



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

Annual Financial Report

June 30, 2023

(With Independent Auditors' Report Thereon)

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Table of Contents

	<u>Pages</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 11
Basic Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15 – 16
Statement of Fiduciary Net Position – Custodial Funds	17
Notes to Basic Financial Statements	18 – 28
Required Supplementary Information Other Than Management's Discussion and Analysis:	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	29
Compliance Section:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30 – 31
Report of Independent Auditor on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	32 – 34
Schedule of Expenditures of Federal Awards	35
Notes to the Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs	37 - 38
Management Letter	39 – 40

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, 2023, 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, 2023, 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, effective July 1, 2022, the School adopted the new accounting guidance of *GASB Statement No. 96, Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 4–11 and 29 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.



Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Jacoby and Handberg, PLLC

September 14, 2023

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, 2023. 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 \$490,512 or 5.5% from the prior year. In comparison, the prior year experienced an increase of \$110,557. 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 2022-2023 school year totaled six hundred fifty-nine, an increase from the six hundred fifty-six students enrolled during the 2021-2022 school year.

At year end, the School accumulated a surplus of unrestricted net position of \$4,745,243, which was a decrease of \$255,899 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 36% higher than the state average while the U.S. History EOC scores were 20% higher than the state average. Additionally, the School offered Advanced Placement (AP) exams in 18 different subject areas. The 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
 - For the seventh time in nine years, IRCHS Theatre was awarded the highest honor in high school theatre by being selected as the Florida State Thespian Festival Mainstage. This year, IRCHS produced Brave New World in the TECO Theatre at the Straz Center for the Performing Arts to sold out audiences.
 - Student earned all "superior" awards in their performance categories at the district festival. At the festival, students earned five "best in shows", which means the piece of theater was the top piece in the category in our district out of 22 other schools.
 - For the first time on record, IRCHS Theatre received all "superiors" at the state festival in Tampa including a near-perfect score in large group musical piece.
- 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 program hosted a Student Choreography Showcase with all student-created work the Charter Hall to great reviews.
 - A teacher took an international student dance to the Youth America Grand where the student placed 16th overall.
 - 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.
 - Students earned a 100% pass rate on both the AP 2D Art and AP Drawing exams.
- Choir
 - Students were selected to perform at the opening ceremonies of the Florida Charter School Conference.
 - VOLARE (Show Choir) sold out Fall and Spring dome concerts.
 - Fall, Winter and Spring seasonal concerts were full.
 - A student selected for the National Honor Choir, ACDA in Cincinnati.
 - Students earned straight “superiors” at the district Music Performance Assessment and was the only choir in the county that participated in State Musical Performance Assessments.
 - 4 students were selected and participated in the FMEA All-State Choir, more than the other two high schools combined.
- Orchestra
 - Three students earned "superiors" at District Solo and Ensemble.
 - The orchestra performed at the district Musical Performance Assessments 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, 2023 and 2022:

	Net Position – Governmental Activities	
	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 5,583,699	5,943,444
Capital assets, net	<u>12,926,947</u>	<u>12,281,981</u>
Total assets	<u>18,510,646</u>	<u>18,225,425</u>
Current liabilities	1,508,272	1,272,906
Long-term liabilities	<u>7,515,504</u>	<u>7,956,161</u>
Total liabilities	<u>9,023,776</u>	<u>9,229,067</u>
Net position:		
Invested in capital assets	4,729,597	3,881,193
Restricted	12,030	114,023
Unrestricted	<u>4,745,243</u>	<u>5,001,142</u>
Total net position	\$ <u>9,486,870</u>	<u>8,996,358</u>

The School's net position increased by \$490,512, or 5.5%, 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, 2023 and 2022. The following schedule compares revenues and expenses during the years ended June 30, 2023 and 2022:

	Change in Net Position – Governmental Activities	
	<u>2023</u>	<u>2022</u>
Revenues:		
General revenues:		
Intergovernmental	\$ 6,834,677	6,023,926
Other	989,594	930,775
Operating grants and contributions	81,429	43,257
Contributions for capital expenditures	15,000	–
Total revenues	<u>7,920,700</u>	<u>6,997,958</u>
Expenses:		
Instruction related	3,789,941	3,519,218
School administration	1,010,783	882,686
Food service	934	122
Information and technology services	250,472	212,666
Transportation	2,514	1,446
Maintenance and operations of facilities and plant	890,890	954,186
Other	<u>1,484,654</u>	<u>1,317,077</u>
Total expenses	<u>7,430,188</u>	<u>6,887,401</u>
Change in net position	\$ <u>490,512</u>	<u>110,557</u>

Total revenues for the year increased by \$922,742, or 13.2%, primarily due to increased FTE funding allocations, including allocations from COVID-19 related federal grants. Also, the School received funding from the state to increase teacher pay, and increased nonresident revenues as international students returned post COVID-19.

Total expenses increased \$542,787 or 7.9%, 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 asset additions funded by COVID-19 related grants.

Financial Analysis of the School's Funds

The School's general fund position increased \$617,695 during the year to \$5,733,130, resulting in an increase in its due from capital fund by \$976,973, as the general fund advanced money to the capital fund to meet its funding shortfall during the year ended June 30, 2023. The net increase in reserves was primarily attributable to a decrease from the 2022 transfers to the capital fund of \$706,166 as the School anticipates being able to repay the general fund for its advances to the capital fund in upcoming years as a result of §1013.62 being enacted into law and effective July 1, 2023. This statute changes the amount of capital outlay allocation received by the School. The new process is to divide the state appropriation for charter school capital outlay by the total FTE for all eligible charter schools to determine the base charter school per FTE allocation amount. The base charter school per FTE allocation amount is then multiplied by the FTE of each charter school to determine each charter school's capital outlay allocation. The school district's adjusted discretionary millage revenue is divided by the district's total capital outlay full-time equivalent membership and the total number of full-time equivalent students of each eligible charter school to determine a capital outlay allocation per full-time equivalent student. The capital outlay allocation per full-time equivalent student is multiplied by the total number of full-time equivalent students of each eligible charter school to determine the capital outlay allocation for each charter school. Then the discretionary millage by the state fund is reduced to determine calculated capital outlay.

The amount of funds a school district must distribute to charter schools shall be as follows:

- For fiscal year 2023-2024, the amount is 20 percent of the amount calculated under this paragraph.
- For fiscal year 2024-2025, the amount is 40 percent of the amount calculated under this paragraph.
- For fiscal year 2025-2026, the amount is 60 percent of the amount calculated under this paragraph.
- For fiscal year 2026-2027, the amount is 80 percent of the amount calculated under this paragraph.
- For fiscal year 2027-2028, and each fiscal year thereafter, the amount is 100 percent of the amount calculated under this paragraph.

The School's net decrease in the capital projects fund of \$1,151,112 reflects a \$786,017 increase in revenues, a \$1,136,403 increase in expenditures, and a \$706,166 decrease in other financing sources. The increase in revenues relates to an increase of \$746,607 in additional funding available from the Department of Education as a result of the American Rescue Plan 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 capital purposes, unlike the previous year.

The increase in expenditures relates to the School expending the additional ESSER funds in the current year, and the decrease in other financing sources relates to the School's decision to not transfer funds from the general fund to cover the capital fund shortfall as discussed above.

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 2022-2023 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	\$ 88,838	88,838	211,664	122,826
State through local	-	-	11,515	11,515
Local	5,364,974	5,364,974	5,440,638	75,664
Other	<u>548,000</u>	<u>548,000</u>	<u>1,071,014</u>	<u>523,014</u>
Total revenues	<u>6,001,812</u>	<u>6,001,812</u>	<u>6,734,831</u>	<u>733,019</u>
Expenditures:				
Current – education:				
Instruction related	3,623,951	3,623,951	3,789,941	(165,990)
School administration	825,291	837,988	1,010,783	(172,795)
Food service	1,500	700	934	(234)
Information and technology services	251,192	251,192	250,472	720
Transportation	300	300	2,514	(2,214)
Maintenance and operations of facilities and plant	823,697	823,697	890,890	(67,193)
Proprietary and fiduciary expenses	-	-	<u>171,332</u>	<u>(171,332)</u>
Total expenditures	<u>5,525,931</u>	<u>5,537,828</u>	<u>6,116,866</u>	<u>(579,038)</u>
Net change in fund balance	\$ <u>475,881</u>	<u>463,984</u>	<u>617,965</u>	<u>153,981</u>

The School's favorable increase in local funding was due in part to additional funding of approximately \$50,000 available from the Department of Education for teacher salary increases.

