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INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Annual Financial Report

June 30, 2020

(With Independent Auditors' Report Thereon)



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Independent Auditors' Report

The Board of Directors
Indian River Charter High School, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian River Charter High School, Inc., a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

(Continued)



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian River Charter High School, Inc., as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–10 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2020, on our consideration of the Indian River Charter High School, 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 Indian River Charter High School, Inc.'s internal control over financial reporting and compliance.

MORGAN, JACOBY, THURN, BOYLE & ASSOCIATES, P.A.

September 11, 2020

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Management's Discussion and Analysis

This section of the Indian River Charter High School, Inc.'s (the School or IRCHS) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the School's basic financial statements, which immediately follow this section.

Highlights

The composition of the School's financial condition improved as a result of the School's continuing growth, sound management and expansion.

The School's net position decreased by \$15,668 or 0.2% from the prior year. In comparison, the prior year experienced an increase of \$314,959. The change reflected in the past two years is primarily due to additional instructional staff and increased capital related expense. Student enrollment for the 2019-2020 school year totaled six hundred thirty-six, a decrease from the six hundred fifty-nine students enrolled during the 2018-2019 school year.

At year end, the School accumulated a surplus of unrestricted net position of \$3,578,111, which was an increase of \$330,708 for this fiscal year.

In the spring of 2020, the Governor issued a directive that shut down in-person schooling throughout the State of Florida to help limit the spread of COVID-19. Due to this directive, many of the competitions, festivals, and performances that IRCHS traditionally participates in were cancelled. Consequently, achievements that are normally listed in this section may be absent. The State of Florida also suspended its school grading system, and so no school grade was attributed to IRCHS for the 2019-2020 school year. In spite of the cancellations, there were still many accomplishments we are excited to share below:

- In 2019-2020, IRCHS defeated Sebastian River High School and Vero Beach High School in 'Masterminds' competitions. Masterminds is an interdisciplinary, academic competition like Jeopardy, but with teams. Three students from the School earned a spot on the six-member Indian River County Academic Team and were set to compete at the Commissioner's Academic Challenge in Disney World. This is the first year that the number of IRCHS students who earned a spot on the team exceeded the number representing the other area high schools.
- The School's Visual and Performing Arts programs (VAPA) was recognized with a variety of regional and state-wide accolades including:
- Theatre
 - Florida Thespian One Act Festival:
 - 93 "Excellent Awards"
 - 120 "Superior Awards"
 - "Best in Show" - Pantomime
 - "Best in Show" - Costume Construction

- Florida Thespian One Act Festival:
 - "Superior Rating" - *Birth of Theatre*
 - "Critics' Choice"
 - "Overall Best Supporting Actor"
 - "Best Tech Team" (Perfect Score)
- We were selected for our 7th Mainstage (the theatre equivalent of state championship) Award to perform in the Tampa Theatre - *To Kill a Mockingbird*
- 100% acceptance rate for theatre students at universities. Schools attended: American Academy of Dramatic Arts (NY, NY), American Musical and Dramatic Academy (NY, NY), NYU Tisch Drama School (2 students accepted).
- Performed IRCHS Theatre's largest musical to date, *Camelot*, which was produced and opened to four sold-out audiences.

- Dance
 - Fifteen dancers participated in the National High School Dance Festival at Point Park University in Pittsburgh from February 26th through March 2nd. The dancers took a variety of dance classes taught by master class instructors from universities around the country and the Parsons Dance Company. The dancers had the opportunity to audition for scholarships, and all dancers were recipients of scholarships to colleges, universities, and summer programs.

- Jazz
 - Treasure Coast Jazz Society, a yearly competition for all Treasure Coast high school musicians, awarded three \$1000 scholarships for the top three positions to IRCHS students.
 - Three students participated in the Indian River State College Honors jazz ensemble.
 - The Wolves jazz ensemble played the opening ceremony for the Swimming Special Olympics for the third year in a row.
 - The IRCHS jazz ensemble performed for the Thomas Warren Benefit at Waldo's to benefit the IRCHS scholarship fund in his name.
 - The Wolves jazz ensemble performed for the Vero Vino Wine and Food festival.
 - The Wolves jazz ensemble performed for Vero Beach's 'Autumn in the Park' festival.
 - The Wolves jazz ensemble performed for 'Jazz Under the Moon' to benefit the St. Francis Manor building fund.
 - IRCHS enjoyed the Brown Bag Concert Series each week on Thursdays in the Dome.

- Art
 - 100% pass rate on the AP Studio Art Exam.
 - At the Scholastic Arts and Writing National Competition 2019/2020 IRCHS students received Gold Key Awards, Silver Key Awards, and Honorable Mentions.
 - IRCHS students participated in the Dale Sorensen Real Estate Contest. One student won the people's choice award.
 - An IRCHS student earned the Vero Beach Art Club Scholarship for \$2,500.
 - An IRCHS student earned the Sebastian River Art Club Scholarship for \$1,000.
 - Two IRCHS students earned the Robert Brackett Mural Scholarship in the amount of \$1,000 each.
 - An IRCHS student won 2nd place in the Ocean Science Art Contest.
 - IRCHS students participated in the Congressional Art Competition and won 'Best in School' as well as a 'Special Recognition' award.

