



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

Annual Financial Report

June 30, 2022

(With Independent Auditors' Report Thereon)

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

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1(g) to the financial statements, in 2021, the School adopted the new accounting guidance of *GASB Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date that the financial statements are issued.

(Continued)



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 15, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Jacobus and Hanley, PLLC

September 15, 2022

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, 2022. 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 \$110,557 or 1.2% from the prior year. In comparison, the prior year experienced an increase of \$1,038,247. 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 2021-2022 school year totaled six hundred fifty-six, a decrease from the six hundred sixty-eight students enrolled during the 2020-2021 school year.

At year end, the School accumulated a surplus of unrestricted net position of \$5,001,142, which was an increase of \$184,899 for this fiscal year.

IRCHS had a highly successful year in the classroom. Standardized test scores exceeded district and state averages. In particular, the Algebra 1 EOC scores at IRCHS were 32% higher than the state average while the U.S. History EOC scores were 18% higher than the state average. Additionally, the School offered Advanced Placement (AP) exams in 19 different subject areas. The vast majority of these courses exceeded state and national averages for passing rates, including 100% pass rates in 2D Art, Drawing, English Literature, Research, and Seminar. IRCHS feels confident that the year was very successful and that the School is poised for continued success and further academic growth. The School's Visual and Performing Arts programs (VAPA) were able to work creatively to engage students in a variety of activities, including:

- Theatre
 - Students earned all "superior" awards in their performance categories at the district festival. At the festival, students earned six "best in shows" and won the Critics' Choice award for having the best overall performance at the festival. The theatre tech team won "best overall".
 - The theatre earned straight performance "superiors" at the state festival while one student earned the Critics' Choice award for Best Solo.
- Dance
 - The dance program continued to instill an appreciation for the art of dance by developing students' fundamental techniques, enhancing their performance skills, and giving each dancer the tools they need to be successful in the art after high school.
 - The dance department held their end-of-the-year dance show which showcased their major dances performed throughout the year.
- Jazz
 - One student earned a "superior" for playing the clarinet at the district solo and ensemble competition.
 - The jazz program was invited to perform at the Florida Charter School Conference in Orlando.

- Art
 - Student work was displayed at two local art shows (Under the Oaks and the Children’s Art Festival) during spring semester. Student work was also displayed at a local gallery for the annual End of the Year Student Art Show.
 - One student earned 1st Place Best in Show at the Congressional Arts Competition Ceremony and will have their work displayed in a gallery in Washington, DC.
 - Students earned a 100% pass rate on both the AP 2D Art and AP Drawing exams.
- Choir
 - Students earned straight “superiors” at the district festival while also earning “excellent” and “superior” awards at the statewide Musical Performance Assessments.
 - 5 students earned “superiors” in Solo and Ensemble and the IRCHS Choir was awarded “Grand Champion” at the National Music in the Park Festival.
- Orchestra
 - The orchestra was awarded straight superiors while one student received a “superior with distinction” at the district festival.
 - The orchestra was invited for the first time to the state festival and earned all “excellent” scores.

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.

Financial Analysis of the School as a Whole

Net position of the School's governmental position consisted of the following as of June 30, 2022 and 2021:

	Net Position – Governmental Activities	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 5,943,444	5,803,460
Capital assets, net	<u>12,281,981</u>	<u>12,706,897</u>
Total assets	<u>18,225,425</u>	<u>18,510,357</u>
Current liabilities	828,279	778,491
Long-term liabilities	<u>8,400,788</u>	<u>8,846,065</u>
Total liabilities	<u>9,229,067</u>	<u>9,624,556</u>
Net position:		
Invested in capital assets	3,881,193	3,855,819
Restricted	114,023	213,739
Unrestricted	<u>5,001,142</u>	<u>4,816,243</u>
Total net position	\$ <u>8,996,358</u>	<u>8,885,801</u>

The School's net position increased by \$110,557, or 1.2%, from the prior year, resulting primarily from increased revenues for the year, as discussed in the following section.

