



Morgan • Jacoby • Thurn • Boyle
& Associates, P.A.
Certified Public Accountants

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

Annual Financial Report

June 30, 2021

(With Independent Auditors' Report Thereon)



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian River Charter High School, Inc., a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian River Charter High School, Inc., as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2021, on our consideration of the Indian River Charter High School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Indian River Charter High School, Inc.'s internal control over financial reporting and compliance.

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

September 10, 2021

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

Management's Discussion and Analysis

This section of the Indian River Charter High School, Inc.'s (the School or IRCHS) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the School's basic financial statements, which immediately follow this section.

Highlights

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

The School's net position increased by \$1,038,247 or 13.3% from the prior year. In comparison, the prior year experienced a decrease of \$15,668. The change reflected in the past two years is primarily due to additional funding available as a result of the COVID-19 pandemic. Student enrollment for the 2020-2021 school year totaled six hundred sixty-eight, an increase from the six hundred thirty-six students enrolled during the 2019-2020 school year.

At year end, the School accumulated a surplus of unrestricted net position of \$4,816,243, which was an increase of \$1,025,368 for this fiscal year.

Like many schools across the country, IRCHS operated under a hybrid instructional model during the 2020-2021 school year. Students had the option to attend school virtually, fully in-person, or a combination of the two. The pandemic and the instructional model for the school year had an impact on the School's ability to participate in many of their traditional activities. Additionally, many of the state-sponsored competitions, festivals, and performances that IRCHS typically participates in were cancelled. Consequently, achievements that are normally listed in this section may be absent. The State of Florida has issued new guidance regarding school grades for the 2020-2021 school year. Based on this guidance, the School has chosen to opt-out of receiving a school grade for the 2020-2021 school year. In doing so, IRCHS will remain an "A" school and retain its status as a School of Excellence. In spite of these headwinds, there were still many accomplishments we are excited to share below:

- IRCHS once again had a highly successful year in the classroom. Despite the disruption of virtual learning within the hybrid/synchronous instruction model, the School was able to administer the Florida Standards Assessments (FSA) end-of-course (EOC) exams in English/Language Arts (ELA) for 9th and 10th graders, Algebra 1, Geometry, U.S. History, and Biology. Scores in each of these courses vastly exceeded district and state averages. In particular, the Algebra 1 pass rate at IRCHS was 60% higher than the state average, and 83% of US History students at IRCHS passed their exam. Additionally, the School offered Advanced Placement (AP) exams in 19 different subject areas with 180 tests taken. The vast majority of these courses exceeded state and national averages for passing rates, including 100% pass rates in Art, Computer Science, Research, and Seminar. While school grades were not calculated for the 2020-21 school year, IRCHS feels confident that they have successfully navigated a tumultuous school year, and that they are poised for even greater success in the future.
- The School's Visual and Performing Arts programs (VAPA) was able to work creatively to engage students in a variety of activities, including:

- Theatre
 - Students participated in the Florida Thespians Virtual Festival:
 - The department hosted several sold out performances of the play, “Lord of the Flies.”
 - The department also staged several sold out performances of the musical, “The Fantasticks.”
- Dance
 - The students led, organized, choreographed, and hosted a student choreography showcase, led by our National Honor Society for Dance Arts students.
 - The department held their end-of-year dance show on the day after graduation, a culminating performance of all of our dance students, led by their directors.
- Jazz
 - The top Wolves jazz band played at several community events throughout the year, including the Music Angels non-profit benefit concert.
 - The Jazz Extravaganza was held in May, a two-night event that featured the school’s four jazz bands performing several hours of music.
- Art
 - Several students received merit scholarships for their work, including one student receiving a \$40,000 scholarship to Ringling College of Art & Design.
 - The department was able to host their traditional juried art competition and show, with prizes awarded to students in the mediums of painting, drawing, 2D, ceramics, and photography. Eighty pieces were submitted.
 - Students earned a 100% pass rate on the 2020 AP Studio Art exam.
- Choir
 - The choir recorded a Christmas program of sacred, academic pieces of music.
 - The choir held a final, end of year concert and celebrated the retirement of their director for the past 20 years, Mr. Gary Miller.
- Orchestra
 - The orchestra recorded a Christmas program, including a full and complete Bach sonata.
 - The orchestra also performed an end of year concert in collaboration with two area middle schools.
 - The AP Music Theory pass rate is over 85% over the past four-year period, which 29 students taking the exam in that time period.
 - An 11th grade oboist was selected to the Florida all-state concert band based on a blind audition, where she was chosen as the first chair oboist.
 - Three seniors were selected for the all-state honors orchestra based on their performance and leadership resume.