- Choir
 - IRCHS received Superior ratings at the Florida Vocal Association Assessment Festival.
 - IRCHS received an invitation from Michael John Trotta to premier his recent "Magnificat" at Carnegie Hall.

- Orchestra
 - The orchestra received a consensus superior rating at District Concert MPA for the fourth consecutive year.
 - All orchestra members participated in District Solo & Ensemble. There were 20 entries, with 13 students receiving superior ratings and the other 7 receiving excellent, the highest two ratings possible.
 - The 2020 AP Music Theory pass rate was 85.7%, with a three-year pass rate of 86%.
 - A 10th grade oboist was selected to the Florida all-state concert band based on a blind audition, where she was chosen as the first chair oboist and soloist for their final concert.
 - An 11th grade violinist was chosen for the Florida honors orchestra based on his performance accomplishments and resume.
 - The orchestra participated in numerous formal and informal performances, as a whole group and with small ensembles, throughout the school year. This included but is not limited to the school music, holiday concert, semester school productions ("VAPA" shows), and chamber performances at private functions.

Overview of the Financial Statements

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are School-Wide financial statements that provide both short-term and long-term information about the School’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School’s operations in more detail than the School-Wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about activities that are operated like businesses. The School currently has no proprietary funds.
- Fiduciary funds statements provide information about the financial relationships in which the School acts solely as agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School’s budget for the year.

School-Wide Statements

The School-Wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-Wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the School, consideration needs to be given to additional nonfinancial factors such as the grade assessed under the State of Florida's school grading system and the number of full-time equivalents of students attending the School.

In the School-Wide financial statements, the School's activities are divided into two categories:

- Governmental activities – The School's basic services are included here, such as regular and special education, transportation, and administration. Intergovernmental revenues from the Indian River County School Board (initially funded by property taxes) finance most of these activities.
- Business-type activities – These activities charge fees to help cover the costs of services provided. The School currently has no activities that would be classified as business-type.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The School establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (like Federal grants).

There are three kinds of funds:

- Governmental funds – The School's basic services are included in governmental funds, which generally focus on how cash and other financial assets that can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-Wide statements, we provide additional information with the governmental funds statements that explains the relationship or differences between them.
- Proprietary funds – Services for which a fee is charged are generally reported in proprietary funds. Proprietary funds are reported in the same way as the School-Wide financial statements. The School currently has no funds that would be considered proprietary funds.
- Fiduciary funds – The School is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds and scholarship funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the School-Wide financial statements because the School cannot use these assets to finance its operations.

Financial Analysis of the School as a Whole

Net position of the School's governmental position consisted of the following as of June 30, 2020 and 2019:

	Net Position – Governmental Activities	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 4,004,099	4,248,966
Capital assets, net	<u>5,657,591</u>	<u>4,059,468</u>
Total assets	<u>9,661,690</u>	<u>8,308,434</u>
Current liabilities	1,002,940	476,550
Long-term debt	<u>1,023,960</u>	<u>181,426</u>
Total liabilities	<u>2,026,900</u>	<u>657,976</u>
Net position:		
Invested in capital assets	3,956,679	3,878,042
Restricted	100,000	525,013
Unrestricted	<u>3,578,111</u>	<u>3,247,403</u>
Total net position	\$ <u>7,634,790</u>	<u>7,650,458</u>

The School's net position decreased by \$15,668, or 0.2%, from the prior year, resulting primarily from increased expenses for the year, as discussed in the following section.

The School had no business-type position as of June 30, 2020 and 2019. The following schedule compares revenues and expenses during the years ended June 30, 2020 and 2019:

	Change in Net Position – Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues:		
General revenues:		
Intergovernmental	\$ 5,245,071	5,317,291
Other	446,563	369,291
Operating grants and contributions	47,074	16,076
Contributions for capital expenditures	<u>8,500</u>	<u>5,000</u>
Total revenues	<u>5,747,208</u>	<u>5,707,658</u>
Expenses:		
Instruction related	3,490,277	3,248,744
School administration	734,102	729,983
Food service	888	1,672
Information and technology services	130,088	134,155
Transportation	307	1,298
Maintenance and operations of facilities and plant	787,725	750,064
Other	<u>619,489</u>	<u>526,783</u>
Total expenses	<u>5,762,876</u>	<u>5,392,699</u>
Change in net position	\$ <u>(15,668)</u>	<u>314,959</u>

Total revenues for the year increased by \$39,550, or 0.7%, showing relatively stable revenues with nonresident tuition having the only significant increase.

Total expenses increased \$370,177 or 6.9%, due primarily to the addition in staff, and an increase in salaries. Increases in payroll affect other payroll related expenses such as payroll taxes, retirement, and health insurance costs. The government mandated that the School hire a full-time security resource officer and a full-time mental health counselor. Furthermore, the Board of Directors authorized a retention bonus for returning employees as an incentive and thank you to the staff. Additional depreciation was recorded related to assets disposed in anticipation of the School's upcoming construction project.

