

**VOLUSIA CHARTER SCHOOL OF
EXCELLENCE, INC.
D/B/A IVY HAWN
CHARTER SCHOOL OF THE ARTS**
A Charter School and Component Unit of the
District School Board of Volusia County, Florida

INDEPENDENT AUDITOR'S REPORT
for the fiscal year ended JUNE 30, 2020

King & Walker, CPAs, PL

Certified Public Accountants

THIS PAGE IS INTENTIONALLY BLANK.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

TABLE OF CONTENTS

	PAGE <u>NO.</u>
FINANCIAL SECTION	
Independent Auditor’s Report	1
Management’s Discussion and Analysis – (Unaudited)	3
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	8
Statement of Activities	9
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Notes to Financial Statements	14
Other Required Supplementary Information	
Budgetary Comparison Schedule – General Fund– (Unaudited)	27
Note to Required Supplementary Information	28
COMPLIANCE AND INTERNAL CONTROL	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	29
Management Letter as required by Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, <i>Charter School Audits</i> .	31

Members:
Florida Institute of CPAs
American Institute of CPAs
Government Audit Quality Center

2803 W. Busch Blvd Ste 106
Tampa, FL 33618
office (813) 892-4274 fax (813) 932-1913
www.KingandWalker.com

Independent Auditor's Report

To the Board of Directors of the Volusia Charter School of Excellence, Inc.
d/b/a Ivy Hawn Charter School of the Arts,
a Charter School and Component Unit of the District
School Board of Volusia County, Florida

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 Volusia Charter School of Excellence, Inc. d/b/a Ivy Hawn Charter School of the Arts ("School"), a charter school and component unit of the District School Board of Volusia 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 *Governmental 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 School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 thereof for the year 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, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, as listed on 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 historic 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 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 October 6, 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 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 the School's internal control over financial reporting and compliance.

Respectfully submitted,

 King & Walker, CPAs

October 6, 2020
Tampa, Florida

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)

The Management’s Discussion and Analysis (MD&A) section of the annual financial report of the Volusia Charter School of Excellence, Inc. d/b/a Ivy Hawn Charter School of the Arts (“School”) provides an overview of the School’s activities for the fiscal year ended June 30, 2020.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School’s financial statements and notes to financial statements, as listed on the table of contents.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2020, the School’s total disbursements exceeded total revenues as shown on the School’s Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds by \$571,224.
- As shown on the Balance Sheet - Governmental Funds, the School reported a total combined fund balance of \$1,588,351.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School’s overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government’s financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School’s net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School’s financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

Fund Financial Statements

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates four funds, a General Fund, Special Revenue Fund, Debt Service Fund, and a Capital Projects Fund. For reporting purposes, the General Fund, Debt Service Fund, and Capital Projects Fund are reported as major funds. Data from the other governmental funds are combined into a single aggregate presentation.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the School’s current year and prior year net position:

	Net Position, End of Year		
	<u>Governmental Activities</u>		
	<u>6-30-19</u>	<u>6-30-20</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 2,712,733	\$ 2,873,531	\$ 160,798
Capital Assets, net	16,294,544	15,924,711	(369,833)
Total Assets	<u>19,007,277</u>	<u>18,798,242</u>	<u>(209,035)</u>
LIABILITIES			
Current Liabilities	1,160,456	1,695,055	534,599
Long-Term Liabilities	18,112,459	17,956,746	(155,713)
Total Liabilities	<u>19,272,915</u>	<u>19,651,801</u>	<u>378,886</u>
NET POSITION			
Net Investment in Capital Assets	(1,676,976)	(2,032,032)	(355,056)
Restricted for Debt Service	1,229,311	1,221,813	(7,498)
Unrestricted	182,027	(43,340)	(225,367)
Total Net Position	<u>\$ (265,638)</u>	<u>\$ (853,559)</u>	<u>\$ (587,921)</u>

The assets of the School primarily consists of cash & cash equivalents, amounts due from other agencies, and capital assets net of accumulated depreciation. Liabilities primarily consist of short-term loan payable for the Paycheck Protection Program loan, accrued interest on bonds, capital leases, and long-term bonds payable.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)

The following is a summary of the School’s change in net position for the current year and prior year:

	Operating Results for the Year		
	<u>Governmental Activities</u>		
	<u>6-30-19</u>	<u>6-30-20</u>	<u>Increase (Decrease)</u>
Revenues:			
Federal through State and Local	\$ -	\$ 17,290	\$ 17,290
State Sources	6,860,408	6,884,431	24,023
Local and Other	<u>764,573</u>	<u>574,815</u>	<u>(189,758)</u>
Total Revenues	<u>7,624,981</u>	<u>7,476,536</u>	<u>(148,445)</u>
Expenses:			
Instruction	4,266,673	4,980,318	713,645
Student Support Services	22,919	40,859	(17,940)
Instr. & Curriculum Development	5,845	3,842	(2,003)
Instructional Related Technology	53,114	56,296	3,182
Board	375,762	35,364	(340,398)
General Administration	-	32,416	32,416
School Administration	826,764	698,726	(128,038)
Facilities Acq. & Construction	331,082	-	(331,082)
Fiscal Services	113,760	95,550	(18,210)
Food Services	79,384	66,686	(12,698)
Central Services	39,219	30,340	(8,879)
Student Transportation	88,006	57,576	(30,430)
Operation of Plant	432,851	403,447	(29,404)
Maintenance of Plant	53,991	112,954	58,963
Community Service	571,385	443,571	(127,814)
Amortization of Bond Discount	3,160	4,740	(1,580)
Interest & Fiscal Charges	<u>1,195,221</u>	<u>1,001,772</u>	<u>(193,449)</u>
Total Expenses	<u>8,459,136</u>	<u>8,064,457</u>	<u>(433,719)</u>
Increase/(Decrease) in Net Position	<u>\$ (834,155)</u>	<u>\$ (587,921)</u>	<u>\$ 285,274</u>

The largest revenue source for the School is the State of Florida (92%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

The largest concentration of expenses was for Instruction related functions which represents 63% of total expenditures.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$1,588,351.

BUDGETARY HIGHLIGHTS

The General Fund budget for the fiscal year ended June 30, 2020, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its General Fund budget. Refer to the Budgetary Comparison Schedule for additional information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$15,924,711 (net of accumulated depreciation). This investment in capital assets includes land, buildings & leasehold improvements, and furniture, fixtures, equipment. Additional information regarding the School's capital assets can be found in the notes to financial statements.

Short-Term Debt

In the 2019-20 fiscal year, the School received the Paycheck Protection Program Loan under the CARES Act of \$900,086 and a \$10,000 loan under the SBA Economic Injury Disaster Loan Program to be used for payroll costs and health care benefits. These loans are expected to be forgiven or repaid during the 2020-21 fiscal year. Additional information regarding the School's short-term debt can be found in the Note 6 to the financial statements.

Long-Term Debt

At June 30, 2020, the School's primary long-term debt outstanding was the result of bonds issued to purchase the land and the buildings the School had been previously leasing. The School also has outstanding capital leases payable entered into to secure various computer equipment for educational purposes. Additional information about the School's long-term debt is presented in the notes to financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Principal, at the Ivy Hawn Charter School of the Arts, 565 South Lakeview Drive, Unit 110, Lake Helen, FL 32744.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

STATEMENT OF NET POSITION

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash & Cash Equivalents	\$ 2,827,426
Due From Other Agency	38,855
Deposits	7,250
Capital Assets:	
Land	1,009,620
Buildings & Leasehold Improvements, Net	14,569,943
Furniture, Fixtures & Equipment, Net	345,148
Total Capital Assets, Net	<u>15,924,711</u>
TOTAL ASSETS	<u><u>18,798,242</u></u>
LIABILITIES	
Salaries and Benefits Payable	256,103
Accounts Payable	118,991
Accrued Interest on Bonds	409,875
Loan Payable	910,086
Long-Term Liabilities:	
Due in One Year:	
Bonds Payable	192,500
Capital Leases Payable	102,896
Due After One Year:	
Bonds Payable	17,524,510
Capital Leases Payable	136,840
TOTAL LIABILITIES	<u><u>19,651,801</u></u>
NET POSITION	
Net Investment in Capital Assets	(2,032,032)
Restricted for Debt Service	1,221,813
Unrestricted	(43,340)
TOTAL NET POSITION	<u><u>\$ (853,559)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020**