Overview of the Financial Statements

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

- The first two statements are School-Wide financial statements that provide both short-term and long-term information about the School’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School’s operations in more detail than the School-Wide statements.

- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about activities that are operated like businesses. The School currently has no proprietary funds.
- Fiduciary funds statements provide information about the financial relationships in which the School acts solely as agent for the benefit of others.

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

School-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

There are three kinds of funds:

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

Financial Analysis of the School as a Whole

Net position of the School’s governmental position consisted of the following as of June 30, 2021 and 2020:

	Net Position – Governmental Activities	
	<u>2021</u>	<u>2020</u> (Restated)
Current and other assets	\$ 5,803,460	4,216,863
Capital assets, net	11,327,913	5,657,591
Total assets	<u>17,131,373</u>	<u>9,874,454</u>
Current liabilities	778,491	1,002,940
Long-term debt	7,467,081	1,023,960
Total liabilities	<u>8,245,572</u>	<u>2,026,900</u>
Net position:		
Invested in capital assets	3,855,819	3,956,679
Restricted	213,739	100,000
Unrestricted	4,816,243	3,790,875
Total net position	\$ <u>8,885,801</u>	<u>7,847,554</u>

The School’s net position increased by \$1,038,247, or 13.3%, from the prior year, resulting primarily from increased for the year, as discussed in the following section.

The School had no business-type position as of June 30, 2021 and 2020. The following schedule compares revenues and expenses during the years ended June 30, 2021 and 2020:

	<u>Change in Net Position – Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
General revenues:		
Intergovernmental	\$ 5,896,122	5,245,071
Other	795,646	446,563
Operating grants and contributions	63,893	47,074
Contributions for capital expenditures	5,200	8,500
Total revenues	<u>6,760,861</u>	<u>5,747,208</u>
Expenses:		
Instruction related	3,236,152	3,490,277
School administration	844,064	734,102
Food service	288	888
Information and technology services	119,106	130,088
Transportation	60	307
Maintenance and operations of facilities and plant	742,353	787,725
Other	780,591	619,489
Total expenses	<u>5,722,614</u>	<u>5,762,876</u>
Change in net position	\$ <u>1,038,247</u>	<u>(15,668)</u>

Total revenues for the year increased by \$1,013,653, or 17.6%, primarily due to increased funding related to COVID-19, including allocations from the state to increase teacher pay, new federal funding under the CARES Act providing additional funds to elementary and secondary schools, and payroll tax credits that were made available under the CARES Act.

Total expenses decreased \$40,262 or 0.7%, due primarily to decreased educational expenses that were related to personnel costs, travel and trainings, as COVID-19 limited these activities during the 2020-2021 school year. These decreases were offset by increased interest charges and depreciation expense related to the new building that was completed in February 2021.

Financial Analysis of the School's Funds

The School's general fund position increased \$1,354,976 during the year to \$4,810,840, resulting in an increase in its cash by \$1,605,508. The net increase in reserves was primarily attributable to an increase in FTE revenues of \$394,121 and payroll tax credits available under the CARES act of \$317,187, in addition to a decrease in expenses of \$112,575.

The School's net increase in the capital projects fund of \$94,560 reflects a \$358,505 increase in revenues, a \$4,181,374 increase in expenditures, and a \$4,342,442 increase in other financing sources. The increase in revenues relates to \$357,648 in additional funding available from Department of Education as a result of the CARES Act through the Elementary and Secondary School Emergency Relief Fund (ESSER Fund).

The increases in expenditures and other financing sources relates to the School's construction project, which generated \$6,009,747 in construction loan financing to fund in part the \$6,303,106 in capital expenditures.

Current Budget

Annually, the School's Board of Directors approves a general fund budget for the upcoming fiscal year prior to the beginning of that fiscal year. The following table presents the general fund budget, as approved, as compared to 2020-2021 actual results.