Financial Analysis of the School's Funds

The School's general fund position increased \$400,027 during the year to \$3,243,100, resulting in an increase in its cash by \$215,949. The net increase in reserves was primarily attributable to an increase in FTE revenues of \$96,038 offset by an increase in non-resident tuition of \$111,422 in addition to an increase in expenses of \$188,682 and financing use of reserves of \$177,052 for capital projects.

The net decrease of \$425,013 in the School's capital projects fund primarily reflects a \$32,755 increase in revenues, offset by a \$2,234,177 increase in expenditures. In the current year, the capital projects fund was supported by \$1,490,253 in construction loan financing, and supplemental funding of \$177,052 from general fund reserves.

Current Budget

Annually, the School's Board of Directors approves a general fund budget for the upcoming fiscal year prior to the beginning of that fiscal year. The following table presents the general fund budget, as approved, as compared to 2019-2020 actual results.

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal through state through local	\$ 73,621	73,621	137,260	63,639
State through local	—	—	77,609	77,609
Local	4,849,866	4,849,866	4,863,081	13,215
Other	301,611	301,611	490,727	189,116
Total revenues	<u>5,225,098</u>	<u>5,225,098</u>	<u>5,568,677</u>	<u>343,579</u>
Expenditures:				
Current – education:				
Instruction related	3,291,981	3,291,981	3,490,277	(198,296)
School administration	702,957	702,957	734,102	(31,145)
Food service	3,000	3,000	888	2,112
Information and technology services	128,436	128,436	130,088	(1,652)
Transportation	700	700	307	393
Maintenance and operations of facilities and plant	655,370	655,370	635,936	19,434
Total expenditures	<u>4,782,444</u>	<u>4,782,444</u>	<u>4,991,598</u>	<u>(209,154)</u>
Other financing sources (uses)	<u>(182,501)</u>	<u>(182,501)</u>	<u>(177,052)</u>	<u>5,449</u>
Net change in fund balance	\$ <u>260,153</u>	<u>260,153</u>	<u>400,027</u>	<u>139,874</u>

The School's net change in capital funding was favorably impacted due to the Department of Education adding two new grants the school was eligible for to purchase safety and security equipment. This resulted in the School receiving an additional \$33,235 during the fiscal year, an increase of 10.3% from the prior fiscal year allotment. Additionally, the variance noted in the local revenue is the income of principal payments from the Indian River County School Board local discretionary tax levy lawsuit received during the fiscal year. This income was used for normal operations of the School. The amount received during the fiscal year from this source was \$187,294.

Capital Asset and Debt Administration

Capital Position

As of June 30, 2020, the School had invested \$5,657,591 in a variety of capital position, as reflected in the following schedule, which represents a net increase (additions less disposals and depreciation) of \$1,598,123 or 39.4% from the end of last year.

	<u>2020</u>	<u>2019</u>
Improvements other than buildings	\$ 78,563	119,771
Buildings and improvements	3,116,562	3,424,221
Construction in progress	1,926,537	-
Furniture, fixtures, and equipment	535,823	512,623
Audio/visual equipment	-	-
Computer software	<u>106</u>	<u>2,853</u>
Governmental capital assets, net	\$ <u>5,657,591</u>	<u>4,059,468</u>

The increase indicated above reflects the construction of new School buildings to replace aging infrastructure, estimated at \$8 million. The remaining outstanding construction commitment approximated \$5.9 million as of June 30, 2020. Depreciation expense amounted to \$610,972 for the year ended June 30, 2020.

Long-Term Debt

During the year ended June 30, 2020, the School obtained a new mortgage note providing for total borrowings of \$7,500,000 to fund the new School building construction discussed above. The mortgage note agreement provides for interest only payments at 2.84% during the construction, and then monthly interest and principal payments of \$48,205 through April 29, 2037. It is anticipated that will construction will be completed in February 2021 and principal payments will begin in March 2021. The outstanding balance at June 30, 2020 is \$931,276.

During the year ended June 30, 2018, the School purchased new computer equipment for the majority of the classrooms. The purchase was partially financed with long-term debt of \$266,235, which provides for monthly installments of \$7,928, including interest at 4.49%, until the debt is repaid on June 15, 2021. The outstanding balance at June 30, 2020 is \$92,684.

Factors Bearing on the School's Future

At the time these financial statements were prepared and audited, the School was aware of the following circumstances that could significantly affect its financial health in the future:

- The School spent the summer of 2020 preparing for reopening in adherence with CDC guidelines to safeguard against COVID. Face masks are required for all students while on campus and are being provided for students who do not have them. Gloves are available in every classroom. Portable handwashing stations were purchased and placed throughout the school. Hand sanitizer dispensers were placed in every classroom. Infrared, touchless thermometers were provided to all teachers. Freestanding, infrared temperature check stations were purchased and placed on campus for faculty and visitors. Ultraviolet air filters have been placed within all central air conditioning units in the school.

For the 2020-2021 school year, IRCHS will offer an innovative instructional model which blends in-person learning on campus and virtual learning from home. Students will have the option to be on campus every other day, so that half of the population is on campus one day, and the other half of the population is on campus the next. This schedule will help the School abide by social distancing guidelines established by the CDC. On days when students are learning from home, they will log in to Google Classroom and attend class in real time.

