

Interdistrict School for Arts and Communication, Inc.

**Financial Statements,
State Financial Assistance in Accordance
with the State Single Audit Act
and Independent Auditor's Reports**

**June 30, 2019
(With Summarized Information for 2018)**

Interdistrict School for Arts and Communication, Inc.

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Independent Auditor's Report

Board of Directors
Interdistrict School for Arts and Communication, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Interdistrict School for Arts and Communication, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interdistrict School for Arts and Communication, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Interdistrict School for Arts and Communication, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by the State Single Audit Act, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 December 5, 2019, on our consideration of Interdistrict School for Arts and Communication, 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 Interdistrict School for Arts and Communication, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Interdistrict School for Arts and Communication, Inc.'s internal control over financial reporting and compliance.



Hartford, Connecticut
December 5, 2019

Interdistrict School for Arts and Communication, Inc.

**Statement of Financial Position
June 30, 2019
(With Comparative Totals for 2018)**

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Current assets		
Cash	\$ 1,270,767	\$ 1,089,348
Accounts receivable (net of allowance of \$0 and \$1,188)	82,459	98,452
Grants receivable	17,463	3,514
Prepaid expenses	29,703	32,361
	<hr/>	<hr/>
Total current assets	1,400,392	1,223,675
Property and equipment, net	<hr/>	<hr/>
	5,247,646	5,385,954
	<hr/>	<hr/>
Total assets	<u>\$ 6,648,038</u>	<u>\$ 6,609,629</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 118,165	\$ 70,332
Accrued liabilities and deposits	179,458	133,988
Deferred revenue - operations	365,703	311,196
Loan payable, current portion	32,700	31,200
	<hr/>	<hr/>
Total current liabilities	696,026	546,716
Long-term liabilities		
Loan payable, net of current portion	498,224	530,703
Deferred revenue - capital reserve	188,733	252,446
	<hr/>	<hr/>
Total long-term liabilities	686,957	783,149
	<hr/>	<hr/>
Total liabilities	1,382,983	1,329,865
Commitments		
Net assets		
Net assets without donor restrictions	5,248,602	5,250,476
Net assets with donor restrictions	16,453	29,288
	<hr/>	<hr/>
Total net assets	5,265,055	5,279,764
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 6,648,038</u>	<u>\$ 6,609,629</u>

See Notes to Financial Statements.

Interdistrict School for Arts and Communication, Inc.

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019
(With Comparative Totals For 2018)**

	2019			2018
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Total
Public support and revenues				
Federal and state grants - education	\$ 3,325,456	\$ -	\$ 3,325,456	\$ 2,936,670
Federal and state grants - nutrition	136,079	-	136,079	-
Special education	519,548	-	519,548	512,187
Contributions	51,844	-	51,844	17,176
Student activities	23,928	-	23,928	26,157
Interest and dividends	8,411	-	8,411	6,676
Miscellaneous	30,985	-	30,985	9,673
Net assets released from restrictions				
Restrictions satisfied by purpose	12,835	(12,835)	-	-
Total public support and revenues	4,109,086	(12,835)	4,096,251	3,508,539
Expenses				
State enrollment-based foundation grant	3,394,686	-	3,394,686	2,858,131
Special education	453,426	-	453,426	502,001
Student activities	24,606	-	24,606	25,311
Interest expense	28,771	-	28,771	27,478
Depreciation and amortization	209,471	-	209,471	220,266
Total expenses	4,110,960	-	4,110,960	3,633,187
Changes in net assets	(1,874)	(12,835)	(14,709)	(124,648)
Net assets, beginning	5,250,476	29,288	5,279,764	5,404,412
Net assets, end	<u>\$ 5,248,602</u>	<u>\$ 16,453</u>	<u>\$ 5,265,055</u>	<u>\$ 5,279,764</u>

See Notes to Financial Statements.

Interdistrict School for Arts and Communication, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2019
(With Comparative Totals For 2018)**

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries	\$ 2,064,068	\$ 320,097	\$ 32,577	\$ 2,416,742	\$ 2,188,600
Fringe benefits and payroll taxes	407,862	63,251	6,437	477,550	399,189
Other purchased services	252,821	82,299	-	335,120	200,109
Occupancy	195,662	2,621	2,709	200,992	133,045
Insurance	23,692	3,674	374	27,740	26,147
Supplies/materials	243,417	12,449	1,267	257,133	313,456
Marketing/recruitment	17,477	-	-	17,477	17,678
Technology	37,305	4,506	459	42,270	38,720
Office expense	33,130	5,138	523	38,791	32,991
Depreciation and amortization	178,903	27,744	2,824	209,471	220,266
Other	34,297	-	-	34,297	10,197
Student activities	24,606	-	-	24,606	25,311
Interest expense	24,572	3,811	388	28,771	27,478
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 3,537,812</u>	<u>\$ 525,590</u>	<u>\$ 47,558</u>	<u>\$ 4,110,960</u>	<u>\$ 3,633,187</u>

See Notes to Financial Statements.