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal through state through local	\$ 73,621	73,621	106,933	33,312
State through local	—	—	10,440	10,440
Local	4,925,687	4,925,687	5,257,202	331,515
Other	300,702	300,702	859,424	558,722
Total revenues	<u>5,300,010</u>	<u>5,300,010</u>	<u>6,233,999</u>	<u>933,989</u>
Expenditures:				
Current – education:				
Instruction related	3,314,716	3,314,716	3,236,152	78,564
School administration	687,956	687,956	844,064	(156,108)
Food service	3,000	3,000	288	2,712
Information and technology services	141,578	141,578	119,106	22,472
Transportation	300	300	60	240
Maintenance and operations of facilities and plant	<u>711,796</u>	<u>711,796</u>	<u>679,353</u>	<u>32,443</u>
Total expenditures	<u>4,859,346</u>	<u>4,859,346</u>	<u>4,879,023</u>	<u>(19,677)</u>
Other financing sources (uses)	—	—	—	—
Net change in fund balance	\$ <u>440,664</u>	<u>440,664</u>	<u>1,354,976</u>	<u>914,312</u>

The School's favorable increase in local funding was due in part to additional funding of approximately \$108,000 available from the Department of Education for teacher salary increases. Additionally, the variance includes the income of principal payments from the Indian River County School Board local discretionary tax levy lawsuit received during the fiscal year. This income was used for normal operations of the School. The amount received during the fiscal year from this source was \$197,468.

The School's favorable increase in other revenues includes approximately \$206,000 of non-resident tuition generated in excess of budget as well as the \$317,187 of payroll tax credits resulting from the CARES Act discussed above.

Capital Asset and Debt Administration

Capital Position

As of June 30, 2021, the School had invested \$11,327,913 in a variety of capital position, as reflected in the following schedule, which represents a net increase (additions less disposals and depreciation) of \$5,670,322 or 100.2% from the end of last year.

	<u>2021</u>	<u>2020</u>
Improvements other than buildings	\$ 286,469	78,563
Buildings and improvements	10,273,442	3,116,562
Construction in progress	—	1,926,537
Furniture, fixtures, and equipment	745,782	535,823
Audio/visual equipment	22,220	—
Computer software	<u>—</u>	<u>106</u>
Governmental capital assets, net	\$ <u>11,327,913</u>	<u>5,657,591</u>

The increase indicated above reflects the construction of new School buildings to replace aging infrastructure, which cost approximately \$8 million.

Long-Term Debt

During the year ended June 30, 2020, the School obtained a new mortgage note providing for total borrowings of \$7,500,000 to fund the new School building construction discussed above. The mortgage note agreement provides for interest only payments at 2.84% during the construction, and then monthly interest and principal payments of \$51,369 through May 29, 2036. Construction was completed in February 2021 and principal payments began in June 2021. The outstanding balance at June 30, 2021 is \$7,467,081.

Factors Bearing on the School's Future

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

- The School spent the summer of 2021 preparing to return from the previous years' modified instructional model. All of the School's students are eligible for vaccination, though the rate of vaccination is not known at this time. As per executive order 21-175 from Governor DeSantis, masks are optional on the school's campus. Students have the opportunity to "opt-out" from wearing a mask. The School also spent a significant portion of the summer preparing two new structures, the 700 and 800 buildings, for student use. While the classroom furniture had been purchased previously, a significant amount of time and energy was spent making sure each classroom was equipped from a furniture, hardware, IT, and miscellaneous items perspective.
- For the 2021-2022 school year, the School will be returning to a traditional instructional model. While teachers will continue to use Google Classroom to post assignments and Focus for attendance and gradebook, IRCHS will serve as a traditional brick-and-mortar school, without offering any virtual learning options.

- The School continues its 1:1 Chromebook program, with these devices being signed out to students for the entirety of their progression through the School. Many of our Chromebooks were outdated and no longer supported, so 250 new Chromebooks were purchased and issued. The computers are on a four-year life cycle, meaning that new devices will need to be purchased on a regular basis.
- The School continues its partnership with international student exchange companies. Many companies have placed students at the School for the 2021-22 school year. The School's reputation in academics, visual and performing arts, and golf has created a strong interest among international students. In spite of limiting effects of the current global pandemic, a total of 55 students are currently attending IRCHS for the fall semester.
- The School completed construction in February of 2021 on a new 16-classroom, two story building as well as a multi-purpose hall. The project cost was approximately \$8 million. Financing was secured, and the loan is currently being repaid. These buildings are fully operational and being used for their intended purpose.