		Program Revenues			Net (Expenses) Revenue and Changes Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 4,980,318	\$ -	\$ -	\$ -	\$ (4,980,318)
Student Support Services	40,859		17,290		(23,569)
Instruction & Curriculum Development	3,842				(3,842)
Instructional Related Technology	56,296				(56,296)
Board	35,364				(35,364)
General Administration	32,416				(32,416)
School Administration	698,726				(698,726)
Fiscal Services	95,550				(95,550)
Food Services	66,686				(66,686)
Central Services	30,340				(30,340)
Student Transportation	57,576	53,974			(3,602)
Operation of Plant	403,447				(403,447)
Maintenance of Plant	112,954				(112,954)
Community Service	443,571				(443,571)
Amortization of Bond Discount	4,740				(4,740)
Interest & Fiscal Charges	1,001,772			477,500	(524,272)
Total Governmental Activities	\$ 8,064,457	\$ 53,974	\$ 17,290	\$ 477,500	(7,515,693)
General Revenues:					
State Sources					6,352,957
Local and Other					574,815
Total General Revenues					6,927,772
Change in Net Position					(587,921)
Net Position - July 1, 2019					(265,638)
Net Position - June 30, 2020					\$ (853,559)

The accompanying notes to the financial statements are an integral part of this statement.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 1,195,735	\$ 1,631,688	\$ 3	\$ 2,827,426
Due From Other Agency			38,855	38,855
Deposits	7,250			7,250
Due From Other Funds	38,855			38,855
TOTAL ASSETS	\$ 1,241,840	\$ 1,631,688	\$ 38,858	\$ 2,912,386
 LIABILITIES				
Salaries and Benefits Payable	\$ 256,103	\$ -	\$ -	\$ 256,103
Accounts Payable	118,991			118,991
Loan Payable	910,086			910,086
Due to Other Funds			38,855	38,855
Total Liabilities	1,285,180	-	38,855	1,324,035
 FUND BALANCES				
Nonspendable	7,250			7,250
Restricted for Capital Projects			3	3
Restricted for Debt Service		1,631,688		1,631,688
Unassigned	(50,590)	-	-	(50,590)
Total Fund Balances	(43,340)	1,631,688	3	1,588,351
TOTAL LIABILITIES & FUND BALANCES	\$ 1,241,840	\$ 1,631,688	\$ 38,858	\$ 2,912,386

The accompanying notes to the financial statements are an integral part of this statement.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2020

Total Fund Balances - Governmental Funds		\$ 1,588,351
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.</p>		
		15,924,711
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>		
Accrued Interest on Bonds	\$ 409,875	
Capital Leases Payable	239,736	
Bonds Payable, Net	<u>17,717,010</u>	<u>(18,366,621)</u>
Total Net Position - Governmental Activities		<u><u>\$ (853,559)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Federal Through State & Local	\$ -	\$ -	\$ -	\$ 17,290	\$ 17,290
State Sources	6,406,931		477,500		6,884,431
Local and Other	550,861	22,469	1,485		574,815
Total Revenues	<u>6,957,792</u>	<u>22,469</u>	<u>478,985</u>	<u>17,290</u>	<u>7,476,536</u>
Expenditures					
Current - Education:					
Instruction	4,307,220				4,307,220
Student Support Services	23,569			17,290	40,859
Instruction & Curriculum Development	3,842				3,842
Instructional Related Technology	56,296				56,296
Board	35,364				35,364
General Administration	32,416				32,416
School Administration	698,726				698,726
Fiscal Services	95,550				95,550
Food Services	66,686				66,686
Central Services	30,340				30,340
Student Transportation	57,576				57,576
Operation of Plant	403,447				403,447
Maintenance of Plant	112,954				112,954
Community Service	443,571				443,571
Fixed Capital Outlay:					
Facilities Acquisition & Construction	217,071		86,194		303,265
Debt Service:					
Principal	160,453				160,453
Interest & Fiscal Charges	13,290	1,185,905			1,199,195
Total Expenditures	<u>6,758,371</u>	<u>1,185,905</u>	<u>86,194</u>	<u>17,290</u>	<u>8,047,760</u>
Excess/(Deficiency) of Revenues					
Over/(Under) Expenditures	<u>199,421</u>	<u>(1,163,436)</u>	<u>392,791</u>	<u>-</u>	<u>(571,224)</u>
Other Financing Sources/(Uses):					
Transfers In/(Out)	(424,788)	958,515	(533,727)	-	-
Total Other Financing Sources/(Uses):	<u>(424,788)</u>	<u>958,515</u>	<u>(533,727)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(225,367)	(204,921)	(140,936)	-	(571,224)
Fund Balances, July 1, 2019	182,027	1,836,609	140,939	-	2,159,575
Fund Balances, June 30, 2020	<u>\$ (43,340)</u>	<u>1,631,688</u>	<u>\$ 3</u>	<u>-</u>	<u>\$ 1,588,351</u>