Interdistrict School for Arts and Communication, Inc.

**Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals For 2018)**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Changes in net assets	\$ (14,709)	\$ (124,648)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	209,471	220,266
Bad debt expense	1,406	2,503
Changes in operating assets and liabilities		
Accounts receivable	14,587	(62,011)
Grants receivable	(13,949)	(748)
Prepaid expenses	2,658	(9,582)
Accounts payable	47,833	20,758
Accrued liabilities and deposits	45,470	(15,575)
Deferred revenue - operations	<u>54,507</u>	<u>127,476</u>
Net cash provided by operating activities	<u>347,274</u>	<u>158,439</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(71,163)</u>	<u>(46,789)</u>
Cash flows from financing activities		
Proceeds from (payments on) capital reserve	(63,713)	105,348
Payments on loan payable	<u>(30,979)</u>	<u>(29,718)</u>
Net cash (used in) provided by financing activities	<u>(94,692)</u>	<u>75,630</u>
Net increase in cash	181,419	187,280
Cash, beginning	<u>1,089,348</u>	<u>902,068</u>
Cash, end	<u>\$ 1,270,767</u>	<u>\$ 1,089,348</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 28,771</u>	<u>\$ 27,478</u>

See Notes to Financial Statements.

Interdistrict School for Arts and Communication, Inc.

**Notes to Financial Statements
June 30, 2019
(With Summarized Information for 2018)**

Note 1 - Organization and summary of significant accounting policies

Nature of operations

The Interdistrict School for Arts and Communication, Inc. (the "School") is a nonprofit corporation engaged in all activities pertinent to operating a state-chartered public middle school for Grades 6 to 8. The School, located in New London, Connecticut (the "State"), opened in the fall of 1997.

The School features an academically rigorous curriculum whose various disciplines are integrated through the arts - both visual and performing - and through modern communication skills. The curriculum supports a learning community that is multicultural. The School is run by its Board of Directors and a Management Team. The Board of Directors and Management Team are educators, arts and communication experts, financial experts, community leaders, teachers, parents and students.

The School's activities began with its incorporation on February 4, 1997.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

Net assets with donor restrictions are subject to donor- (or certain grantor-) imposed restrictions which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Statement of cash flows

For purposes of reporting cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2019.

Grants and other receivables

Grants receivable represent amounts owed to the School based on exchange transactions. The remaining receivables include billings to local school districts for special education services. The School has determined that no allowance for uncollectible accounts for receivables is necessary as of June 30, 2019. Such estimate is based on management's assessments of the creditworthiness of its donors, the aging of its receivables, as well as current economic conditions and historical information.

Revenue recognition

Revenue from federal, state and local government grants and contracts is recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred are reflected as deferred revenue in the accompanying statement of financial position. Receivables are recognized to the extent costs have been incurred, but not reimbursed.

Interdistrict School for Arts and Communication, Inc.

**Notes to Financial Statements
June 30, 2019
(With Summarized Information for 2018)**

Revenue from the state and local governments resulting from the School's charter status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

Contributions are recognized by the School when a donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor, but whose restrictions are met in the same period, are reported as increases to net assets without restrictions. All other donor-restricted contributions are reported as increases to net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed services received from Board Members and volunteers are not recorded in the financial statements since these services do not meet the criteria for recognition as contributed services.

The School receives a substantial portion of its support and revenue from the State Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Income taxes

The School is classified by the Internal Revenue Service as exempt from income tax under Section 501(a) of the Internal Revenue Code as a public education school described in Section 501(c)(3).

The School has no unrecognized tax benefits at June 30, 2019 or 2018. The School's federal and state income tax returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the School would recognize interest and penalties associated with tax matters as part of management and general expenses in the statement of activities and changes in net assets and include accrued interest and penalties in accrued liabilities in the statement of financial position. The School did not recognize any interest or penalties associated with tax matters for the years ended June 30, 2019 or 2018.

Property and equipment

The School follows the practice of capitalizing expenditures for equipment in excess of \$1,000 and construction expense of \$5,000; the fair value of donated assets is similarly capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Building	40 years
Furniture and equipment	5 - 10 years

Long-lived assets

The School recognizes an impairment loss when the carrying amount of a long-lived asset exceeds its fair value. In the event that facts and circumstance indicate that the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. The evaluation process consists of comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down is required. If the review indicates that the asset will not be recoverable, the carrying value of the asset would be reduced to its estimated realizable value. There was no impairment loss recognized for the year ended June 30, 2019.

