

Innovation Charter School, Inc.
(A Component Unit of the School
Board of Broward County, Florida)

Basic Financial Statements
For the Year Ended June 30, 2020

**Keefe
McCullough**
CPA's + Trusted Advisors

Innovation Charter School, Inc.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Innovation Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Innovation Charter School, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, 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.

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 School, as of June 30, 2020 and the respective changes in financial position 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, as listed in the table of contents, 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 22, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 22, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Keefe
McCullough**
CPA's + Trusted Advisors

Our discussion and analysis of the Innovation Charter School, Inc.'s (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2020 with certain comparative information for 2019. Please read it in conjunction with the School's basic financial statements which immediately follow this discussion.

Financial Highlights

Our basic financial statements provide these insights into the results of this year's operations:

- As of June 30, 2020, the School had net position of \$ 1,783,118 as compared to \$ 1,319,111 as of June 30, 2019.
- As of June 30, 2020, the School's governmental fund balances were \$ 1,741,343 as compared to \$ 1,247,094 as of June 30, 2019.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements: The government-wide financial statements, which consist of the statement of net position and the statement of activities, are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the School's financial position is improving or deteriorating. However, as a governmental entity, the School's activities are not geared toward generating profit as are the activities of commercial entities. Other factors such as the safety at the School and quality of education must be considered in order to reasonably assess the School's overall performance.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Innovation Charter School, Inc.
Management's Discussion and Analysis
June 30, 2020

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's adopted budget to actual results.

Government-Wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of financial position. The following table presents a comparative analysis of the condensed government-wide statements of net position:

Innovation Charter School, Inc.		
Net Position		
	<u>June 30,</u> <u>2020</u>	<u>June 30,</u> <u>2019</u>
Assets:		
Current assets	\$ 1,895,491	\$ 1,410,011
Non-current assets	<u>63,775</u>	<u>94,017</u>
Total assets	<u>1,959,266</u>	<u>1,504,028</u>
Liabilities:		
Current liabilities	<u>176,148</u>	<u>184,917</u>
Total liabilities	<u>176,148</u>	<u>184,917</u>
Net Position:		
Net investment in capital assets	41,775	72,017
Unrestricted	<u>1,741,343</u>	<u>1,247,094</u>
Total net position	<u>\$ 1,783,118</u>	<u>\$ 1,319,111</u>

Innovation Charter School, Inc.
Management's Discussion and Analysis
June 30, 2020

The following table presents comparative information of the condensed government-wide statements of change in net position:

Innovation Charter School, Inc. Change in Net Position		
	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues:		
General revenues	\$ 3,406,679	\$ 3,314,367
Program revenues	<u>971,663</u>	<u>857,689</u>
Total revenues	<u>4,378,342</u>	<u>4,172,056</u>
Expenses:		
Instruction	2,009,112	1,740,048
Instructional support services	1,214,449	1,256,151
Non-instructional services	<u>690,774</u>	<u>759,378</u>
Total expenses	<u>3,914,335</u>	<u>3,755,577</u>
Change in net position	\$ <u>464,007</u>	\$ <u>416,479</u>

General revenues increased from the prior year due to an increase in enrollment. Total expenses also increased for the same reason, primarily in salaries and benefits.

Financial Analysis of the School's Funds

As noted earlier, the School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the School's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements.

As of the end of fiscal year 2019/2020 the School's governmental funds reported ending fund balance of \$ 1,741,343. The fund balance unassigned and available for spending at the School's discretion is \$ 1,718,151. These funds will be available for the School's future ongoing operations.

General Fund Budgetary Highlights

Total revenues were favorable to the budget by approximately \$ 142,000.

Total expenditures were favorable to the budget by approximately \$ 352,000. See page 19 for budget and actual comparisons.

Capital Assets and Debt Administration

As of June 30, 2020, the School had an investment in capital assets of \$ 41,775. This amount is net of accumulated depreciation of \$ 173,454.