Contacting the School's Financial Management

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

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

Statement of Net Position

June 30, 2021

		<u>Total Governmental Activities</u>
Assets:		
Cash	\$	5,459,763
Due from primary government (note 2)		160,125
Other receivables		160,507
Prepaid expenses		23,065
Capital assets, net of accumulated depreciation of \$5,277,667 (note 3)		<u>11,327,913</u>
Total assets		<u>17,131,373</u>
Liabilities:		
Accounts payable		14,119
Construction contracts payable		5,013
Accrued expenses		280,859
Deferred revenue		478,500
Long-term debt (note 4):		
Due within one year		406,755
Due after one year		<u>7,060,326</u>
Total liabilities		<u>8,245,572</u>
Net Position:		
Invested in capital assets, net of related debt		3,855,819
Restricted for capital projects		94,560
Restricted for scholarships		119,179
Unrestricted		<u>4,816,243</u>
Total net position	\$	<u>8,885,801</u>

See accompanying notes to basic financial statements.

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

Statement of Activities

Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues – Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position – Governmental Activities</u>
Governmental activities:			
Instruction	\$ 2,871,598	42,776	(2,828,822)
Student and instructional support services	291,137	–	(291,137)
Instructional media services	73,417	–	(73,417)
School administration	844,064	–	(844,064)
Facilities acquisition and construction	98,689	–	(98,689)
Food service	288	–	(288)
Information services	71,103	–	(71,103)
Student transportation services	60	–	(60)
Operation of plant	623,392	–	(623,392)
Maintenance of plant	20,272	–	(20,272)
Administrative technology services	48,003	–	(48,003)
Interest on long-term debt	147,807	–	(147,807)
Unallocated depreciation expense	<u>632,784</u>	<u>–</u>	<u>(632,784)</u>
Total governmental activities	\$ <u>5,722,614</u>	<u>42,776</u>	<u>(5,679,838)</u>
General revenues:			
Intergovernmental:			
Local for operational purposes			5,059,734
State through local for operational purposes			10,440
State through local for capital projects			361,367
Federal through state through local for operational purposes			106,933
Federal through state through local for capital purposes			357,648
Investment earnings			19,872
Miscellaneous			<u>802,091</u>
Total general revenues			<u>6,718,085</u>
Change in net position			1,038,247
Net position, beginning of year, as previously reported			7,634,790
Adjustment for implementation of GASB No. 84			212,764
Net position, beginning of year, as restated			<u>7,847,554</u>
Net position, end of year			\$ <u>8,885,801</u>

See accompanying notes to basic financial statements.

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

Balance Sheet
Governmental Funds

June 30, 2021

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash	\$ 4,987,780	471,983	5,459,763
Due from primary government (note 2)	–	40,556	40,556
Other receivables	160,507	–	160,507
Due from other fund (note 2)	412,966	–	412,966
Prepaid expenses	<u>23,065</u>	<u>–</u>	<u>23,065</u>
	\$ <u>5,584,318</u>	<u>512,539</u>	<u>6,096,857</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	14,119	–	14,119
Construction contracts payable	–	5,013	5,013
Accrued expenses	280,859	–	280,859
Due to other fund (note 2)	–	412,966	412,966
Deferred revenue	<u>478,500</u>	<u>–</u>	<u>478,500</u>
Total liabilities	<u>773,478</u>	<u>417,979</u>	<u>1,191,457</u>
Fund Balances:			
Nonspendable	123,065	–	123,065
Restricted	19,179	94,560	113,739
Committed	615,896	–	615,896
Assigned	14,693	–	14,693
Unassigned	<u>4,038,007</u>	<u>–</u>	<u>4,038,007</u>
Total fund balances	<u>4,810,840</u>	<u>94,560</u>	<u>4,905,400</u>
	\$ <u>5,584,318</u>	<u>512,539</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$16,605,580 and the accumulated depreciation is \$5,277,667.	11,327,913
Other long term assets not available for current-period expenditures are deferred.	119,569
Long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	<u>(7,467,081)</u>
Total net position – governmental activities	\$ <u>8,885,801</u>

See accompanying notes to basic financial statements.