Interdistrict School for Arts and Communication, Inc.

**Notes to Financial Statements
June 30, 2019
(With Summarized Information for 2018)**

Functional allocation of expenses

The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's assessment. Health and retirement benefits and payroll taxes are allocated to programs based on the percentage of salary expense of the program to total salary expense. Expenses that can be identified directly with either the program or supporting service are charged to that function accordingly.

Concentrations of credit risk

The School maintains cash balances in one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time, the School's balances may exceed these limits. The School limits its credit risk by selecting financial institutions considered to be highly creditworthy. The uninsured cash balance was \$1,147,243 at June 30, 2019.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

Management has evaluated subsequent events through December 5, 2019, the date the financial statements were available to be issued.

Note 2 - New accounting pronouncement

During 2019, the School adopted the provisions of Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe the categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The accompanying information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14. The adoption of ASU 2016-14 has had no effect on the School's total net assets.

Interdistrict School for Arts and Communication, Inc.

**Notes to Financial Statements
June 30, 2019
(With Summarized Information for 2018)**

Note 3 - Liquidity

The School regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2019, the School has \$799,800 of financial assets available to meet annual operating needs for the 2020 fiscal year as follows:

Cash	\$ 1,270,767
Accounts receivable	82,459
Grants receivable	<u>17,463</u>
Total financial assets	1,370,689
Less	
Deferred revenue - operations	(365,703)
Deferred revenue - capital reserve	(188,733)
Net assets with donor restrictions	<u>(16,453)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 799,800</u>

These financial assets are not subject to any grantor or contractual restrictions. The School supports its general operations primarily with federal and state grants, which are recognized as purpose restrictions are met.

Note 4 - Concentrations

Approximately 85% and 84% of the School's revenue for the years ended June 30, 2019 and 2018 was funded by the federal and state Departments of Education. This funding is subject to specific requirements.

Note 5 - Grants

The following grants were awarded for use during the years ended June 30, 2019 and 2018:

1. A State Enrollment-Based Foundation Grant in the amount of \$3,105,000 and \$2,970,000 for 2019 and 2018, respectively, for the purposes of financing public education.
2. Various grants for the purpose of providing education programs.

Certain grants require the fulfillment of various conditions as set forth by the grantor. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms; the School has accommodated the objectives of the grantors to the provisions of the grants.

The School has recognized deferred revenue related to unexpended Per Pupil Funding. The State allows for a carryover to the following year of 10% of the total grant. The School has set aside \$310,500 as the current portion of deferred revenue to be expended in the fiscal year ended June 30, 2020. Additionally, the State allows a 5% reserve of funds for capital purchase, equipment purchase or other approved projects. The School has set aside an additional \$5,035 for a cumulative total of \$188,733 at June 30, 2019; \$188,733 is reflected as the long-term portion of

Interdistrict School for Arts and Communication, Inc.

**Notes to Financial Statements
June 30, 2019
(With Summarized Information for 2018)**

deferred revenue as the budget for the year ended June 30, 2020 does not anticipate the use of these funds.

Note 6 - Pension plan

Certain employees of the School are required to participate in a defined benefit plan established and administered by the Connecticut State Teachers' Retirement Board (the "TRB Plan"). The School is not required to and does not contribute to the TRB Plan.

Note 7 - Property and equipment

The following is a summary of property and equipment:

	<u>2019</u>	<u>2018</u>
Land	\$ 80,000	\$ 80,000
Building	6,786,584	6,721,037
Furniture and equipment	<u>367,703</u>	<u>362,087</u>
	7,234,287	7,163,124
Less accumulated depreciation	<u>1,986,641</u>	<u>1,777,170</u>
Net property and equipment	<u><u>\$ 5,247,646</u></u>	<u><u>\$ 5,385,954</u></u>

Depreciation expense was \$209,471 and \$220,266 for the years ended June 30, 2019 and 2018, respectively.

Note 8 - Loan payable

Loan payable consists of a mortgage loan with an original balance of \$1,500,000 dated August 7, 2012 for the demolition and construction of the new gym. The loan bears interest at 4.07% per annum, and is adjusted every five years to two and one half percent above the index rate. The interest rate shall never be less than 4.07% nor greater than 18%. At June 30, 2019 and 2018, the interest rate was 4.75%. The loan is secured by the School's property. Based on the modification dated September 26, 2014, the monthly payments payable to Charter Oak Federal Credit Union were revised to \$4,767 including principal and interest commencing November 1, 2014 through the loan's maturity date of August 1, 2027 when the entire outstanding balance shall be due and payable in full.