The School has no outstanding debt.

Economic Factors

Facts, decisions or conditions that have had a significant effect on the financial position or results of operations of the School in fiscal year 2019/2020, as well as future expectations, include the following:

- The 2019/2020 school year represents our sixth year of operation as a school. With the implementation of our school improvement plan, we focused on student achievement with additional administrative support (literacy coach and curriculum facilitator). We also implemented periodic FSA student practice and practice assessments for further curricular evaluation and instructional modifications to increase student achievement.
- The 2019/2020 school year ended with enrollment at 450 students. We anticipate an enrollment of 430 students for the 2020/2021 school year based on re-enrollment applications and new registration inquiries.

The following items represent other important highlights:

- Our charter renewal application was approved.
- Title 1 funds continued to provide necessary funding for educational specialists, allowing for critical support to students. The School also received funds from the Unified School Improvement Grant (UNISIG).
- The School received grants for its after-school program and capital outlay.
- Curriculum reserves are being held to allow for the appropriate curriculum replacement on a five-year cycle.

Requests for Information

This financial report is designed to provide a general overview of the Innovation Charter School, Inc.'s finances for all those with an interest. If you should have any questions pertaining to the information presented in this report or would like additional information, please contact the Finance Director of Innovation Charter School, Inc. at 600 SW 3rd Street, Pompano Beach, FL 33060.



BASIC FINANCIAL STATEMENTS

**Keefe
McCullough**
CPA's + Trusted Advisors



Innovation Charter School, Inc.
Statement of Net Position
June 30, 2020

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 1,764,923
Due from other governments	129,376
Prepaid items	<u>1,192</u>
Total current assets	<u>1,895,491</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	41,775
Deposits	<u>22,000</u>
Total noncurrent assets	<u>63,775</u>
Total assets	<u>1,959,266</u>
Current Liabilities:	
Accounts payable	5,177
Accrued liabilities	<u>170,971</u>
Total liabilities	<u>176,148</u>
Net Position:	
Net investment in capital assets	41,775
Unrestricted	<u>1,741,343</u>
Total net position	\$ <u><u>1,783,118</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

Innovation Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities</u>
					<u>Net Revenue (Expense) and Change in Net Position</u>
Functions/Programs:					
Instruction	\$ 2,009,112	\$ -	\$ 319,228	\$ -	\$ (1,689,884)
Exceptional programs	91,310	-	-	-	(91,310)
Instructional curriculum development	228,119	-	79,595	-	(148,524)
Instructional staff training services	3,699	-	-	-	(3,699)
Instructional related technology	50,602	-	-	-	(50,602)
Board services	15,239	-	-	-	(15,239)
General administration - district	96,175	-	-	-	(96,175)
School administration	316,826	-	-	-	(316,826)
Fiscal services	68,815	-	-	-	(68,815)
Food services	269,774	1,768	247,313	-	(20,693)
Operation of plant	523,893	-	-	226,796	(297,097)
Pupil transportation services	155,436	-	18,925	-	(136,511)
Community services	85,335	-	78,038	-	(7,297)
	<u>\$ 3,914,335</u>	<u>\$ 1,768</u>	<u>\$ 743,099</u>	<u>\$ 226,796</u>	<u>(2,942,672)</u>
Total governmental activities					
General revenues:					
Grants and entitlements					3,307,397
Miscellaneous revenues					99,282
					<u>3,406,679</u>
Total general revenues					
Change in net position					464,007
Net position, July 1, 2019					<u>1,319,111</u>
Net position, June 30, 2020					<u>\$ 1,783,118</u>

The accompanying notes to basic financial statements are an integral part of these statements.