The School had no business-type position as of June 30, 2022 and 2021. The following schedule compares revenues and expenses during the years ended June 30, 2022 and 2021:

	Change in Net Position – Governmental Activities	
	<u>2022</u>	<u>2021</u>
Revenues:		
General revenues:		
Intergovernmental	\$ 6,023,926	5,896,122
Other	930,775	795,646
Operating grants and contributions	43,257	63,893
Contributions for capital expenditures	–	5,200
Total revenues	<u>6,997,958</u>	<u>6,760,861</u>
Expenses:		
Instruction related	3,519,218	3,236,152
School administration	882,686	742,371
Food service	122	288
Information and technology services	212,666	119,106
Transportation	1,446	60
Maintenance and operations of facilities and plant	954,186	742,353
Other	<u>1,317,077</u>	<u>882,284</u>
Total expenses	<u>6,887,401</u>	<u>5,722,614</u>
Change in net position	\$ <u>110,557</u>	<u>1,038,247</u>

Total revenues for the year increased by \$237,097, or 3.5%, primarily due to increased FTE funding allocations, including allocations from the state to increase teacher pay, and increased nonresident revenues as international students returned post COVID-19.

Total expenses increased \$1,164,787 or 20.35%, due primarily to increased salaries as the School met the state's new required salary minimums, and increased maintenance, interest and depreciation expense related to the School's new building which was completed in February 2021.

Financial Analysis of the School's Funds

The School's general fund position increased \$304,325 during the year to \$5,115,165, resulting in an increase in its cash by \$679,946. The net increase in reserves was primarily attributable to an increase in FTE revenues of \$369,100 and an increase in nonresident tuition of \$360,915, offset by an increase in expenses of \$828,161. In addition, the general fund financed capital projects activities through a financing transfer of \$706,165.

The School's net decrease in the capital projects fund of \$94,560 reflects a \$324,478 decrease in revenues, a \$5,438,940 decrease in expenditures, and a \$6,009,747 decrease in other financing sources. The decrease in revenues relates a decrease of \$305,249 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 School allocated the majority of ESSER Funds received during the current year to operational purposes, unlike the previous year.

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

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 2021-2022 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	\$ 86,402	86,402	301,272	214,870
State through local	-	-	10,201	10,201
Local	5,143,920	5,143,920	5,432,202	288,282
Other	420,000	420,000	974,000	554,000
Total revenues	<u>5,650,322</u>	<u>5,650,322</u>	<u>6,717,675</u>	<u>1,067,353</u>
Expenditures:				
Current – education:				
Instruction related	3,453,625	3,453,625	3,519,218	(65,593)
School administration	713,258	713,258	882,686	(169,428)
Food service	1,500	1,500	122	1,378
Information and technology services	192,727	192,727	212,666	(19,939)
Transportation	300	300	1,446	(1,146)
Maintenance and operations of facilities and plant	790,612	790,612	954,186	(163,574)
Proprietary and fiduciary expenses	-	-	136,860	(136,860)
Total expenditures	<u>5,152,022</u>	<u>5,152,022</u>	<u>5,707,184</u>	<u>(555,162)</u>
Other financing sources (uses)	-	-	(706,166)	(706,166)
Net change in fund balance	\$ <u>498,300</u>	<u>498,300</u>	<u>304,325</u>	<u>(193,975)</u>

The School's favorable increase in local funding was due in part to additional funding of approximately \$122,000 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 \$119,569.

The School's favorable increase in other revenues includes approximately \$267,000 of non-resident tuition generated in excess of budget as well as approximately \$242,000 of revenue from student activity funds.

Capital Asset and Debt Administration

Capital Position

As of June 30, 2022, the School had invested \$12,281,981 in a variety of capital position, as reflected in the following schedule, which represents a net decrease (additions less disposals and depreciation) of \$424,916 or 3.3% from the end of last year.

	<u>2022</u>	<u>2021</u>
Improvements other than buildings	\$ 268,777	286,469
Buildings and improvements	9,683,338	10,273,442
Construction in progress	100,720	-
Furniture, fixtures, and equipment	851,884	745,782
Audio/visual equipment	45,933	22,220
Computer software	14,291	-
Right-of-use asset	<u>1,317,038</u>	<u>1,378,984</u>
Governmental capital assets, net	\$ <u>12,281,981</u>	<u>12,706,897</u>

Long-Term Debt

Since 2020, the School has maintained a mortgage note providing for total borrowings of \$7,500,000 to fund new School building construction. The mortgage note agreement provides for monthly payments, which began in June 2021, of \$51,369 including at 2.84% through May 29, 2036. The outstanding balance at June 30, 2022 is \$7,060,111.