Interdistrict School for Arts and Communication, Inc.

**Notes to Financial Statements
June 30, 2019
(With Summarized Information for 2018)**

The future scheduled maturities of long-term debt for the five years subsequent to June 30, 2019 and thereafter are approximately as follows:

2020	\$	32,700
2021		34,300
2022		36,000
2023		37,700
2024		39,600
Thereafter		<u>350,624</u>
	\$	<u>530,924</u>

Note 9 - Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Funds to be used for musical instruments	\$ 16,453	\$ 22,118
Funds to be used for student fundraising activities	<u>-</u>	<u>7,170</u>
Total net assets with donor restrictions	<u>\$ 16,453</u>	<u>\$ 29,288</u>

Note 10 - Risk management

The School is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; actions by employees and parents and natural disasters. The School maintains commercial insurance to protect itself from these risks.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund because management does not believe that there are any liabilities to be recorded.

State Single Audit

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

To the Board of Directors
Interdistrict School for Arts and Communication, 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 Interdistrict School for Arts and Communication, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Interdistrict School for Arts and Communication, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Interdistrict School for Arts and Communication, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Interdistrict School for Arts and Communication, Inc.'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 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 Interdistrict School for Arts and Communication, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CohnReznick LLP

Hartford, Connecticut
December 5, 2019

Independent Auditor's Report on Compliance for Each
Major State Program and Report on Internal Control over
Compliance Required by the State Single Audit Act

To the Board of Directors
Interdistrict School for Arts and Communication, Inc.

Report on Compliance for Each Major State Program

We have audited the Interdistrict School for Arts and Communication, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Interdistrict School for Arts and Communication, Inc.'s major state programs for the year ended June 30, 2019. Interdistrict School for Arts and Communication, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Interdistrict School for Arts and Communication, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Interdistrict School for Arts and Communication, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Interdistrict School for Arts and Communication, Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, Interdistrict School for Arts and Communication, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Interdistrict School for Arts and Communication, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Interdistrict School for Arts and Communication, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Interdistrict School for Arts and Communication, Inc.'s 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 state 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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.



Hartford, Connecticut
December 5, 2019

Interdistrict School for Arts and Communication, Inc.

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2019**

<u>State grantor/pass-through grantor/program title</u>	<u>State grant program Core - CT number</u>	<u>Passed through to subrecipients</u>	<u>Expenditures</u>
State Department of Education Charter Schools (2019)	11000-SDE64000-16119	\$ -	\$2,789,465
Charter Schools (2018 c/o)	11000-SDE64000-16119	-	365,747
Child Nutrition State Matching Grant	11000-SDE64000-16211	-	1,491
Healthy Foods Initiative	11000-SDE64000-16212	-	2,840
School Breakfast	11000-SDE64000-17046	-	2,898
Talent Development	11000-SDE64000-12552	-	<u>1,818</u>
Total Expenditures of State Financial Assistance			<u>\$3,164,259</u>

See Note to Schedule of Expenditures of State Financial Assistance.

Interdistrict School for Arts and Communication, Inc.

**Note to Schedule of Expenditures of State Financial Assistance
June 30, 2019**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Interdistrict School for Arts and Communication, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2019. The State of Connecticut Department of Education has provided financial assistance to the Interdistrict School for Arts and Communication, Inc. through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund education.

Summary of significant accounting policies

The accounting policies of the Interdistrict School for Arts and Communication, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of accounting

The expenditures reported on the schedule of expenditures of state financial assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

Interdistrict School for Arts and Communication, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: _____ Unmodified _____

Internal control over financial reporting:

Material weakness(es) identified? _____yes x no
Significant deficiency(ies) identified? _____yes x none reported

Noncompliance material to financial statements noted? _____yes x no

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? _____yes x no
Significant deficiency(ies) identified? _____yes x none reported

Type of auditor's opinion issued on compliance
for major programs: _____ Unmodified _____

Any audit findings disclosed that are required
to be reported in accordance with Section 4-236-24
of the Regulations to the State Single Audit Act? _____yes x no

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core - CT Number</u>	<u>Expenditures</u>
State Department of Education:		
Charter Schools	11000-SDE64000-16119	\$ 3,155,212
Dollar threshold used to distinguish between type A and type B programs:		<u>\$ 200,000</u>

Interdistrict School for Arts and Communication, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

Section II - Financial Statement Findings

There were no findings or questioned costs reported relating to the financial statements.

Section III - State Financial Assistance Findings and Questioned Costs

There were no findings or questioned costs reported relating to state financial assistance programs.