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

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

Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Federal through state through local	\$ 106,933	357,648	464,581
State through local	10,440	361,367	371,807
Local (note 5)	5,257,202	—	5,257,202
Contributions	63,893	5,200	69,093
Non-resident tuition	306,185	—	306,185
CARES Act tax credits	317,187	—	317,187
Student fees	42,776	—	42,776
Other	129,383	115	129,498
Total revenues	<u>6,233,999</u>	<u>724,330</u>	<u>6,958,329</u>
Expenditures:			
Current – education:			
Instruction	2,871,598	—	2,871,598
Student and instructional support services	291,137	—	291,137
Instructional media services	73,417	—	73,417
School administration	844,064	—	844,064
Facilities acquisition and construction	35,689	63,000	98,689
Food service	288	—	288
Information services	71,103	—	71,103
Student transportation services	60	—	60
Operation of plant	623,392	—	623,392
Maintenance of plant	20,272	—	20,272
Administrative technology services	48,003	—	48,003
Debt service:			
Principal	—	125,604	125,604
Interest	—	147,807	147,807
Capital outlay:			
Facilities acquisition and construction	—	6,303,106	6,303,106
Total expenditures	<u>4,879,023</u>	<u>6,639,517</u>	<u>11,518,540</u>
Other financing sources (uses):			
Proceeds from long term debt	—	6,009,747	6,009,747
Total other financing sources (uses)	<u>—</u>	<u>6,009,747</u>	<u>6,009,747</u>
Net change in fund balances	1,354,976	94,560	1,449,536
Fund balances, beginning of year, as previously reported	3,243,100	—	3,243,100
Adjustment for implementation of GASB No. 84	212,764	—	212,764
Fund balances, beginning of year, as restated	<u>3,455,864</u>	<u>—</u>	<u>3,455,864</u>
Fund balances, end of year	\$ <u>4,810,840</u>	<u>94,560</u>	<u>4,905,400</u>

See accompanying notes to basic financial statements.

(Continued)

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

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

Year Ended June 30, 2021

	<u>Total Governmental Funds</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities:	
Net change in fund balances – total governmental funds	\$ 1,449,536
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$6,303,106 is more than depreciation expense \$632,784.	5,670,322
Revenues providing current financial resources to governmental funds, but not reported in the statement of activities as such amounts were reported in prior years. This is the amount of repayments received on the settlement receivable (note 2 and 5)	(197,468)
Certain capital outlays were financed by long term debt. The amount financed by long term debt is reported as a source of financing in governmental funds but not in the statement of activities.	(6,009,747)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position and does not affect the statement of activities.	<u>125,604</u>
Change in net position of governmental activities	\$ <u>1,038,247</u>

See accompanying notes to basic financial statements.

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

Statement of Fiduciary Net Position
Custodial Funds

June 30, 2021

		<u>Total Custodial Funds</u>
Assets:		
Cash	\$	<u>3,907</u>
Total assets		<u>3,907</u>
Liabilities		<u>—</u>
Total net position	\$	<u>3,907</u>

Statement of Changes in Fiduciary Net Position
Custodial Funds

Year Ended June 30, 2021

		<u>Total Custodial Funds</u>
Additions:		
Student activity revenues	\$	710
Deductions:		
Student activity services expenses		<u>1,649</u>
Net increase in fiduciary net position		(939)
Net position:		
Beginning of year, as restated		<u>4,846</u>
Ending of year	\$	<u>3,907</u>

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

June 30, 2021

(1) *Organization and Summary of Significant Accounting Policies*

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

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

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

(a) *Reporting Entity*

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

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

(Continued)

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

Notes to Basic Financial Statements

(b) Basic Financial Statements

The basic financial statements include both School-Wide (based on the School as a whole) and fund financial statements. Both the School-Wide and fund financial statements categorize primary activities as either governmental or business type. In the School-Wide statement of net position, governmental and business-type activities are presented separately and are reflected on a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt. As of and for the year ended June 30, 2021, the School had no activities that would be considered business-type.

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

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

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

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

(Continued)

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

Notes to Basic Financial Statements

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

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

Governmental Funds

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

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

General Fund

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

Capital Projects Fund

Capital projects funds are used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for educational capital outlay needs, including new construction or renovation and remodeling projects and other capital assets. During the year ended June 30, 2021, the School used the capital projects fund to account for capital outlays funded by capital outlay revenues and long-term debt.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in fund net position, financial position, and cash flows, which is similar to businesses. As of and for the year ended June 30, 2021, the School had no activities which would be accounted for in a proprietary fund.