The School's favorable increase in other revenues includes approximately \$100,000 of non-resident tuition generated in excess of budget as well as approximately \$280,000 of revenue from student activity funds.

Capital Asset and Debt Administration

Capital Position

As of June 30, 2023, the School had invested \$12,926,947 in a variety of capital assets, as reflected in the following schedule, which represents a net increase (additions less disposals and depreciation) of \$644,966 or 5.3% from the end of last year.

	<u>2023</u>	<u>2022</u>
Improvements other than buildings	\$ 251,356	268,777
Buildings and improvements	9,262,172	9,683,338
Construction in progress	813,168	100,720
Furniture, fixtures, and equipment	1,188,907	851,884
Audio/visual equipment	42,607	45,933
Computer software	7,871	14,291
Right-of-use asset	<u>1,360,866</u>	<u>1,317,038</u>
Governmental capital assets, net	\$ <u>12,926,947</u>	<u>12,281,981</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 interest at 2.84% through May 29, 2036. The outstanding balance at June 30, 2023 is \$6,675,233.

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 monthly payments which are currently \$5,500. The lease has an option to be renewed for ten additional years.

Subscription-Based Information Technology Arrangements

During the year ended June 30, 2023, the School implemented the accounting and financial reporting provisions of *GASB Statement No. 96, Subscription-Based Information Technology Arrangements*, whereby subscribers are required to recognize a subscription liability and a right-to-use subscription asset. The implementation, applied retroactively to July 1, 2022, resulted in the School recognizing a right-to-use asset in the amount of \$65,828, the unamortized right-to-use subscription asset as of July 1, 2022. The School had prepaid all subscription costs; therefore, no related subscription liability was recognized.

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. A new curriculum was purchased in the subjects of ELA, Math, Personal Finance, and Science. New Lenovo Chromebooks for students have been purchased. New software, such as IXL and NoRedInk were researched and purchased and addressed learning loss, which resulted from lost instruction time due to the COVID-19 pandemic.
- 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 44 students thus far for the 2023/2024 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. The School has engaged a non-profit fundraising consultant to research a new capital project to continue expanding the campus. The school's last building project, the 700 and 800 buildings are fully operational and being used for their intended purpose and the loan is currently being repaid.

- An increase in capital outlay funding is anticipated due to a new law (§ 1013.62) regarding proportional sharing passed in the 2023 legislative session. Beginning in Fiscal Year (FY) 2023-24, the District will be required to share a portion of 20% of accrued revenue funds, a portion of 40% in FY 2024-25, a portion of 60% in FY 2025-26; a portion of 80% in FY 2026-27, and 100% beginning in FY 2027-28. This change in law should increase the school's capital funding 233% more by 2027.

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, 2023

		<u>Total Governmental Activities</u>
Assets:		
Cash	\$	5,484,014
Due from primary government (note 2)		36,899
Other receivables		44,685
Prepaid expenses		18,101
Capital assets, net of accumulated depreciation of \$6,583,408 (note 3)		11,566,081
Right-of-use asset, net of accumulated amortization of \$121,938 (notes 3 and 5)		<u>1,360,866</u>
Total assets		<u>18,510,646</u>
Liabilities:		
Accounts payable		262,657
Construction contracts payable		158,941
Accrued expenses		319,483
Deferred revenue		260,600
Long-term debt (note 4):		
Due within one year		465,370
Due after one year		<u>6,209,863</u>
		<u>6,675,233</u>
Long-term lease liability (note 5):		
Due within one year		41,221
Due after one year		<u>1,305,641</u>
		<u>1,346,862</u>
Total liabilities		<u>9,023,776</u>
Net Position:		
Invested in capital assets, net of related debt		4,729,597
Restricted for scholarships		12,030
Unrestricted		<u>4,745,243</u>
Total net position	\$	<u>9,486,870</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, 2023