Innovation Charter School, Inc.
 Balance Sheet - Governmental Funds
 June 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Outlay Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 1,764,923	\$ -	\$ -	\$ 1,764,923
Due from other governments	-	129,376	-	129,376
Due from special revenue fund	129,376	-	-	129,376
Prepaid items	1,192	-	-	1,192
Deposits	22,000	-	-	22,000
	<u>1,917,491</u>	<u>129,376</u>	<u>-</u>	<u>2,046,867</u>
Total assets	\$ <u>1,917,491</u>	\$ <u>129,376</u>	\$ <u>-</u>	\$ <u>2,046,867</u>
Liabilities:				
Accounts payable	\$ 5,177	\$ -	\$ -	\$ 5,177
Accrued liabilities	170,971	-	-	170,971
Due to general fund	-	129,376	-	129,376
	<u>176,148</u>	<u>129,376</u>	<u>-</u>	<u>305,524</u>
Total liabilities	<u>176,148</u>	<u>129,376</u>	<u>-</u>	<u>305,524</u>
Fund Balance:				
Nonspendable	23,192	-	-	23,192
Unassigned	1,718,151	-	-	1,718,151
	<u>1,741,343</u>	<u>-</u>	<u>-</u>	<u>1,741,343</u>
Total fund balances	<u>1,741,343</u>	<u>-</u>	<u>-</u>	<u>1,741,343</u>
Total liabilities and fund balances	\$ <u>1,917,491</u>	\$ <u>129,376</u>	\$ <u>-</u>	\$ <u>2,046,867</u>

The accompanying notes to basic financial statements are an integral part of these statements.

Innovation Charter School, Inc.
Reconciliation of the Balance Sheet - Governmental
Funds to the Statement of Net Position
June 30, 2020

Total Fund Balances - Governmental Funds \$ 1,741,343

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the governmental funds:

Cost of capital assets	215,229
Accumulated depreciation	<u>(173,454)</u>

Net Position of Governmental Activities \$ 1,783,118

The accompanying notes to basic financial statements are an integral part of these statements.

**Innovation Charter School, Inc.
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Outlay Fund</u>	<u>Total</u>
Revenues:				
Federal through state	\$ -	\$ 743,099	\$ -	\$ 743,099
State sources	3,307,397	-	226,796	3,534,193
Local sources	99,282	1,768	-	101,050
	<u>3,406,679</u>	<u>744,867</u>	<u>226,796</u>	<u>4,378,342</u>
Expenditures:				
Instruction	1,689,366	279,730	-	1,969,096
Exceptional programs	88,453	2,857	-	91,310
Instructional curriculum development	148,524	79,595	-	228,119
Instructional staff training services	197	3,502	-	3,699
Instructional related technology	50,602	-	-	50,602
Board services	15,239	-	-	15,239
General administration - district	96,175	-	-	96,175
School administration	316,826	-	-	316,826
Fiscal services	68,815	-	-	68,815
Food services	-	269,774	-	269,774
Operation of plant	294,425	12,446	217,022	523,893
Pupil transportation services	136,511	18,925	-	155,436
Community services	7,297	78,038	-	85,335
Capital outlay	-	-	9,774	9,774
	<u>2,912,430</u>	<u>744,867</u>	<u>226,796</u>	<u>3,884,093</u>
Net change in fund balance	<u>494,249</u>	<u>-</u>	<u>-</u>	<u>494,249</u>
Fund Balances, July 1, 2019	<u>1,247,094</u>	<u>-</u>	<u>-</u>	<u>1,247,094</u>
Fund Balances, June 30, 2020	<u>\$ 1,741,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,741,343</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**Innovation Charter School, Inc.
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020**

Net Change in Fund Balances - Governmental Funds \$ 494,249

Amounts reported for governmental activities in the
Statement of Activities are different because:

The governmental funds report capital outlay as
expenditures; however, in the statement of activities
these costs are allocated over their estimated useful
lives as provision for depreciation:

Cost of capital assets	9,774
Current year provision for depreciation	<u>(40,016)</u>

Change in Net Position of Governmental Activities \$ 464,007

The accompanying notes to basic financial statements are an integral part of these statements.