Leases

During the year ended June 30, 2022, the School implemented the accounting and financial reporting provisions of *GASB Statement No. 87, Leases*, whereby lessees are required to recognize a lease liability and an intangible right-to-use asset. The implementation, applied retroactively to July 1, 2021, resulted in the School recognizing a right-to-use asset and long term lease liability in the amount of \$1,378,984, the present value of the future lease payments as of July 1, 2021. This implementation has been reflected in the 2021 figures in the table above for comparison purposes.

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 has allocated and utilized ESSER III funds for defined areas of need as approved. Five existing air conditioning systems, technology, infrastructure, and firewalls have or will be updated. New Chromebooks for both teachers and students have been purchased. Textbooks and curriculum focusing on addressing learning loss, which resulted from lost instruction time due to the COVID-19 pandemic, were researched and purchased, and are currently being utilized to assist those students in need.
- The School continues to be a leader in global education. The international exchange program draws students from around the world who spend either one semester or a full year participating in all academic, visual and performing arts, and golf classes offered at the School. The reputation of our program speaks for itself as more and more students apply to attend IRCHS. The School currently partners with 11 international exchange companies who have referred 58 students thus far for the 2022/2023 school year. It is expected that the demand will continue to grow.
- Due to increased interest and enrollment, the School found itself in need of expanding the campus to include additional classrooms and buildings. Construction of these structures was completed in February of 2021. 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.
- During the 2021/2022 school year, CDC Guidelines related to the management of COVID-19 outbreaks were implemented and followed, and this will continue during the 2022/2023 school year. Faculty members who test positive quarantine for the required duration as prescribed. The School has secured a pool of substitute teachers to cover in case of an employee's absence. Substitutes are paid at the daily rate based upon experience and qualifications.

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, 2022

		<u>Total Governmental Activities</u>
Assets:		
Cash	\$	5,769,058
Due from primary government (note 2)		30,370
Other receivables		54,845
Prepaid expenses		89,171
Capital assets, net of accumulated depreciation of \$6,012,893 (note 3)		10,964,943
Right-of-use asset, net of accumulated amortization of \$61,946 (notes 3 and 5)		<u>1,317,038</u>
Total assets		<u>18,225,425</u>
Liabilities:		
Accounts payable		15,881
Accrued expenses		251,098
Deferred revenue		561,300
Long-term debt (note 4):		
Due within one year		418,623
Due after one year		<u>6,641,488</u>
		<u>7,060,111</u>
Long-term lease liability (note 5):		
Due within one year		26,004
Due after one year		<u>1,314,673</u>
		<u>1,340,677</u>
Total liabilities		<u>9,229,067</u>
Net Position:		
Invested in capital assets, net of related debt		3,881,193
Restricted for scholarships		114,023
Unrestricted		<u>5,001,142</u>
Total net position	\$	<u>8,996,358</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, 2022

	<u>Expenses</u>	<u>Program Revenues – Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position – Governmental Activities</u>
Governmental activities:			
Instruction	\$ 3,194,640	94,380	(3,100,260)
Student and instructional support services	323,720	–	(323,720)
Instructional media services	858	–	(858)
School administration	882,685	–	(882,686)
Facilities acquisition and construction	67,411	–	(67,411)
Food service	122	–	(122)
Information services	70,026	–	(70,026)
Student transportation services	1,446	–	(1,446)
Operation of plant	807,025	–	(807,025)
Maintenance of plant	79,750	–	(79,750)
Administrative technology services	142,640	–	(142,640)
Proprietary and fiduciary expenses	136,860	–	(136,860)
Interest on long-term debt	248,303	–	(248,303)
Unallocated depreciation and amortization expense	<u>931,914</u>	<u>–</u>	<u>(931,914)</u>
Total governmental activities	\$ <u>6,887,401</u>	<u>94,380</u>	<u>(6,793,021)</u>
General revenues:			
Intergovernmental:			
Local for operational purposes			5,312,633
State through local for operational purposes			10,201
State through local for capital projects			347,421
Federal through state through local for operational purposes			301,272
Federal through state through local for capital purposes			52,399
Investment earnings			2,991
Miscellaneous			<u>876,661</u>
Total general revenues			<u>6,903,578</u>
Change in net position			110,557
Net position, beginning of year			8,885,801
Net position, end of year		\$	<u>8,996,358</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, 2022