A substantial amount of time and resources were dedicated to securing and implementing the technology necessary to facilitate synchronous online learning. New audiovisual equipment was purchased and installed. New hardware and software was purchased and installed. All instructional faculty received extensive training on utilizing this technology. As the situation evolves, more technology, equipment, and training may become necessary.

- The School continues its partnership with international student exchange companies. All companies have submitted student applications for the 2020-2021 school year. The reputation of the School's academic, visual and performing arts, and golf programs has created a strong interest among international students. In spite of the limiting effects of the current global pandemic, a total of 18 students are currently attending IRCHS for the fall semester.
- The School entered into construction agreements to design and build a 16 classroom, two-story instructional building and a multipurpose room. The project cost is approximately eight million dollars and financing has been secured. Construction began in January of 2020 and has an anticipated completion date in the spring of 2021. The first phase of new construction has been completed, and all portable classrooms have been removed. Construction proceeds on schedule, as circumstances surrounding the COVID pandemic have not adversely affected the timeline for completion of the new buildings.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Indian River Charter High School, Inc., 6055 College Lane, Vero Beach, FL 32966.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Net Position

June 30, 2020

		<u>Total Governmental Activities</u>
Assets:		
Cash	\$	3,542,121
Investments		17,030
Due from primary government (note 2)		344,650
Other receivables		76,567
Prepaid expenses		23,731
Capital assets, net of accumulated depreciation of \$4,876,331 (note 3)		<u>5,657,591</u>
Total assets		<u>9,661,690</u>
Liabilities:		
Accounts payable		11,856
Construction contracts payable		676,952
Accrued expenses		231,032
Deferred revenue		83,100
Long-term debt (note 4):		
Due within one year		214,953
Due after one year		<u>809,007</u>
Total liabilities		<u>2,026,900</u>
Net Position:		
Invested in capital assets, net of related debt		3,956,679
Restricted for capital projects		-
Restricted for scholarships		100,000
Unrestricted		<u>3,578,111</u>
Total net position	\$	<u>7,634,790</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Activities

Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues – Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position – Governmental Activities</u>
Governmental activities:			
Instruction	\$ 3,120,635	83,978	(3,036,657)
Student and instructional support services	292,859	–	(292,859)
Instructional media services	76,783	–	(76,783)
School administration	734,102	–	(734,102)
Facilities acquisition and construction	201,373	–	(201,373)
Food service	888	–	(888)
Information services	59,898	–	(59,898)
Student transportation services	307	–	(307)
Operation of plant	580,478	–	(580,478)
Maintenance of plant	5,874	–	(5,874)
Administrative technology services	70,190	–	(70,190)
Interest on long-term debt	8,517	–	(8,517)
Unallocated depreciation expense	<u>610,972</u>	<u>–</u>	<u>(610,972)</u>
Total governmental activities	\$ <u>5,762,876</u>	<u>83,978</u>	<u>(5,678,898)</u>
General revenues:			
Intergovernmental:			
Local for operational purposes			4,675,787
State through local for operational purposes			77,609
State through local for capital projects			354,415
Federal through state through local for operational purposes			137,260
Investment earnings			42,530
Miscellaneous			<u>375,629</u>
Total general revenues			<u>5,663,230</u>
Change in net position			(15,668)
Net position, beginning of year			<u>7,650,458</u>
Net position, end of year			\$ <u>7,634,790</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Balance Sheet
Governmental Funds

June 30, 2020

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash	\$ 3,169,508	372,613	3,542,121
Investments	17,030	–	17,030
Due from primary government (note 2)	–	27,614	27,614
Other receivables	76,567	–	76,567
Due from other fund (note 2)	278,548	–	278,548
Prepaid expenses	23,731	–	23,731
Loan proceeds receivable	<u>–</u>	<u>558,977</u>	<u>558,977</u>
	\$ <u>3,565,384</u>	<u>959,204</u>	<u>4,524,588</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	8,152	3,704	11,856
Construction contracts payable	–	676,952	676,952
Accrued expenses	231,032	–	231,032
Due to other fund (note 2)	–	278,548	278,548
Deferred revenue	<u>83,100</u>	<u>–</u>	<u>83,100</u>
Total liabilities	<u>322,284</u>	<u>959,204</u>	<u>1,281,488</u>
Fund Balances:			
Nonspendable	123,731	–	123,731
Restricted	–	–	–
Committed	265,000	–	265,000
Assigned	–	–	–
Unassigned	<u>2,854,369</u>	<u>–</u>	<u>2,854,369</u>
Total fund balances	<u>3,243,100</u>	<u>–</u>	<u>3,243,100</u>
	\$ <u>3,565,384</u>	<u>959,204</u>	

Reconciliation of governmental fund balances to entity-wide government activities net position – amounts are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$10,533,922 and the accumulated depreciation is \$4,876,331.	5,657,591
Other long term assets not available for current-period expenditures are deferred.	317,036
Debt proceeds to be received to fund current period capital expenditures.	(558,977)
Long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	<u>(1,023,960)</u>
Total net position – governmental activities	\$ <u>7,634,790</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2020