Note 1 - Organization and Operations

Reporting Entity: Innovation Charter School, Inc. (the "School") was incorporated as a not for profit corporation on July 10, 2013 organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act and Section 228.056, Florida Statutes. The governing body of the School is the Board of Directors (the "Board"), which is comprised of five members. The School's charter started July 1, 2015 and operations began August 2015. The School serves students in kindergarten through fifth grade.

The School operates under a charter of the sponsoring school district, the School Board of Broward County, Florida (the "District"). The current charter is effective until June 30, 2025. The School is a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Government Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included with the reporting entity of the School.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation: Based on the guidance provided in the American Institute of Certified Public Accountants, Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056(9), Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund financial statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

The School reports the following major governmental funds:

General Fund - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for federal grants and certain state grants that are legally restricted to expenditures for particular purposes.

Capital Outlay Fund - This fund is used to account for state and local capital outlay funding that is legally restricted to expenditures for particular purposes.

Basis of accounting: Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within sixty days of the end of the current period. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash and cash equivalents: The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

Due from other governments: Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Due to and due from other funds: Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Note 2 - Summary of Significant Accounting Policies (continued)

Capital assets: Capital assets purchased or acquired with an original cost of \$ 1,000 or more are capitalized at historical cost or estimated historical cost and are reported in the government-wide financial statement. Donated capital assets are valued at the estimated fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, which include equipment acquired with state shared revenues are reported in the government-wide financial statements.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Furniture and equipment	3-5 years
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Within the governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Unearned revenue: Unearned revenue arises when the School receives resources before it has a legal claim to them.

Net position classifications: Net position is classified in three categories. The general meaning of each is as follows:

Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - consists of net position with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. There are no restricted net assets as of the year-end.

Note 2 - Summary of Significant Accounting Policies (continued)

Unrestricted - indicates that portion of net position that is available to fund future operations and that do not meet the definition of "restricted" or "net investment in capital assets".

Fund balance - The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements.

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- *Restricted* - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- *Committed* - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision-making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- *Assigned* - this classification includes amounts that the Board of Directors intends to use for a specific purpose, but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- *Unassigned* - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet on page 9.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

State funding (primary source of revenue): Student funding is provided by the State of Florida through the District. In accordance with the Charter Agreement, the District retains not more than 5% as an administrative fee. This funding is received on a pro rata basis over the twelve-month period and is adjusted for changes in full-time equivalent student population. After review and verification of Full-Time Equivalent ("FTE") reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year's errors disclosed by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature. Normally, such adjustments are reported in the year the adjustments are made.

Note 2 - Summary of Significant Accounting Policies (continued)

Budget: An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the financial statements.

Income taxes: The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of management review: Subsequent events were evaluated by management through September 22, 2020, which is the date the financial statements were available to be issued.

Note 3 - Cash and cash equivalents

At June 30, 2020, the carrying amount of the School’s deposits and cash on hand totaled \$ 1,764,923 with a bank balance of \$ 1,798,942.

State statutes require, and it is the School’s policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity’s funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the Treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School’s deposits are held in a qualified public depository. They are covered by the collateral pool, as the School has identified itself as a public entity at June 30, 2020.

Note 4 - Capital Assets

A summary of changes in governmental capital assets is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Furniture and equipment	\$ 205,455	\$ 9,774	\$ -	\$ 215,229
Less: accumulated depreciation	<u>133,438</u>	<u>40,016</u>	<u>-</u>	<u>173,454</u>
	<u>\$ 72,017</u>	<u>\$ (30,242)</u>	<u>\$ -</u>	<u>\$ 41,775</u>

The provision for depreciation for the year ended June 30, 2020 amounted to \$ 40,016. The School allocated depreciation to instruction.

Note 5 - Related Party Transactions

Several members of the School’s Board of Directors are employees of the company from which the School leases its main facility (Note 6).

