. The amendment in this update require that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendment in this Update. The amendment is effective for fiscal years beginning after December 15, 2015. The School is currently evaluating the effect of the pending adoption of the new standard on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases—(Topic 842)*, which supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the School's June 30, 2021 financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The School is currently evaluating the effect of the pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for the School in the fiscal year ending June 30, 2019, early adoption is allowed. The School is currently evaluating the impact of the adoption of the standard on its financial statements.

Subsequent events: The School has evaluated subsequent events for potential recognition and/or disclosure through October 26, 2017, the date the financial statements were available to be issued.

Note 2. Long-Term Debt

Long term debt at June 30, 2016 and 2015 consisted of the following:

	2016	2015
$9,175,000 Note, City of Hammond issued through Economic Development Revenue Bonds, Series 2016B payable in semi-annual installments ranging from $70,000 to $475,000, plus interest at 5.00%, until maturity in August 2035[1]	$ 9,175,000	$ -
Common School Loan, State of Indiana, payable in semi-annual installments of $171,349, plus interest at 1.00%, until maturity in July 2026[1]	3,426,979	-
Other[1]	-	12,730,000
	12,601,979	12,730,000
Less current maturities	316,349	305,000
	$ 12,285,630	$ 12,425,000

[1] In February 2016, the School entered into an escrow deposit agreement (agreement) with the issuer and the trustee to provide for the defeasance and redemption of the Series 2010A bonds. In February 2016, the School deposited funds with the trustee under the agreement in order to legally defease and redeem all Series 2010A bonds. Simultaneously, the issuer terminated, released and cancelled the loan agreement entered into with the School. The School entered into a bond loan agreement (Series 2016B) and into a Common School Loan to fund the defeasance and redemption of the 2010A bonds. The trustee fully redeemed the outstanding Series 2010A bonds in February 2016 at the outstanding principal amount plus accrued interest.

Aggregate maturities of long-term debt outstanding at June 30, 2016 are as follows:

2018	$ 502,698
2019	507,698
2020	517,698
2021	527,698
Thereafter	10,229,838
	$ 12,285,630

The bond loan agreements require deposits in an escrow account as a debt service reserve. The deposits were funded from the proceeds of the bonds. The total amount held in escrow and included in cash restricted for debt service on the statements of financial position as of June 30, 2016 and 2015 is $915,000 and $1,148,500 respectively.

The interest expense was approximately $728,000 and $845,000 for the years ended June 30, 2016 and 2015 respectively.

The City of Hammond has also committed to supplement any anticipated shortfall the School may have in meeting the debt service obligation. For the years ended June 30, 2016 and 2015, the City of Hammond provided funding in the amount of $650,000 and $450,000 respectively, which is presented in contributions in the statement of activities, to meet the debt service obligation.

Note 3. Commitments

The School operates under a charter granted by Calumet College of St. Joseph. As the sponsoring organization, Calumet College of St. Joseph exercises certain oversight responsibilities. Under this charter, the School agrees to pay to Calumet College of St. Joseph an annual administrative fee equal to 3% of state tuition payments received. The charter is effective until August 15, 2019. Payments under this agreement were approximately $81,600 and $78,800 for the years ended June 30, 2016 and 2015 respectively.

Note 4. Operating Lease Commitments

The School has entered into various operating leases for office equipment for terms from three to five years. Lease expense for the years ended June 30, 2016 and 2015 totaled approximately $14,000 and $11,500 respectively.

The following schedule presents the future minimum lease payments under the above noncancellable leases as of June 30, 2016:

2017	$ 13,100
2018	10,600
2019	10,600
2020	10,600
2021	1,700
	$ 46,600

Note 5. Risk and Uncertainties

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

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in an 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, 2016 substantially all of the accounts receivable balance was due from the state of Indiana. Bank deposits are maintained at a bank and are insured up to the FDIC insurance limit.

Note 6. Retirement Plan

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer cost-sharing 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 established by the INPRS Board. For the years ended June 30, 2016 and 2015, the School contributed 10.5% of compensation for teaching faculty to TRF. The contribution to PERF for other employees was 10.75% of compensation. Substantially all full-time employees are eligible to participate. Retirement plan expense was approximately $204,200 and $170,200 for the years ended June 30, 2016 and 2015 respectively.

The Hammond Urban Academy, Inc.

Schedules of Functional Expenses
Years Ended June 30, 2016 and 2015
See Independent Auditor's Report

	2016		2015	
	Program Services	**Management and General**	Program Services	Management and General
Salaries and wages	$ 1,798,318	$ 361,580	$ 1,552,749	$ 326,023
Employee benefits	508,797	100,159	426,699	83,684
Authorizer's fees	-	81,567	-	78,819
Supplies and materials	82,257	4,377	82,886	5,804
Contracted transportation	341	-	3,327	-
Depreciation and amortization	860,897	-	749,077	-
Network support and equipment	63,698	-	79,470	-
Food service	98,164	-	94,954	-
Insurance	-	102,199	-	63,828
Interest	728,166	-	844,905	-
Occupancy	117,533	-	124,519	-
Professional fees	40,912	83,540	61,190	69,564
Repairs and maintenance	18,009	-	11,914	-
Staff development	2,788	-	13,333	-
Other	12,075	27,730	9,836	20,812
Total expenses	$ 4,331,955	$ 761,152	$ 4,054,859	$ 648,534

The Independent Auditor's Report presented on pages 1 and 2 was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of The Hammond Urban Academy, Inc.

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*.