	General <u>Fund</u>	Capital <u>Projects Fund</u>	Total Governmental <u>Funds</u>
Revenues:			
Federal through state through local	\$ 137,260	-	137,260
State through local	77,609	354,415	432,024
Local (note 5)	4,863,081	-	4,863,081
Contributions	47,074	8,500	55,574
Non-resident tuition	314,722	-	314,722
Student fees	83,978	-	83,978
Other	44,953	2,910	47,863
Total revenues	<u>5,568,677</u>	<u>365,825</u>	<u>5,934,502</u>
Expenditures:			
Current – education:			
Instruction	3,120,635	-	3,120,635
Student and instructional support services	292,859	-	292,859
Instructional media services	76,783	-	76,783
School administration	734,102	-	734,102
Facilities acquisition and construction	49,584	63,000	112,584
Food service	888	-	888
Information services	59,898	-	59,898
Student transportation services	307	-	307
Operation of plant	580,478	-	580,478
Maintenance of plant	5,874	-	5,874
Administrative technology services	70,190	-	70,190
Debt service:			
Principal	-	88,742	88,742
Interest	-	8,517	8,517
Fees	-	88,789	88,789
Capital outlay:			
Facilities acquisition and construction	-	2,209,095	2,209,095
Total expenditures	<u>4,991,598</u>	<u>2,458,143</u>	<u>7,449,741</u>
Other financing sources (uses):			
Transfers in	-	177,052	177,052
Transfers out	(177,052)	-	(177,052)
Proceeds from long term debt	-	1,490,253	1,490,253
Total other financing sources (uses)	<u>(177,052)</u>	<u>1,667,305</u>	<u>1,490,253</u>
Net change in fund balances	400,027	(425,013)	(24,986)
Fund balances, beginning of year	<u>2,843,073</u>	<u>425,013</u>	<u>3,268,086</u>
Fund balances, end of year	\$ <u>3,243,100</u>	<u>-</u>	<u>3,243,100</u>

See accompanying notes to basic financial statements.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)

Year Ended June 30, 2020

	<u>Total Governmental Funds</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities:	
Net change in fund balances – total governmental funds	\$ (24,986)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$2,209,095 is more than depreciation expense \$610,972.	1,598,123
Revenues providing current financial resources to governmental funds, but not reported in the statement of activities as such amounts were reported in prior years. This is the amount of repayments received on the settlement receivable (note 2 and 5)	(187,294)
Certain capital outlays were financed by long term debt, including proceeds available to borrow for construction payables of \$558,977. The amount financed by long term debt is reported as a source of financing in governmental funds but not in the statement of activities.	(1,490,253)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position and does not affect the statement of activities.	<u>88,742</u>
Change in net position of governmental activities	\$ <u>(15,668)</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Fiduciary Net Position
Agency Funds

June 30, 2020

	Total Agency Funds
Assets:	
Cash	\$ <u>235,274</u>
Total assets	\$ <u>235,274</u>
Liabilities:	
Amounts held for others	<u>235,274</u>
Total liabilities	\$ <u>235,274</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

June 30, 2020

(1) Organization and Summary of Significant Accounting Policies

Indian River Charter High School, Inc. (the School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 228.056, Florida Statutes. The School was incorporated on March 27, 1998 and is governed by a Board of Directors.

The general operating authority of the School is contained in Section 228.056, Florida Statutes. The School operates under a charter of the sponsoring school district, the Indian River County District School Board (the District). The current charter was renewed on May 22, 2018 and is effective until June 30, 2033. The charter may be renewed by mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

The accounting policies of the School conform to accounting principles generally accepted in the United States of America applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The following is a summary of the more significant policies.

(a) Reporting Entity

The reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to the organization; or (c) is obligated in some manner for the debt of the organization. There are no component units of the School.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(b) Basic Financial Statements

The basic financial statements include both School-Wide (based on the School as a whole) and fund financial statements. Both the School-Wide and fund financial statements categorize primary activities as either governmental or business type. In the School-Wide statement of net position, governmental and business-type activities are presented separately and are reflected on a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt. As of and for the year ended June 30, 2020, the School had no activities that would be considered business-type.

The School-Wide statement of activities reflects both the gross and net costs per functional category (instruction, administration, maintenance, etc.), which are otherwise being supported by general government revenues, such as property taxes and intergovernmental revenues. The statement of activities reduces gross expenses, including depreciation, by related program revenues such as discretionary grants that can be used for either operating or capital purposes. The net cost by function is normally covered by general revenues.

This School-Wide focus is more on the sustainability of the School as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The governmental funds in the fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and the source and use of liquid resources. Revenues are recognized when they become measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Generally, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the School-Wide statements, reconciliations are presented on each of the fund financial statements, which briefly explain the adjustments necessary to transform the fund based financial statements into the total governmental column of the School-Wide presentation.

The School's fiduciary funds are presented in the fund financial statements and since, by definition, these assets are being held for the benefit of others and cannot be used to address activities or obligations of the School, these funds are not incorporated into the School-Wide financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(c) ***Basis of Presentation***

The financial transactions of the School are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that records cash and other financial resources, liabilities, reserves, fund equity, revenues, and expenditures.

Governmental Funds

The School defines governmental funds in accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The School has determined all of its funds to be major funds, as described below.