Fiduciary Funds – Custodial Funds

The School accounts for the scholarship funds and the student activities funds in the custodial fiduciary fund. During the year ended June 30, 2021, the School implemented the accounting and financial reporting provisions of *GASB Statement No. 84, Fiduciary Activities*. The implementation, applied retroactively for prior periods, resulted in a \$212,764 increase in beginning net position of the School's general fund and a \$4,846 increase in beginning net position of the School's custodial fiduciary fund.

(Continued)

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

Notes to Basic Financial Statements

(d) *Basis of Accounting*

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

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

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

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

(e) *Budgets and Budgetary Accounting*

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

(f) *Deposits in Financial Institutions*

The School's cash is held in demand deposit accounts with financial institutions, which are insured by Federal depository insurance. As of June 30, 2021, the School's demand deposit accounts exceeded the Federal deposit insurance limits by approximately \$66,000, and accordingly were uninsured.

(Continued)

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

Notes to Basic Financial Statements

(g) Capital Assets

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

During the year ended June 30, 2021, the School implemented the accounting and financial reporting provisions of *GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*, whereby such interest cost is recognized as expense.

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

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

(h) Compensated Absences

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

(i) Long-Term Debt

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

(j) Fund Balance Reporting

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

(Continued)

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

Notes to Basic Financial Statements

Nonspendable

Nonspendable fund balance represents resources that are not in spendable form or are legally required to be maintained intact. The School's nonspendable fund balance consists of prepaid expenses and assets permanently restricted for scholarships as of June 30, 2021.

Restricted

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

Committed

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

Assigned

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

Unassigned

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

(k) Revenue Sources

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

(Continued)

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

Notes to Basic Financial Statements

(l) *Income Taxes*

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

The School's income tax filings are subject to audit by various taxing authorities. The School's open audit periods are 2018-2021.

(m) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) *Receivables*

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

During August 2017, the District and the charter schools entered into a settlement agreement regarding the complaint, which was completed on September 7, 2017. In accordance with the settlement agreement, the School will receive a total of \$731,738, plus interest of 5.17% per annum, in monthly payments of \$17,377 over four years beginning February 2018 and ending January 2022. As of June 30, 2021, the remaining amount due from the District totaled \$119,569. The receivable is not included in the government funds presentation in accordance with the susceptible to accrual accounting policy discussed in note 1(d).

In addition, as of June 30, 2021, the School maintained amounts due from the District of \$40,556 for capital projects.

As of June 30, 2021, the School's general fund was due \$412,966 from the capital projects fund for capital expenditures funded by the general fund.

(Continued)

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

Notes to Basic Financial Statements

(3) General Capital Assets

The following is a summary of the changes in the School's governmental capital assets for the year ended June 30, 2021:

	<u>Balance</u> 2020	<u>Additions</u>	<u>Retirements</u> and <u>Transfers</u>	<u>Balance</u> 2021
Improvements other than buildings	\$ 539,476	221,427	(26,475)	734,428
Buildings and improvements	6,699,472	7,543,526	(640)	14,242,358
Construction in progress	1,926,537	6,059,954	(7,986,491)	—
Furniture, fixtures, and equipment	1,344,644	442,470	(204,333)	1,582,781
Audio/visual equipment	9,709	22,220	—	31,929
Computer software	<u>14,084</u>	<u>—</u>	<u>—</u>	<u>14,084</u>
Total capital assets	<u>10,533,922</u>	<u>14,289,597</u>	<u>(8,217,939)</u>	<u>16,605,580</u>
Less accumulated depreciation for:				
Improvements other than buildings	460,913	13,521	(26,475)	447,959
Buildings and improvements	3,582,910	386,646	(640)	3,968,916
Furniture, fixtures, and equipment	808,821	232,511	(204,333)	836,999
Audio/visual equipment	9,709	—	—	9,709
Computer software	<u>13,978</u>	<u>106</u>	<u>—</u>	<u>14,084</u>
Total accumulated depreciation	<u>4,876,331</u>	<u>632,784</u>	<u>(231,448)</u>	<u>5,277,667</u>
Governmental capital assets, net	\$ <u>5,657,591</u>	<u>13,656,813</u>	<u>(7,986,491)</u>	<u>11,327,913</u>

During the year ended June 30, 2020, the School entered into a contract to construct a new School building to replace aging infrastructure, which was completed during the year ended June 30, 2021. The project cost approximately \$8 million, which was substantially funded with a mortgage note payable (see note 4), totaling \$7.5 million in addition to available capital projects funding.