The accompanying notes to financial statements are an integral part of this statement.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
*For the Fiscal Year Ended June 30, 2020***

Net Change in Fund Balances - Governmental Funds	\$	(571,224)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds 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 of depreciation expense (\$673,098) in excess of capital outlays (\$303,265) in the current year.</p>		
		(369,833)
<p>Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.</p>		
		160,453
<p>Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds:</p>		
Amortization of bond discount	(4,740)	(4,740)
<p>Net effect of accrued interest in the governmental funds that require the use of current financial resources and are not reported in the statement of activities.</p>		
		197,423
Change in Net Position - Governmental Activities	\$	(587,921)

The accompanying notes to the financial statements are an integral part of this statement.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Volusia Charter School of Excellence, Inc. d/b/a Ivy Hawn Charter School of the Arts (“School”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Volusia County, Florida, (“District”). The School’s charter is effective to June 30, 2030, is subject to annual review and may be renewed by mutual 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 this 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. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides 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 within the reporting entity of the School.

➤ **Basis of Presentation**

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.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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.

The School's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service Fund – to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs.
- Capital Projects Fund – to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

The remaining governmental funds are non-major and reported in the aggregate.

➤ **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.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are 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 30 days of the end of the current fiscal

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term liquid investments with original maturities of three months or less at the date of acquisition.

Cash deposits consist of demand deposits held by local financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **Investments**

The School had not adopted a written investment policy. Therefore, pursuant to Florida Statutes, the School is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

The School's investments are set aside to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital assets and are classified as restricted. These investments are reported as restricted in the Debt Service and Capital Projects Funds in the Balance Sheet – Governmental Funds.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of Net Position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3-10 years
Buildings & Leasehold Improvements	10-30 years

➤ **Long-term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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 financial 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 then. The School does not have any items that qualify for reporting in this category.

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nondisposable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nondisposable fund balances at year end relate to assets that are in nondisposable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

The School’s policy is to apply expenditures against nondisposable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nondisposable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nondisposable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nondisposable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **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 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2020, the School reported 946.70 unweighted FTE and 983.3943 Weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management is currently evaluating the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the School's financial position, results of its operations and/or cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of June 30, 2020, the School was exposed to custodial credit risk. One of the School's bank accounts exceeded the FDIC insurance limit by \$945,734.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

3. INVESTMENTS

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the School's recurring fair value measurements as of June 30, 2020, are valued using quoted market prices (Level 1 inputs).

The School's investments at June 30, 2020, are reported as follows:

Investment	Amount
BB&T Trust Deposit Program - Money Market	\$ 1,631,691
Total	\$ 1,631,691

This investment is reported as a cash equivalent for financial statement reporting purposes.