General Fund

The General Fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund

Capital projects funds are used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for educational capital outlay needs, including new construction or renovation and remodeling projects and other capital assets. During the year ended June 30, 2020, the School used the capital projects fund to account for capital outlays funded by capital outlay revenues and long-term debt.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in fund net position, financial position, and cash flows, which is similar to businesses. As of and for the year ended June 30, 2020, the School had no activities which would be accounted for in a proprietary fund.

Fiduciary Funds – Agency Funds

The School accounts for the scholarship funds and the student activities funds in the agency fund.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(d) Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The School-Wide financial statements are presented on an accrual basis of accounting, while the governmental funds in the fund financial statements are presented on a modified accrual basis.

Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized when they are susceptible to accrual; when they become measurable and available to finance the School's operations. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the liabilities are incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the School may recognize receivables and revenue when the applicable eligibility requirements including time requirements have been met. Revenues for certain grants are recognized when the expenditures are made when grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources. Resources provided before eligibility requirements are met are reported as deferred revenues.

(e) Budgets and Budgetary Accounting

The School annually adopts a budget for all governmental funds. Budgets are presented on the modified accrual basis of accounting. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget, which has been adjusted for authorized revisions during the year.

(f) Deposits in Financial Institutions

The School's cash is held in demand deposit accounts with financial institutions, which are insured by Federal depository insurance. As of June 30, 2020, the School's demand deposit accounts exceeded the Federal deposit insurance limits by approximately \$72,000, and accordingly were uninsured.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
 (A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(g) Capital Assets

Property and equipment purchased are reported at historical cost, net of accumulated depreciation, in the School-Wide financial statements but are not reported in the governmental fund financial statements. Contributed property and equipment are recorded at the fair market value at the time received. Expenditures for capital assets are reported in the governmental fund that financed the acquisition or construction. The School's capitalization level is \$1,000. Other costs incurred for repair and maintenance are expensed as incurred.

Depreciation on all assets is recorded in the School-Wide financial statements only and is provided on a straight-line basis over the following estimated useful lives:

	Years
Improvements other than buildings	10 – 20
Buildings and improvements	10 – 25
Furniture, fixtures, and equipment	5 – 10
Audio/visual equipment	7
Computer software	5

(h) Compensated Absences

Compensated absences for vacation, sick, and other personal leave are provided for all regular, full-time employees. An employee may accrue leave based on School policy which differs between full time instructional staff and full time year-round administrative staff. However, employees are not entitled to cash payment in lieu of taking leave or upon termination. Compensated absences are recorded as expenditures when leave is used and no liability for compensated absences is reflected in the financial statements.

(i) Long-Term Debt

Long-term obligations that will be financed by resources to be received in the future are reported in the School-Wide financial statements, but not in the governmental fund financial statements.

(j) Fund Balance Reporting

The School classifies fund balances in accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which established fund balance classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of resources in governmental funds, as summarized below (in order of spending).

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

Nonspendable

Nonspendable fund balance represents resources that are not in spendable form or are legally required to be maintained intact. The School's nonspendable fund balance consists of prepaid expenses and assets permanently restricted for scholarships as of June 30, 2020.

Restricted

Restricted fund balance represents resources that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The School's restricted fund balances generally consist of resources held for capital projects.

Committed

Committed fund balance represents resources that can be spent only for the specific purposes established by the School's Board of Directors (the School's highest level of decision-making authority). The School's committed fund balances consist of resources set aside by the board for payment of insurance deductibles in the case of a catastrophic storm and budgeted amounts from the capital fund in excess of available funding.

Assigned

Assigned fund balance represents resources that are intended to be spent for specific purposes, but do not meet the definition of restricted or committed fund balances. The School's Board of Directors, committees of the Board of Directors and School management have the ability to assign fund balances.

Unassigned

Unassigned fund balance represents resources that do not have any constraints upon spending.

(k) Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under provisions of Section 236.081, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(l) Income Taxes

The School is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In accordance with the Internal Revenue Code, the School is not considered a private foundation.

The School's income tax filings are subject to audit by various taxing authorities. The School's open audit periods are 2017-2020.

(m) 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 at 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.

(2) Receivables

In 2016, the School, together with four other charter schools in Indian River County, filed a complaint seeking tax revenues for general operating expenses generated by a local discretionary tax levy and retained by the School District of Indian River County (the District). The complaint alleged that the District shared significantly less than the pro rata amount required by Florida law. On June 13, 2017, the court entered an order agreeing with the charter schools position regarding pro rata sharing and a hearing was scheduled for August 30, 2017 to determine entitlement of revenues.

During August 2017, the District and the charter schools entered into a settlement agreement regarding the complaint, which was completed on September 7, 2017. In accordance with the settlement agreement, the School will receive a total of \$731,738, plus interest of 5.17% per annum, in monthly payments of \$17,377 over four years beginning February 2018 and ending January 2022. As of June 30, 2020, the remaining amount due from the District totaled \$317,036. The receivable is not included in the government funds presentation in accordance with the susceptible to accrual accounting policy discussed in note 1(d).

In addition, as of June 30, 2020, the School maintained amounts due from the District of \$27,614 for capital projects.