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash	\$ 5,667,726	101,332	5,769,058
Due from primary government (note 2)	-	30,370	30,370
Other receivables	54,845	-	54,845
Due from other fund (note 2)	131,702	-	131,702
Prepaid expenses	<u>89,171</u>	<u>-</u>	<u>89,171</u>
	\$ 5,943,444	131,702	6,075,146
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	15,881	-	15,881
Accrued expenses	251,098	-	251,098
Due to other fund (note 2)	-	131,702	131,702
Deferred revenue	<u>561,300</u>	<u>-</u>	<u>561,300</u>
Total liabilities	<u>828,279</u>	<u>131,702</u>	<u>959,981</u>
Fund Balances:			
Nonspendable	189,171	-	189,171
Restricted	14,023	-	14,023
Committed	1,164,955	-	1,164,955
Assigned	481,720	-	481,720
Unassigned	<u>3,265,296</u>	<u>-</u>	<u>3,265,296</u>
Total fund balances	<u>5,115,165</u>	<u>-</u>	<u>5,115,165</u>
	\$ 5,943,444	131,702	

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 \$16,977,836 and the accumulated depreciation is \$6,012,893.	10,964,943
Right-of-use 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 \$1,378,984 and the accumulated amortization is \$61,946.	1,317,038
Long-term debt and liabilities are not due and payable in the current period and therefore are not reported as a liabilities in the funds.	<u>(8,400,788)</u>
Total net position – governmental activities	\$ <u>8,996,358</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, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Federal through state through local	\$ 301,272	52,399	353,671
State through local	10,201	347,421	357,622
Local (note 5)	5,432,202	-	5,432,202
Contributions	43,257	-	43,257
Non-resident tuition	667,100	-	667,100
Student fees	94,380	-	94,380
Other	169,263	32	169,295
Total revenues	<u>6,717,675</u>	<u>399,852</u>	<u>7,117,527</u>
Expenditures:			
Current – education:			
Instruction	3,194,640	-	3,194,640
Student and instructional support services	323,720	-	323,720
Instructional media services	858	-	858
School administration	882,686	-	882,686
Facilities acquisition and construction	67,411	-	67,411
Food service	122	-	122
Information services	70,026	-	70,026
Student transportation services	1,446	-	1,446
Operation of plant	807,025	-	807,025
Maintenance of plant	79,750	-	79,750
Administrative technology services	142,640	-	142,640
Proprietary and fiduciary expenses	136,860	-	136,860
Debt service:			
Principal	-	445,277	445,277
Interest	-	248,303	248,303
Capital outlay:			
Facilities acquisition and construction	-	506,998	506,998
Total expenditures	<u>5,707,184</u>	<u>1,200,578</u>	<u>6,907,762</u>
Other financing sources (uses):			
Transfers in	-	706,166	706,166
Transfers out	(706,166)	-	(706,166)
Total other financing sources (uses)	<u>(706,166)</u>	<u>706,166</u>	<u>-</u>
Net change in fund balances	304,325	(94,560)	209,765
Fund balances, beginning of year	<u>4,810,840</u>	<u>94,560</u>	<u>4,905,400</u>
Fund balances, end of year	\$ <u>5,115,165</u>	<u>-</u>	<u>5,115,165</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, 2022

	<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	\$ 209,765
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 \$506,998 is less than depreciation and amortization expense \$931,914.	(424,916)
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 6)	(119,569)
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>445,277</u>
Change in net position of governmental activities	\$ <u>110,557</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, 2022

		<u>Total Custodial Funds</u>
Assets:		
Cash	\$	<u>8,236</u>
Total assets		<u>8,236</u>
Liabilities		<u>—</u>
Total net position	\$	<u>8,236</u>

Statement of Changes in Fiduciary Net Position
Custodial Funds

Year Ended June 30, 2022

		<u>Total Custodial Funds</u>
Additions:		
Student activity revenues	\$	6,062
Deductions:		
Student activity services expenses		<u>1,733</u>
Net increase in fiduciary net position		4,329
Net position:		
Beginning of year		<u>3,907</u>
Ending of year	\$	<u>8,236</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, 2022

(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, 2022, 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, 2022, 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, 2022, 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.