During the year ended June 30, 2021, the School received Federal CARES Act funding through a Elementary and Secondary School Emergency Relief (ESSER) grant that provided total funding of \$357,648 that may be used for operating or capital needs at the discretion of School management. The School determined the funding would be used for capital purposes and acquired capital assets of \$263,088 during 2021, leaving a remainder of \$94,560 available in 2022. The funding has been accounted for in the capital projects fund.

(Continued)

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

Notes to Basic Financial Statements

(4) Long-Term Debt from Direct Borrowings

Long-term debt associated with direct borrowings as of June 30, 2021 is as follows:

	<u>Balance</u> <u>2020</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>2021</u>
Mortgage note payable of \$7,500,000, with interest only payments at 2.84% during the construction (see note 3), and then monthly interest and principal payments of \$51,369 through May 29, 2036.	\$ 931,276	6,568,725	(32,920)	7,467,081
Installment note payable in monthly installments of \$7,928, including interest at 4.49%, beginning July 15, 2018 through June 15, 2021.	<u>92,684</u>	<u>—</u>	<u>(92,684)</u>	<u>—</u>
	<u>\$ 1,023,960</u>	<u>6,568,725</u>	<u>(125,604)</u>	<u>7,467,081</u>

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

The future maturities of long-term debt, as of June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 406,755	209,677	616,432
2023	418,623	197,809	616,432
2024	430,329	186,103	616,432
2025	443,394	173,038	616,432
2026	456,331	160,101	616,432
2027 – 2031	2,488,918	593,244	3,082,162
2032 – 2036	<u>2,822,731</u>	<u>208,170</u>	<u>3,030,901</u>
Outstanding at June 30, 2021	<u>\$ 7,467,081</u>	<u>1,728,142</u>	<u>9,195,223</u>

During the year ended June 30, 2021, interest expense totaled \$147,807.

(Continued)

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

Notes to Basic Financial Statements

(5) *Schedule of Local Revenue Sources*

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

<u>Sources</u>	<u>Amount</u>
Indian River County District School Board:	
Florida Education Finance Program	\$ 4,114,444
Class size	596,517
School academic improvement	146,079
Teacher salary increase	108,411
Instructional materials and teacher training	50,292
Safe schools	43,991
Charter millage settlement repayment (note 2)	<u>197,468</u>
Total	\$ <u>5,257,202</u>

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

The School's charter contract provides for a discretionary District administrative fee of up to 5% of the revenues received on a per-student basis. During the 2020-2021 school year, and in consideration of the School's classification as a "high performing charter school," the state of Florida provided for the administrative fee to be assessed on the first 250 students at a rate of 2%. In accordance with this provision, the District withheld \$35,155 from the School's revenues for the year ended June 30, 2021, which was included in school administration expenses in the accompanying statement of activities and statement of revenues, expenditures, and changes in fund balances.

(6) *Leases*

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

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

(Continued)

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

Notes to Basic Financial Statements

Total rent expense incurred during the year ended June 30, 2021 amounted to \$92,324.

The future lease commitments as of June 30, 2021 follow:

2022	\$ 76,974
2023	63,750
2024	66,000
2025	66,000
2026	66,000
Thereafter	<u>939,250</u>
	\$ <u>1,277,974</u>

(7) Risk Management

The School maintains general liability, professional liability, automobile liability, and workers' compensation coverages through purchased commercial insurance with minimal or no deductibles for each line of coverage. The School also maintains property coverage with a deductible of \$5,000 for all perils except wind or hail. For these perils, the deductible is 5%, with a minimum of \$50,000. During each of the three years ended June 30, 2021, 2020, and 2019, the school experienced no settlements in excess of insurance coverage.

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

(8) Pension Plan

The School's employees participate in a salary deferral plan under Internal Revenue Code 403(b). The School currently contributes on a discretionary basis 15% of all full-time employees' salaries and matches the first \$500 in employee contributions on a dollar-for-dollar basis. The employees vest in all employer contributions evenly over a three-year period of service. Employees hired after September 1, 2008 vest in all employer contributions evenly over a five-year period of service. During the year ended June 30, 2021, the School provided for contributions approximating \$421,439.