	<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	\$ 3,445,182	142,238	(3,302,944)
Student and instructional support services	344,759	–	(344,759)
School administration	1,010,783	–	(1,010,783)
Facilities acquisition and construction	50,127	–	(50,127)
Food service	934	–	(934)
Information services	70,285	–	(70,285)
Student transportation services	2,514	–	(2,514)
Operation of plant	820,335	–	(820,335)
Maintenance of plant	20,428	–	(20,428)
Administrative technology services	180,187	–	(180,187)
Proprietary and fiduciary expenses	171,332	–	(171,332)
Interest on long-term debt	236,199	–	(236,199)
Unallocated depreciation and amortization expense	<u>1,077,123</u>	<u>–</u>	<u>(1,077,123)</u>
Total governmental activities	\$ <u>7,430,188</u>	<u>142,238</u>	<u>(7,287,950)</u>
General revenues:			
Intergovernmental:			
Local for operational purposes			5,440,638
State through local for operational purposes			11,515
State through local for capital projects			371,854
Federal through state through local for operational purposes			211,664
Federal through state through local for capital purposes			799,006
Investment earnings			1,563
Miscellaneous			<u>942,222</u>
Total general revenues			<u>7,778,462</u>
Change in net position			490,512
Net position, beginning of year			<u>8,996,358</u>
Net position, end of year			\$ <u>9,486,870</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, 2023

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash	\$ 5,383,381	100,633	5,484,014
Due from primary government (note 2)	4,714	32,185	36,899
Other receivables	44,685	-	44,685
Due from other fund (note 2)	1,108,675	-	1,108,675
Prepaid expenses	<u>18,101</u>	<u>-</u>	<u>18,101</u>
	<u>\$ 6,559,556</u>	<u>132,818</u>	<u>6,692,374</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	262,657	-	262,657
Construction contracts payable	-	158,941	158,941
Accrued expenses	303,169	16,314	319,483
Due to other fund (note 2)	-	1,108,675	1,108,675
Deferred revenue	<u>260,600</u>	<u>-</u>	<u>260,600</u>
Total liabilities	<u>826,426</u>	<u>1,283,930</u>	<u>2,110,356</u>
Fund Balances (note 1j):			
Nonspendable	118,101	-	118,101
Restricted	12,030	-	12,030
Committed	265,000	-	265,000
Assigned	99,049	-	99,049
Unassigned	<u>5,238,950</u>	<u>(1,151,112)</u>	<u>4,087,838</u>
Total fund balances	<u>5,733,130</u>	<u>(1,151,112)</u>	<u>4,582,018</u>
	<u>\$ 6,559,556</u>	<u>132,818</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 \$18,149,489 and the accumulated depreciation is \$6,583,408.	11,566,081
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 \$1,482,804 and the accumulated amortization is \$121,938.	1,360,866
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>(8,022,095)</u>
Total net position – governmental activities	<u>\$ 9,486,870</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, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Federal through state through local	\$ 211,664	799,006	1,010,670
State through local	11,515	371,854	383,369
Local (note 6)	5,440,638	-	5,440,638
Contributions	81,428	15,000	96,428
Non-resident tuition	632,061	-	632,061
Student fees	142,238	-	142,238
Other	215,287	9	215,296
Total revenues	<u>6,734,831</u>	<u>1,185,869</u>	<u>7,920,700</u>
Expenditures:			
Current – education:			
Instruction	3,445,182	-	3,445,182
Student and instructional support services	344,759	-	344,759
School administration	1,010,783	-	1,010,783
Facilities acquisition and construction	50,127	-	50,127
Food service	934	-	934
Information services	70,285	-	70,285
Student transportation services	2,514	-	2,514
Operation of plant	820,335	-	820,335
Maintenance of plant	20,428	-	20,428
Administrative technology services	180,187	-	180,187
Proprietary and fiduciary expenses	171,332	-	171,332
Debt service:			
Principal	-	415,856	415,856
Interest	-	236,199	236,199
Capital outlay:			
Facilities acquisition and construction	-	1,722,089	1,722,089
Total expenditures	<u>6,116,866</u>	<u>2,374,144</u>	<u>8,491,010</u>
Other financing sources (uses):			
Proceeds from long term leases	-	37,163	37,163
Total other financing sources (uses)	<u>-</u>	<u>37,163</u>	<u>37,163</u>
Net change in fund balances	617,695	(1,151,112)	(533,147)
Fund balances, beginning of year	<u>5,115,165</u>	<u>-</u>	<u>5,115,165</u>
Fund balances, end of year	\$ <u>5,733,130</u>	<u>(1,151,112)</u>	<u>4,582,018</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, 2023