(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, 2022, the School's demand deposit accounts exceeded the Federal deposit insurance limits by approximately \$37,000, 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, 2022, the School implemented the accounting and financial reporting provisions of *GASB Statement No. 87, Leases*, whereby lessees are required to recognize a lease liability and an intangible right-to-use asset. The implementation, applied retroactively to July 1, 2021, resulted in the School recognizing a right-to-use asset and long term lease liability in the amount of \$1,378,984, the present value of the future lease payments as of July 1, 2021.

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

	Years
Improvements other than buildings	10 – 20
Buildings and improvements	10 – 25
Furniture, fixtures, and equipment	5 – 10
Audio/visual equipment	7
Computer software	5
Leased Assets	Shorter of lease term or useful life

(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 Liabilities

Long-term debt and lease liabilities 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.

(Continued)

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

Notes to Basic 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).

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, 2022.

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 and scholarships.

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.

(Continued)

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

Notes to Basic Financial Statements

(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.

(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 2019-2022.

(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

The School, together with four other charter schools in Indian River County, filed a complaint in 2016 related to pro rata sharing of tax revenues. The District and the charter schools entered into a settlement agreement regarding the complaint, which was completed on September 7, 2017. The settlement agreement provided for the School to 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, 2022, there was no remaining amount due from the District. The receivable was not included in the government funds presentation in accordance with the susceptible to accrual accounting policy discussed in note 1(d).

As of June 30, 2022, the School maintained amounts due from the District of \$30,370 for capital projects.

As of June 30, 2022, the School's general fund was due \$131,702 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, 2022:

	Balance 2021	Additions	Retirements and Transfers	Balance 2022
Improvements other than buildings	\$ 734,428	-	-	734,428
Buildings and improvements	14,242,358	29,137	(49,004)	14,222,491
Construction in progress	-	100,720	-	100,720
Furniture, fixtures, and equipment	1,582,781	324,702	(73,254)	1,834,229
Audio/visual equipment	31,929	33,180	-	65,109
Computer software	14,084	19,259	(12,484)	20,859
Leased land	1,365,222	-	-	1,365,222
Leased equipment	<u>13,762</u>	<u>-</u>	<u>-</u>	<u>13,762</u>
Total capital assets	<u>17,984,564</u>	<u>506,998</u>	<u>(134,742)</u>	<u>18,356,820</u>
Less accumulated depreciation for:				
Improvements other than buildings	447,959	17,692	-	465,651
Buildings and improvements	3,968,916	619,241	(49,004)	4,539,153
Furniture, fixtures, and equipment	836,999	218,600	(73,254)	982,345
Audio/visual equipment	9,709	9,467	-	19,176
Computer software	14,084	4,968	(12,484)	6,568
Less accumulated amortization for:				
Leased assets	<u>-</u>	<u>61,946</u>	<u>-</u>	<u>61,946</u>
Total accumulated depreciation and amortization	<u>5,277,667</u>	<u>931,914</u>	<u>(134,742)</u>	<u>6,074,839</u>
Governmental capital assets, net	<u>\$ 12,706,897</u>	<u>(424,916)</u>	<u>-</u>	<u>12,281,981</u>

During the year ended June 30, 2022, the School entered into a contract for certain capital improvements, which are expected to be completed during the year ended June 30, 2023. The project cost is approximately \$500,000.

(Continued)

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

Notes to Basic Financial Statements

(4) Long-Term Debt from Direct Borrowings

Long-term debt associated with direct borrowings as of June 30, 2022 is as follows:

	<u>Balance</u> <u>2021</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>2022</u>
Mortgage note payable of \$7,500,000, with monthly payments of \$51,369, including interest at 2.84%, through May 29, 2036.	\$ 7,467,081	—	(406,970)	<u>7,060,111</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, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	469,645	146,787	616,432
2028 – 2032	2,561,339	520,823	3,082,162
2033 – 2036	<u>2,280,450</u>	<u>133,803</u>	<u>2,414,253</u>
Outstanding at June 30, 2022	\$ 7,060,111	1,518,464	<u>8,578,575</u>

During the year ended June 30, 2022, interest expense totaled \$209,636.