4. DUE FROM OTHER AGENCY

The amount Due From Other Agency included in the accompanying statement of net position and balance sheet – governmental funds consists of an amount due from the Volusia County School Board for Charter School Capital Outlay revenue recorded in the Capital Projects Fund. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,009,620	\$ -	\$ -	\$ 1,009,620
Total Capital Assets Not Being Depreciated	<u>1,009,620</u>	<u>-</u>	<u>-</u>	<u>1,009,620</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	1,417,665	-	-	1,417,665
Buildings & Leasehold Improvements	15,157,331	303,265	-	15,460,596
Total Capital Assets Being Depreciated	<u>16,574,996</u>	<u>303,265</u>	<u>-</u>	<u>16,878,261</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(843,682)	(228,835)	-	(1,072,517)
Buildings & Leasehold Improvements	(446,390)	(444,263)	-	(890,653)
Total Accumulated Depreciation	<u>(1,290,072)</u>	<u>(673,098)</u>	<u>-</u>	<u>(1,963,170)</u>
Total Capital Assets Being Depreciated, Net	<u>15,284,924</u>	<u>(369,833)</u>	<u>-</u>	<u>14,915,091</u>
Governmental Activities Capital Assets, net	<u>\$ 16,294,544</u>	<u>\$ (369,833)</u>	<u>\$ -</u>	<u>\$ 15,924,711</u>

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Depreciation expense was charged to functions as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Instruction	<u>\$ 673,098</u>
Total Depreciation Expense	<u><u>\$ 673,098</u></u>

6. LOAN PAYABLE

The School was granted a loan from Wells Fargo in May 2020 in the amount of \$900,086, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. In addition, the School received an advance under the SBA Economic Injury Disaster Loan Program of \$10,000 in May 2020.

The PPP Loan, which was in the form of a Note dated May 26, 2020, matures on May 26, 2022, and bears interest at a rate of 1% per annum, payable monthly commencing on November 26, 2020. The Note may be prepaid by the School at any time prior to maturity with no prepayment penalties. Funds from the Loan and Advance may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The School intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan and Advance may be forgiven if they are used for qualifying expenses as described in the CARES Act.

7. OBLIGATIONS UNDER CAPITAL LEASES

The School entered into capital lease agreements on various dates in order to acquire office and computer equipment. The asset value of the various office and computer equipment acquired totals \$463,084. The capital lease agreements require periodic payments over future years and interest rates range from 6.00 to 7.72 percent.

The annual requirements to amortize the capital leases outstanding at June 30, 2020, follows:

<u>Fiscal Year Ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 116,805	\$ 102,896	\$ 13,909
2022	100,186	93,155	7,031
2023	45,110	43,685	1,425
Total	<u><u>\$ 262,101</u></u>	<u><u>\$ 239,736</u></u>	<u><u>\$ 22,365</u></u>

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

8. BONDS PAYABLE

Bonds payable at June 30, 2020, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Annual Maturity To</u>
Revenue Bonds:			
Series 2018A	\$ 17,635,000	5.5 percent	2054
Series 2018B	240,000	5.5 percent	2023
less: Unamortized Bond Discount	<u>(157,990)</u>		
Total Bonds Payable	<u>\$ 17,717,010</u>		

Revenue Bonds Series 2018A and 2018B – On November 1, 2018, the School issued tax-exempt revenue bonds (Series 2018A) for \$17,635,000 and taxable revenue bonds (Series 2018B) for \$240,000 secured by a mortgage on the School’s property and buildings. The bonds were issued to (I) finance or refinance, including through reimbursement, the acquisition, improvement and equipping of the Facilities; (II) refinance certain indebtedness, the proceeds of which was used to fund capital projects related the Facilities, (III) finance certain additional capital improvements to the Facilities, (IV) fund a debt service reserve for the Series 2018 Bonds; (V) pay certain costs of issuing the Series 2018 Bonds.

Series 2018A bonds are term bonds paying interest semi-annually at a rate of 5.5% with maturities starting 6/20/2021, and ending 6/30/2054. Series 2018B bonds are term bonds paying interest semi-annually at a rate of 5.5% with maturities starting 6/30/2021, and ending 6/30/2023.

As required by the bond resolution, the District has established a sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

In the event of default for non-payment of principal or interest on the bonds, the outstanding amounts will become due and payable. The School is required to disclose its debt service coverage ratio and days cash on hand as described in the Loan Agreement. The minimum debt service coverage ratio is 1.1 to 1 (the “debt Service Coverage Requirement”) as of June 30, 2020. The School’s debt service coverage ratio as calculated was 1.10.

The School agrees to have cash on hand at June 30, 2020, in an amount of not less than 30 days cash on hand and an amount not less than 45 days cash on hand each June 30 starting June 30, 2021, until the bonds are no longer outstanding. As of June 30, 2020, the Schools number of days cash on hand was 69.

VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS
A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Annual requirements to amortize all bonded debt outstanding as of June 30, 2020, are as follows:

Fiscal Year Ending June 30:	Total	Principal	Interest
2021	\$ 1,176,200	192,500	983,700
2022	1,192,612	219,167	973,445
2023	1,190,909	229,167	961,742
2024	1,193,283	243,750	949,533
2025	1,190,706	254,167	936,539
2026-2030	5,969,605	1,493,750	4,475,855
2031-2035	5,960,083	1,921,667	4,038,416
2036-2040	5,961,796	2,499,583	3,462,213
2041-2045	5,965,023	3,265,417	2,699,606
2046-2050	5,965,594	4,271,250	1,694,344
2051-2054	3,679,990	3,284,582	395,408
<i>Less: Unamortized Bond Discount</i>	<i>(157,990)</i>	<i>(157,990)</i>	<i>-</i>
Total	<u>\$ 39,287,811</u>	<u>\$17,717,010</u>	<u>\$21,570,801</u>

9. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Capital Leases Payable	\$ 400,189	\$ -	\$ 160,453	\$ 239,736	\$ 102,896
Bonds Payable	17,875,000	-	-	17,875,000	192,500
Unamortized Bond Discount	(162,730)	4,740	-	(157,990)	-
Total Governmental Activities	<u>\$ 18,112,459</u>	<u>\$ 4,740</u>	<u>\$ 160,453</u>	<u>\$ 17,956,746</u>	<u>\$ 295,396</u>

10. INTERFUND RECEIVABLES, PAYABLES, & TRANSFERS

At June 30, 2020, the School's Capital Projects Fund owed the General Fund \$38,855 for expenditures awaiting reimbursement from other agencies. These amounts are netted together and not reported in the statement of net position.

The School's General Fund and Capital Projects Fund transferred \$424,788 and \$533,727, respectively, to the Debt Service Fund for interest payments owed on long-term debt. These amounts of interfund transfers are netted together and not reported in the statement of activities.

VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS
A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School’s State revenue for the 2019-20 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 4,104,785
Class Size Reduction	976,660
Charter School Capital Outlay	477,500
Discretionary Local Effort	428,652
Supplementary Academic Instruction	256,630
ESE Guaranteed Allocation	163,573
School Recognition	94,639
Best & Brightest Funds	90,097
Discretionary Millage	73,152
Instructional Materials	70,874
Student Transportation	53,974
Reading Allocation	38,383
Mental Health Assistance Allocation	24,222
Florida Teachers Lead Program	22,610
Miscellaneous	7,800
Discretionary Lottery	880
Total State Revenue	\$ 6,884,431

As provided in the charter school contract, the District has charged the School an administrative fee equal of \$32,416.

12. PENSION PLAN

The School has a retirement plan (the “Plan”) pursuant to Section 408(p) of the Internal Revenue Code (the “Code”), whereby participants may contribute a percentage of compensation, not in excess of the maximum amount allowed under the Code. The Plan requires the School to make matching contributions in an amount equal to the participants’ salary reduction contribution up to a maximum of three percent of each participant’s annual compensation. For the fiscal year ended June 30, 2020, the School contributed \$35,217 to the Plan.

13. FACILITY LEASES

The School entered into a revised lease agreement for administrative and classroom space under an operating lease for a term of July 1, 2016, through June 30, 2025, with the right to extend the term of the lease for three additional 5 year periods, if not in default of the lease terms. Included in the lease was an option to purchase the property with a first right of refusal should the Landlord decide to sell the facility at any time during the contract term. The School in November 2018 chose to purchase the buildings that they had been leasing. Bonds were issued for the purchase of the buildings which is further discussed in Note 8 of the financial statements. Subsequent to the purchase, office space that is not currently needed for the School are leased to 3rd party lessees.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS**

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

For the 2020 fiscal year, the rents collected by the School as revenue amounted to \$111,210. The School intends to continue the leases until such time as that office space is needed for School expansion.

14. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

15. RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

16. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2020, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

17. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.
D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)**

For the Fiscal Year Ended June 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State Sources	\$ 6,483,023	\$ 6,406,931	\$ 6,406,931	\$ -
Local and Other	189,111	550,861	550,861	-
Total Revenues	<u>6,672,134</u>	<u>6,957,792</u>	<u>6,957,792</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	4,019,734	4,307,220	4,307,220	-
Student Support Services	-	23,569	23,569	-
Instruction & Curriculum Development	142,937	3,842	3,842	-
Instructional Related Technology	-	56,296	56,296	-
Board	26,000	35,364	35,364	-
General Administration	-	32,416	32,416	-
School Administration	683,055	698,726	698,726	-
Facilities Acquisition & Construction	15,000	-	-	-
Fiscal Services	111,439	95,550	95,550	-
Food Services	91,449	66,686	66,686	-
Central Services	25,000	30,340	30,340	-
Student Transportation	90,500	57,576	57,576	-
Operation of Plant	345,521	403,447	403,447	-
Maintenance of Plant	141,837	112,954	112,954	-
Community Service	54,112	443,571	443,571	-
Fixed Capital Outlay:				
Facilities Acquisition & Construction	-	217,071	217,071	-
Debt Service:				
Principal	-	160,453	160,453	-
Interest & Fiscal Charges	28,273	13,290	13,290	-
Total Expenditures	<u>5,774,857</u>	<u>6,758,371</u>	<u>6,758,371</u>	<u>-</u>
Excess/(Deficiency) of Revenues				
Over/Under Expenditures	<u>897,277</u>	<u>199,421</u>	<u>199,421</u>	<u>-</u>
Other Financing Sources/(Uses):				
Transfers In (Out)	(479,700)	(424,788)	(424,788)	-
Total Other Financing Sources/(Uses):	<u>(479,700)</u>	<u>(424,788)</u>	<u>(424,788)</u>	<u>-</u>
Net Changes in Fund Balance	417,577	(225,367)	(225,367)	-
Fund Balance, July 1, 2019	182,027	182,027	182,027	-
Fund Balance, June 30, 2020	<u>\$ 599,604</u>	<u>\$ (43,340)</u>	<u>\$ (43,340)</u>	<u>\$ -</u>

See Independent Auditor's Report.

VOLUSIA CHARTER SCHOOL OF EXCELLENCE, INC.

D/B/A IVY HAWN CHARTER SCHOOL OF THE ARTS

A Charter School and Component Unit of the District School Board of Volusia County, Florida

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

Members:
Florida Institute of CPAs
American Institute of CPAs
Government Audit Quality Center

2803 W. Busch Blvd Ste 106
Tampa, FL 33618
office (813) 892-4274 fax (813) 932-1913
www.KingandWalker.com

Independent Auditor's 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*

To the Board of Directors of the Volusia Charter School of Excellence, Inc.
d/b/a Ivy Hawn Charter School of the Arts,
a Charter School and Component Unit of the District
School Board of Volusia County, Florida

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 Volusia Charter School of Excellence, Inc. d/b/a Ivy Hawn Charter School of the Arts ("School"), a charter school and component unit of the District School Board of Volusia 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 October 6, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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 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 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.

Respectfully submitted,

King & Walker, CPAs

October 6, 2020
Tampa, Florida

Members:
Florida Institute of CPAs
American Institute of CPAs
Government Audit Quality Center

2803 W. Busch Blvd Ste 106
Tampa, FL 33618
office (813) 892-4274 fax (813) 932-1913
www.KingandWalker.com

**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of the Volusia Charter School of Excellence, Inc.
d/b/a Ivy Hawn Charter School of the Arts,
a Charter School and Component Unit of the District
School Board of Volusia County, Florida

Report on the Financial Statements

We have audited the financial statements of the Volusia Charter School of Excellence, Inc. d/b/a Ivy Hawn Charter School of the Arts (“School”), a charter school and a component unit of the District School Board of Volusia County, Florida, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated October 6, 2020.

Auditor’s 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 Auditor's 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 those reports and schedule, which are dated October 6, 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 prior audit findings or recommendations.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that 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 the school code assigned by the Florida Department of Education of the entity are Ivy Hawn Charter School of the Arts, 647621.

Financial Condition

Sections 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 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 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)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 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 Board of Directors, and applicable management, and the District School Board of Volusia County and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive style.

October 6, 2020
Tampa, Florida