	<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	\$ (533,147)
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 \$1,722,089 exceeds depreciation and amortization expense \$1,077,123.	644,966
Certain capital outlays were financed by long term leases. The amount financed by long term debt is reported as a source of financing in governmental funds but not in the statement of activities.	(37,163)
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>415,856</u>
Change in net position of governmental activities	\$ <u>490,512</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, 2023

		<u>Total Custodial Funds</u>
Assets:		
Cash	\$	<u>8,626</u>
Total assets		<u>8,626</u>
Liabilities		<u>—</u>
Total net position	\$	<u>8,626</u>

Statement of Changes in Fiduciary Net Position
Custodial Funds

Year Ended June 30, 2023

		<u>Total Custodial Funds</u>
Additions:		
Student activity revenues	\$	8,641
Deductions:		
Student activity services expenses		<u>8,251</u>
Net increase in fiduciary net position		390
Net position:		
Beginning of year		<u>8,236</u>
Ending of year	\$	<u>8,626</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, 2023

(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, 2023, 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.

(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.

(Continued)

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

Notes to Basic Financial Statements

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, 2023, 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, 2023, 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.

(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.

(Continued)

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

Notes to Basic Financial Statements

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, 2023, the School's demand deposit accounts exceeded the Federal deposit insurance limits by approximately \$55,000, and accordingly were uninsured.

(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, 2023, the School implemented the accounting and financial reporting provisions of *GASB Statement No. 96, Subscription-Based Information Technology Arrangements*, whereby subscribers are required to recognize a subscription liability and a right-to-use subscription asset. The implementation, applied retroactively to July 1, 2022, resulted in the School recognizing a right-to-use asset in the amount of \$65,828, the unamortized right-to-use subscription asset as of July 1, 2022. The School had prepaid all subscription costs; therefore, no related subscription liability was recognized.

(Continued)

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

Notes to Basic Financial Statements

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
Subscription assets	Subscription term

(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.

(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, 2023.

(Continued)

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

Notes to Basic Financial Statements

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.

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.

Fund Deficits

The School has accumulated a fund balance deficit in the capital projects fund of \$1,151,112. Management plans to restore this deficit through expected increased capital outlay funding as a result of the enactment of FL HB 1259, which resets the calculation of how the District shares capital funding with the School and removes the state funding threshold. The District will now be required to share equally with the School, based on unweighted FTE students, the discretionary capital outlay millage revenue, also known as \$1.5 millage revenue. The bill provides a 5-year glide path resulting in the School receiving 100% of its calculated share of the \$1.5 millage revenue. Management anticipates being able to repay the general fund for the funds advanced for capital projects and therefore have not transferred funds during the year ended June 30, 2023.

(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 2020-2023.

(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

As of June 30, 2023, the School maintained amounts due from the District of \$36,899 for capital projects and operating cost reimbursements.

As of June 30, 2023, the School's general fund was due \$1,108,675 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, 2023:

	Balance <u>2022</u>	<u>Additions</u>	Retirements and <u>Transfers</u>	Balance <u>2023</u>
Improvements other than buildings	\$ 734,428	—	(12,909)	721,519
Buildings and improvements	14,222,491	220,457	(228,774)	14,214,174
Construction in progress	100,720	712,448	—	813,168
Furniture, fixtures, and equipment	1,834,229	662,107	(191,171)	2,305,165
Audio/visual equipment	65,109	9,495	—	74,604
Computer software	20,859	—	—	20,859
Leased land	1,365,222	—	—	1,365,222
Leased equipment	13,762	37,163	(13,762)	37,163
Subscription assets	<u>—</u>	<u>80,419</u>	<u>—</u>	<u>80,419</u>
 Total capital assets	 <u>18,356,820</u>	 <u>1,722,089</u>	 <u>(446,616)</u>	 <u>19,632,293</u>
 Less accumulated depreciation for:				
Improvements other than buildings	465,651	17,421	(12,909)	470,163
Buildings and improvements	4,539,153	641,623	(228,774)	4,952,002
Furniture, fixtures, and equipment	982,345	325,084	(191,171)	1,116,258
Audio/visual equipment	19,176	12,821	—	31,997
Computer software	6,568	6,420	—	12,988
Less accumulated amortization for:				
Leased assets	61,946	53,346	(13,762)	101,530
Subscription assets	<u>—</u>	<u>20,408</u>	<u>—</u>	<u>20,408</u>
 Total accumulated depreciation and amortization	 <u>6,074,839</u>	 <u>1,077,123</u>	 <u>(446,616)</u>	 <u>6,705,346</u>
 Governmental capital assets, net	 \$ <u>12,281,981</u>	 <u>644,966</u>	 <u>—</u>	 <u>12,926,947</u>

During the year ended June 30, 2023, the School entered into contracts for certain capital improvements, which are expected to be completed during the year ended June 30, 2024. These projects are expected to total approximately \$800,000.

(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, 2023 is as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>2023</u>
Mortgage note payable of \$7,500,000, with monthly payments of \$51,369, including interest at 2.84%, through May 29, 2036.	\$ 7,060,111	—	(384,878)	6,675,233

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

The future maturities of long-term debt, as of June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 465,370	202,432	667,802
2025	443,394	173,038	616,432
2026	456,331	160,101	616,432
2027	469,645	146,787	616,432
2028	482,985	133,447	616,432
2029 – 2033	2,636,435	445,726	3,082,161
2034 – 2036	1,721,073	75,453	1,796,526
Outstanding at June 30, 2023	\$ 6,675,233	1,336,984	8,012,217

During the year ended June 30, 2023, interest expense totaled \$236,199.

(5) Leases and Subscription-Based Information Technology Arrangements

Long-term liabilities associated with leases and subscription-based information technology arrangements as of June 30, 2023 is as follows:

	<u>Balance</u> <u>2022</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>2023</u>
Land lease	\$ 1,340,677	—	(26,004)	1,314,673
Copier lease	—	37,163	(4,974)	32,189
	\$ 1,340,677	37,163	(30,978)	1,346,862

(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 \$1,078 through January 2026, continuing on a month-to-month basis thereafter.

The School has entered into several subscription-based information technology arrangements for periods between 3 and 5 years. Currently all subscription-based information technology arrangements are fully prepaid, and as such, there are no related liabilities.

The future maturities of long-term leases, as of June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 41,221	37,717	78,938
2025	42,407	36,531	78,938
2026	38,210	35,337	73,547
2027	31,619	34,381	66,000
2028	33,280	33,470	66,750
2029 – 2033	194,195	151,555	345,750
2034 – 2038	239,884	120,866	360,750
2039 – 2043	291,783	83,217	375,000
2044 – 2048	336,246	38,754	375,000
2049 – 2050	<u>98,017</u>	<u>1,983</u>	<u>100,000</u>
Outstanding at June 30, 2023	\$ <u>1,346,862</u>	<u>573,811</u>	<u>1,920,673</u>

(Continued)

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

Notes to Basic Financial Statements

(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	\$ 4,424,950
Class size	603,786
School academic improvement	142,515
Teacher salary increase	171,024
Instructional materials and teacher training	48,800
Safe schools	<u>49,563</u>
Total	\$ <u>5,440,638</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 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 2022-2023 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 \$36,535 from the School's revenues for the year ended June 30, 2023, 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, 2023, 2022, and 2021, 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, 2023, the School provided for contributions approximating \$480,569.