(5) Leases

Long-term liabilities associated with leases as of June 30, 2022 (implemented as of the beginning of the year) is as follows:

	<u>Balance</u> <u>2021</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>2022</u>
Land lease	\$ 1,365,222	—	(24,545)	1,340,677
Copier lease	<u>13,762</u>	—	(13,762)	—
	\$ <u>1,378,984</u>	<u>—</u>	<u>(38,307)</u>	<u>1,340,677</u>

(Continued)

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

Notes to Basic Financial Statements

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, continuing on a month-to-month basis thereafter. In May 2022, the School entered into a lease agreement for new copying equipment that provides for monthly payments of \$1,078 for 36 months. Such equipment was not received as of June 30, 2022, and had not commenced, therefore the School will reflect a right-to-use asset and associated liability during the year ending June 30, 2023.

The future maturities of long-term leases, as of June 30, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 26,004	37,746	63,750
2024	29,039	36,961	66,000
2025	29,875	36,125	66,000
2026	30,734	35,266	66,000
2027	31,619	34,381	66,000
2028 – 2032	185,810	156,940	342,750
2033 – 2037	230,221	127,529	357,750
2038 – 2042	281,399	91,351	372,750
2043 – 2047	326,842	48,158	375,000
2048 – 2050	<u>169,134</u>	<u>5,866</u>	<u>175,000</u>
Outstanding at June 30, 2022	\$ <u>1,340,677</u>	<u>610,323</u>	<u>1,951,000</u>

(6) *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	\$ 4,344,365
Class size	614,227
School academic improvement	142,411
Teacher salary increase	122,560
Instructional materials and teacher training	45,599
Safe schools	43,471
Charter millage settlement repayment (note 2)	<u>119,569</u>
Total	\$ <u>5,432,202</u>

(Continued)

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

Notes to Basic Financial Statements

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 2021-2022 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 \$37,984 from the School's revenues for the year ended June 30, 2022, which was included in school administration expenses in the accompanying statement of activities and statement of revenues, expenditures, and changes in fund balances.

(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, 2022, 2021, and 2020, the school experienced no settlements in excess of insurance coverage.

(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, 2022, the School provided for contributions approximating \$440,000.

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, 2022

	<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	\$ 86,402	86,402	301,272	214,870
State through local	—	—	10,201	10,201
Local	5,143,920	5,143,920	5,432,202	288,282
Non-resident tuition	400,000	400,000	667,100	267,100
Other	<u>20,000</u>	<u>20,000</u>	<u>306,900</u>	<u>286,900</u>
Total revenues	<u>5,650,322</u>	<u>5,650,322</u>	<u>6,717,675</u>	<u>1,067,353</u>
Expenditures:				
Current – education:				
Instruction	3,142,310	3,142,310	3,194,640	(52,330)
Student and instructional support services	311,315	311,315	323,720	(12,405)
Instructional media services	—	—	858	(858)
School administration	713,258	713,258	882,686	(169,428)
Facilities acquisition and construction	39,426	39,426	67,411	(27,985)
Food service	1,500	1,500	122	1,378
Information services	70,043	70,043	70,026	17
Student transportation services	300	300	1,446	(1,146)
Operation of plant	725,186	725,186	807,025	(81,839)
Maintenance of plant	26,000	26,000	79,750	(53,750)
Administrative technology services	122,684	122,684	142,640	(19,956)
Proprietary and fiduciary expenses	<u>—</u>	<u>—</u>	<u>136,860</u>	<u>(136,860)</u>
Total expenditures	<u>5,152,022</u>	<u>5,152,022</u>	<u>5,707,184</u>	<u>(555,162)</u>
Other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(706,166)</u>	<u>(706,166)</u>
Net change in fund balance	498,300	498,300	304,325	(193,975)
Fund balance, beginning of year	4,810,840	4,810,840	4,810,840	—
Fund balance, end of year	\$ <u>5,309,140</u>	<u>5,309,140</u>	<u>5,115,165</u>	<u>(193,975)</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, 2022, 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 15, 2022.

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.

Jacoby and Handley, PLLC

September 15, 2022

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, 2022, and have issued our report thereon dated September 15, 2022.

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 15, 2022, 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. Corrective action has been taken to address the finding and recommendation made in the preceding annual financial audit report.

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 did not have any such recommendations.

Transparency

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

Additional Matters

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

Purpose of this Letter

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

Jacoby and Hambley, PLLC

September 15, 2022