As of June 30, 2020, the School's general fund was due \$278,548 from the capital projects fund for capital expenditures funded by the general fund.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(3) *General Capital Assets*

The following is a summary of the changes in the School's governmental capital assets for the year ended June 30, 2020:

	Balance <u>2019</u>	<u>Additions</u>	Retirements and <u>Transfers</u>	Balance <u>2020</u>
Improvements other than buildings	\$ 647,502	10,999	(119,025)	539,476
Buildings and improvements	7,211,422	65,188	(577,138)	6,699,472
Construction in progress	—	1,926,537		1,926,537
Furniture, fixtures, and equipment	1,179,270	206,371	(40,997)	1,344,644
Audio/visual equipment	9,709	—	—	9,709
Computer software	<u>20,365</u>	<u>—</u>	<u>(6,281)</u>	<u>14,084</u>
Total capital assets	<u>9,068,268</u>	<u>2,209,095</u>	<u>(743,441)</u>	<u>10,533,922</u>
Less accumulated depreciation for:				
Improvements other than buildings	527,731	52,207	(119,025)	460,913
Buildings and improvements	3,787,201	372,847	(577,138)	3,582,910
Furniture, fixtures, and equipment	666,647	183,171	(40,997)	808,821
Audio/visual equipment	9,709	—	—	9,709
Computer software	<u>17,512</u>	<u>2,747</u>	<u>(6,281)</u>	<u>13,978</u>
Total accumulated depreciation	<u>5,008,800</u>	<u>610,972</u>	<u>(743,441)</u>	<u>4,876,331</u>
Governmental capital assets, net	\$ <u>4,059,468</u>	<u>1,598,123</u>	<u>—</u>	<u>5,657,591</u>

During the year ended June 30, 2020, the School entered into a contract to construct a new School building to replace aging infrastructure. The estimated cost is approximately \$8 million, of which \$7,500,000 will be funded with a mortgage note payable (see note 4). The remaining outstanding construction commitment approximated \$5.9 million as of June 30, 2020. Construction is expected to be completed in February 2021.

Subsequent to June 30, 2020 and through the date of this report, the School borrowed additional debt proceeds for the construction project under the available mortgage note payable (see note 4) approximating \$2,155,000.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(4) Long-Term Debt from Direct Borrowings

Long-term debt associated with direct borrowings as of June 30, 2020 is as follows:

	<u>Balance</u> <u>2019</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>2020</u>
Mortgage note payable of \$7,500,000, with interest only payments at 2.84% during the construction (see note 3), and then monthly interest and principal payments of \$48,205 through April 29, 2037. \$	-	931,276	-	931,276
Installment note payable in monthly installments of \$7,928, including interest at 4.49%, beginning July 15, 2018 through June 15, 2021.	<u>181,426</u>	<u>-</u>	<u>(88,742)</u>	<u>92,684</u>
	<u>\$ 181,426</u>	<u>931,276</u>	<u>(88,742)</u>	<u>1,023,960</u>

The School's mortgage note payable is collateralized by a mortgage on underlying School property and contains provisions that in an event of default, the interest rate is increased by 4% and all amounts become immediately due. The School's installment note payable is collateralized by certain equipment and contains provisions that in an event of default, the interest rate is increased to 18% and all amounts become immediately due.

The future maturities of long-term debt, including anticipated borrowings available under the \$7,500,000 mortgage note payable, as of June 30, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 214,953	145,686	360,639
2022	370,880	207,582	578,462
2023	381,702	196,760	578,462
2024	392,333	186,129	578,462
2025	404,286	174,176	578,462
2026 – 2030	2,205,013	687,297	2,892,310
2031 – 2035	2,546,175	346,135	2,892,310
2036 – 2037	<u>1,077,342</u>	<u>31,377</u>	<u>1,108,719</u>
	7,592,684	<u>1,975,142</u>	<u>9,567,826</u>
Less undrawn loan proceeds available at June 30, 2020 (see note 3)	<u>(6,568,724)</u>		
Outstanding at June 30, 2020	<u>\$ 1,023,960</u>		

During the year ended June 30, 2020, interest expense totaled \$8,517. The School also incurred \$88,789 in debt issuance fees associated with the mortgage note payable during the year ended June 30, 2020.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(5) Schedule of Local Revenue Sources

The following is a schedule of local revenue sources and amounts:

<u>Sources</u>	<u>Amount</u>
Indian River County District School Board:	
Florida Education Finance Program	\$ 3,872,310
Class size	572,710
School academic improvement	140,390
Instructional materials and teacher training	47,510
Safe schools	42,867
Charter millage settlement repayment (note 2)	<u>187,294</u>
Total	\$ <u>4,863,081</u>

The School's revenues are based on FTE funding, as described in note 1(k), which are subject to the terms and conditions of applicable state regulations and the School's charter agreement with the District, and subject to audit. Any disallowance resulting from an audit may become a liability of the School. The Florida Auditor General's office conducted an audit of FTE funding for the school year ended June 30, 2017 in which they proposed certain adjustments. The School has appealed their audit results, the outcome of which is pending and uncertain. No provision for any liability that may result has been recognized in the School's financial statements.