Note 6 - Commitments

Leases: The School currently has an operating lease agreement in place with a related party (Note 5) for its main facility expiring June 30, 2021. Monthly lease payments on this facility during fiscal year 2020 amounted to \$ 37,650. These payments increase to \$ 37,900 for fiscal year 2021. At the end of the initial lease term, the School has the option to extend the agreement for a period of one additional year at prevailing market rates. For the year ended June 30, 2020, the School paid \$ 451,800 related to this lease agreement. Future payments are due as follows:

<u>Year Ending June 30,</u>		
2021	\$	454,800
Thereafter		NONE

Note 7 - Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions, employee health, workers’ compensation and natural disasters for which the School carries commercial insurance. During the fiscal year 2020, the School did not experience any claims resulting from the risks described above.

Note 8 - Risk and Uncertainties

In March 2020, the *World Health Organization* declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, the local and global financial markets are experiencing significant declines and creating economic uncertainties. At this time, it is unknown precisely how this negative outlook will impact the School’s financial statements in the future.

The School received a notification from the Broward County District School Board of a proposed citation. The School intends to aggressively challenge this citation. At this time, an unfavorable outcome arising from this matter cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

Innovation Charter School, Inc.
Statement of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
State sources	\$ 3,253,235	\$ 3,307,397	\$ 54,162
Local sources	11,000	99,282	88,282
	<u>3,264,235</u>	<u>3,406,679</u>	<u>142,444</u>
Expenditures:			
Instruction	1,817,842	1,689,366	128,476
Exceptional programs	105,547	88,453	17,094
Instructional curriculum development	231,159	148,524	82,635
Instructional staff training services	646	197	449
Instructional related technology	76,122	50,602	25,520
Board services	3,500	15,239	(11,739)
General administration district	93,868	96,175	(2,307)
School administration	289,483	316,826	(27,343)
Fiscal services	54,500	68,815	(14,315)
Operation of plant	315,068	294,425	20,643
Pupil transportation services	184,500	136,511	47,989
Community services	-	7,297	(7,297)
Reserve fund	92,000	-	92,000
	<u>3,264,235</u>	<u>2,912,430</u>	<u>351,805</u>
Total expenditures			
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>494,249</u></u>	\$ <u><u>494,249</u></u>

Innovation Charter School, Inc.
Statement of Revenues and Expenditures
Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Federal through state	\$ 598,479	\$ 743,099	\$ 144,620
Local sources	-	1,768	1,768
	<u>598,479</u>	<u>744,867</u>	<u>146,388</u>
Expenditures:			
Instruction	197,016	279,730	(82,714)
Exceptional programs	-	2,857	(2,857)
Instructional curriculum development	51,249	79,595	(28,346)
Instructional staff training services	4,500	3,502	998
School administration	1,081	-	1,081
Food services	344,633	269,774	74,859
Operation of plant	-	12,446	(12,446)
Pupil transportation services	-	18,925	(18,925)
Community services	-	78,038	(78,038)
	<u>598,479</u>	<u>744,867</u>	<u>(146,388)</u>
Total expenditures	<u>598,479</u>	<u>744,867</u>	<u>(146,388)</u>
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

OTHER INDEPENDENT
AUDITOR'S REPORTS

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

To the Board of Directors
Innovation Charter 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 and each major fund of Innovation Charter School, Inc., (the "School"), a component unit of the School Board of Broward County, Florida, 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 22, 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 opinions 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.

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

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 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 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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 22, 2020

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Innovation Charter School, Inc.

Report on the Financial Statements

We have audited the financial statements of the Innovation Charter School, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2020, and have issued our report thereon dated September 22, 2020.

Auditor's Responsibility

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 and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on 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 22, 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 audit report. There were no recommendations made in the preceding audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity are Innovation Charter School, Inc. and school code 065177.

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 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

Sections 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 website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website 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 which warrants the attention of those charged with governance. In connection with our audit, we did not note 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 Board of Directors and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 22, 2020