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

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

Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Favorable (Unfavorable) Variance with <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal through state through local	\$ 73,621	73,621	106,933	33,312
State through local	—	—	10,440	10,440
Local	4,925,687	4,925,687	5,257,202	331,515
Non-resident tuition	100,000	100,000	306,185	206,185
Other	<u>200,702</u>	<u>200,702</u>	<u>553,239</u>	<u>352,537</u>
Total revenues	<u>5,300,010</u>	<u>5,300,010</u>	<u>6,233,999</u>	<u>933,989</u>
Expenditures:				
Current – education:				
Instruction	2,953,090	2,953,090	2,871,598	81,492
Student and instructional support services	290,699	290,699	291,137	(438)
Instructional media services	70,927	70,927	73,417	(2,490)
School administration	687,956	687,956	844,064	(156,108)
Facilities acquisition and construction	48,046	48,046	35,689	12,357
Food service	3,000	3,000	288	2,712
Information services	73,149	73,149	71,103	2,046
Student transportation services	300	300	60	240
Operation of plant	637,750	637,750	623,392	14,358
Maintenance of plant	26,000	26,000	20,272	5,728
Administrative technology services	<u>68,429</u>	<u>68,429</u>	<u>48,003</u>	<u>20,426</u>
Total expenditures	<u>4,859,346</u>	<u>4,859,346</u>	<u>4,879,023</u>	<u>(19,677)</u>
Other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	440,664	440,664	1,354,976	914,312
Fund balance, beginning of year, as previously reported				
	3,243,100	3,243,100	3,243,100	—
Adjustment for implementation of GASB 84				
	<u>212,764</u>	<u>212,764</u>	<u>212,764</u>	<u>—</u>
Fund balance, beginning of year, as restated				
	<u>3,455,864</u>	<u>3,455,864</u>	<u>3,455,864</u>	<u>—</u>
Fund balance, end of year	\$ <u>3,896,528</u>	<u>3,896,528</u>	<u>4,810,840</u>	<u>914,312</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian River Charter High School, Inc., a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2021, 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 10, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

September 10, 2021



Management Letter

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

Report on the Financial Statements

We have audited the financial statements of Indian River Charter High School, Inc., (the School) as of and for the year ended June 30, 2021, and have issued our report thereon dated September 10, 2021.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and, Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 10, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

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

Financial Condition and Management

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



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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we recommend the following:

Performing Account Reconciliations

The School performs reconciliation of bank and accounts payable activity on a monthly basis. We noted the bank reconciliation included several outstanding checks dating back 10 months that would normally clear within a month in the ordinary course of business. In addition, we noted the accounts payable reconciliation included several debit balances as part of the ending balance that should have been removed and posted to expense. We recommend the School investigate and resolve such items in a timely manner as part of the normal monthly reconciliation procedures.

Transparency

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

Additional Matters

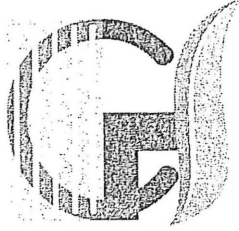
Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention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

Purpose of this Letter

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

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

September 10, 2021



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September 2, 2021

Mr. C.J. Kip Jacoby
Morgan, Jacoby, Thurn, Boyle & Associates, P.A.
700 20th Street
Vero Beach, FL 32960

Dear Mr. Jacoby,

In response to your letter accompanying our audit financial report, I would like to respond on behalf of the Board of Directors. In reference to:

1) Performing Account Reconciliation

Thank you for advising us of this oversight. We have corrected the issues and have implemented a new procedure to prevent any future further oversight.

We thank you for your time, effort, expertise and concerned you have contributed an expressed to us during audit process. Your assistance is greatly appreciated.

Very Truly Yours,

Gene Waddell, Chairman
Indian River Charter High School, Inc.

CYNTHIA A. TREVINO-CURTIS
DIRECTOR
GREGORY ZAJICEK
ASSISTANT DIRECTOR
MICHAEL NAFFZIGER
ASSISTANT DIRECTOR
DAVID HEROUX
VAPA COORDINATOR
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