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, 2023

	<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	\$ 88,838	88,838	211,664	122,826
State through local	-	-	11,515	11,515
Local	5,364,974	5,364,974	5,440,638	75,664
Non-resident tuition	528,000	528,000	632,061	104,061
Other	<u>20,000</u>	<u>20,000</u>	<u>438,953</u>	<u>418,953</u>
Total revenues	<u>6,001,812</u>	<u>6,001,812</u>	<u>6,734,831</u>	<u>733,019</u>
Expenditures:				
Current – education:				
Instruction	3,270,272	3,270,272	3,445,182	(174,910)
Student and instructional support services	353,679	353,679	344,759	8,920
School administration	825,291	837,988	1,010,783	(172,795)
Facilities acquisition and construction	42,336	42,336	50,127	(7,791)
Food service	1,500	700	934	(234)
Information services	71,055	71,055	70,285	770
Student transportation services	300	300	2,514	(2,214)
Operation of plant	751,361	751,361	820,335	(68,974)
Maintenance of plant	30,000	30,000	20,428	9,572
Administrative technology services	180,137	180,137	180,187	(50)
Proprietary and fiduciary expenses	<u>-</u>	<u>-</u>	<u>171,332</u>	<u>(171,332)</u>
Total expenditures	<u>5,525,931</u>	<u>5,537,828</u>	<u>6,116,866</u>	<u>(579,038)</u>
Net change in fund balance	475,881	463,984	617,965	153,981
Fund balance, beginning of year	<u>5,115,165</u>	<u>5,115,165</u>	<u>5,115,165</u>	<u>-</u>
Fund balance, end of year	\$ <u>5,591,046</u>	<u>5,579,149</u>	<u>5,733,130</u>	<u>153,981</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, 2023, 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 14, 2023.

Report on 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Report on 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.

September 14, 2023

Jacoby and Handley, PLLC

**Report of Independent Auditor on Compliance for Each
Major Federal Program and Report on Internal Control over
Compliance in Accordance with the Uniform Guidance**

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

Report on Compliance for each Major Federal Program

Opinion on each Major Federal Program

We have audited Indian River Charter High School, Inc.'s (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal program.



Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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



Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

September 14, 2023

Jacoby and Handberg, PLLC

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

<u>Federal Agency</u> <u>Federal Award Program or Cluster</u>	<u>ALN</u> <u>No.</u>	<u>Grant</u> <u>No.</u>	<u>Total</u> <u>Expenditures</u>
U.S. Department of Education:			
Pass-through from School District of Indian River County:			
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	\$ <u>100,546</u>
Total Special Education Cluster			<u>100,546</u>
Pass-through from Florida Department of Education, School District of Indian River County			
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act:			
COVID-19: Elementary and Secondary School Emergency Relief Fund*	84.425D	N/A	135,254
American Rescue Plan: Elementary and Secondary School Emergency Relief Fund*	84.425U	N/A	<u>907,632</u>
Total Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act			<u>1,042,886</u>
Total expenditures of Federal awards			<u>1,143,432</u>

* - denotes major program

See accompanying notes to schedule of expenditures of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

(1) *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Indian River Charter High School, Inc. and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to, and does not present the financial position, changes in net position, or cash flows of the School.

(2) *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) *Indirect Cost Rate*

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) *Contingency*

The School has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the School. In the opinion of management, all grant and contract expenditures are in compliance with the terms of the grants and contract agreements, applicable federal laws, and other applicable regulations.

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

Schedule of Findings and Questioned Costs

June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Identification of major federal awards – U.S. Department of Education, Education Stabilization Fund 84.425, which includes COVID-19: Elementary and Secondary School Emergency Relief Fund 84.425D and American Rescue Plan: Elementary and Secondary School Emergency Relief Fund 84.425U

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors’ report issued on compliance for major federal awards?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)?	No
Dollar threshold used to distinguish between Type A and Type B Awards	\$750,000
Auditee qualified as low-risk auditee?	No

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

Schedule of Findings and Questioned Costs, Continued

June 30, 2023

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Awards Findings and Questioned Costs

There were no findings related to the federal awards which are required to be reported in accordance with CFR 200.516(a).

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, 2023, and have issued our report thereon dated September 14, 2023.

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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); 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*, and Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance. Disclosures in these reports, which are dated September 14, 2023, 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 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.

September 14, 2023

Jacoby and Handberg PLLC