The School's charter contract provides for a discretionary District administrative fee of up to 5% of the revenues received on a per-student basis. During the 2019-2020 school year, and in consideration of the School's classification as a "high performing charter school," the state of Florida provided for the administrative fee to be assessed on the first 250 students at a rate of 2%. In accordance with this provision, the District withheld \$34,626 from the School's revenues for the year ended June 30, 2020, which was included in school administration expenses in the accompanying statement of activities and statement of revenues, expenditures, and changes in fund balances.

(6) Leases

The School leases land and certain buildings under a lease agreement with Indian River State College, which was modified in November 2019 to extend through October 31, 2039. The lease provides for payments of \$5,250 per month for each of the five years ending March 31, 2023; \$5,500 per month for each of the five years ending March 31, 2028; \$5,750 per month for each of the five years ending March 31, 2033; \$6,000 per month for each of the five years ending March 31, 2038; and \$6,250 per month through October 31, 2039. The lease has an option to be renewed for ten additional years.

The School leases their copying equipment under an agreement that provides for monthly payments of \$1,164 through June 30, 2022.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

Total rent expense incurred during the year ended June 30, 2020 amounted to \$82,583.

The future lease commitments as of June 30, 2020 follow:

2021		\$	89,474
2022			77,724
2023			66,000
2024			66,000
2025			66,000
Thereafter			<u>939,250</u>
		\$	<u>1,304,448</u>

(7) Risk Management

The School maintains general liability, professional liability, automobile liability, and workers' compensation coverages through purchased commercial insurance with minimal or no deductibles for each line of coverage. The School also maintains property coverage with a deductible of \$5,000 for all perils except wind or hail. For these perils, the deductible is 5%, with a minimum of \$50,000. During each of the three years ended June 30, 2020, 2019, and 2018, the school experienced no settlements in excess of insurance coverage.

During March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, which has impacted the financial markets and global economy. The COVID-19 pandemic is still on-going and the duration and extent of the related financial impact on the School's net position is uncertain and cannot be reasonably estimated at this time. However, School management believes that it has incorporated appropriate safeguard measures and practices to minimize potential impact.

(8) Pension Plan

The School's employees participate in a salary deferral plan under Internal Revenue Code 403(b). The School currently contributes on a discretionary basis 15% of all full-time employees' salaries and matches the first \$500 in employee contributions on a dollar-for-dollar basis. The employees vest in all employer contributions evenly over a three-year period of service. Employees hired after September 1, 2008 vest in all employer contributions evenly over a five-year period of service. During the year ended June 30, 2020, the School provided for contributions approximating \$422,276.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual
General Fund

Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal through state through local	\$ 73,621	73,621	137,260	63,639
State through local	—	—	77,609	77,609
Local	4,849,866	4,849,866	4,863,081	13,215
Non-resident tuition	190,000	190,000	314,722	124,722
Other	<u>111,611</u>	<u>111,611</u>	<u>176,005</u>	<u>64,394</u>
Total revenues	<u>5,225,098</u>	<u>5,225,098</u>	<u>5,568,677</u>	<u>343,579</u>
Expenditures:				
Current – education:				
Instruction	2,989,927	2,989,927	3,120,635	(130,708)
Student and instructional support services	230,977	230,977	292,859	(61,882)
Instructional media services	71,077	71,077	76,783	(5,706)
School administration	702,957	702,957	734,102	(31,145)
Facilities acquisition and construction	39,527	39,527	49,584	(10,057)
Food service	3,000	3,000	888	2,112
Information services	58,734	58,734	59,898	(1,164)
Student transportation services	700	700	307	393
Operation of plant	583,843	583,843	580,478	3,365
Maintenance of plant	32,000	32,000	5,874	26,126
Administrative technology services	<u>69,702</u>	<u>69,702</u>	<u>70,190</u>	<u>(488)</u>
Total expenditures	<u>4,782,444</u>	<u>4,782,444</u>	<u>4,991,598</u>	<u>(209,154)</u>
Other financing sources (uses)	<u>(182,501)</u>	<u>(182,501)</u>	<u>(177,052)</u>	<u>5,449</u>
Net change in fund balance	260,153	260,153	400,027	139,874
Fund balance, beginning of year	<u>2,843,073</u>	<u>2,843,073</u>	<u>2,843,073</u>	—
Fund balance, end of year	\$ <u>3,103,226</u>	<u>3,103,226</u>	<u>3,243,100</u>	<u>139,874</u>



**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

The Board of Directors
Indian River Charter High School, 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian River Charter High School, Inc., a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 basic financial statements, but not for the purpose of expressing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 the 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 financial statements are free of 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 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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MORGAN, JACOBY, THURN, BOYLE & ASSOCIATES, P.A.

September 11, 2020



Management Letter

The Board of Directors
Indian River Charter High School, Inc.:

Report on the Financial Statements

We have audited the financial statements of Indian River Charter High School, Inc., (the School) as of and for the year ended June 30, 2020, and have issued our report thereon dated September 11, 2020.

Auditors' Responsibility

We conducted our audit 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, Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 11, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. In connection with our preceding annual financial audit, we did not have any such recommendations.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title for the charter school and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the School is Indian River Charter High School, Inc. and the school code is 315001.

Financial Condition and Management

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.



Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Section 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Indian River County District School Board, the School's Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

MORGAN, JACOBY, THURN, BOYLE & ASSOCIATES, P.A.

September 11, 2020