

**INTERDISTRICT SCHOOL FOR ARTS  
AND COMMUNICATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

**DOHERTY  
BEALS &  
BANKS, P.C.**  
CERTIFIED PUBLIC  
ACCOUNTANTS

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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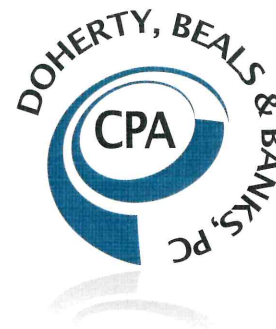
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors of  
Interdistrict School for Arts and Communication, Inc.  
190 Governor Winthrop Boulevard  
New London, CT 06320

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, 2020, and the related statements of activities, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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 the Interdistrict School for Arts and Communication, Inc. as of June 30, 2020, 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.

## Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of Interdistrict School for Arts and Communication, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Interdistrict School for Arts and Communication, Inc.'s internal control over financial reporting and compliance.

The financial statements of Interdistrict School for Arts and Communication, Inc., as of June 30, 2019, were audited by other auditors whose report dated December 5, 2019, expressed an unmodified opinion on those financial statements.

*Doherty, Beals + Banks, P.C.*  
DOHERTY, BEALS & BANKS, P.C.  
New London, Connecticut

December 14, 2020



**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**WITH COMPARATIVE TOTALS FOR 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 886,322	\$ 1,270,767
Accounts receivable (net of allowance of \$0 and \$1,188)	208,929	82,460
Grants receivable	111,788	17,462
Prepaid expenses	<u>44,944</u>	<u>29,703</u>
Total current assets	1,251,983	1,400,392
Property and equipment, net	<u>5,144,854</u>	<u>5,247,646</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,396,837</u></u>	<u><u>\$ 6,648,038</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 68,243	\$ 118,165
Accrued liabilities and deposits	190,946	179,458
Refundable advances - operations	52,593	365,703
Loan payable, current portion	<u>34,330</u>	<u>32,700</u>
<b>TOTAL LIABILITIES</b>	<u>346,112</u>	<u>696,026</u>
<b>LONG-TERM LIABILITIES</b>		
Loan payable, net of current portion	464,842	498,224
Refundable advances - capital reserve	<u>144,914</u>	<u>188,733</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>609,756</u>	<u>686,957</u>
<b>TOTAL LIABILITIES</b>	<u>955,868</u>	<u>1,382,983</u>
Commitments		
<b>NET ASSETS</b>		
Net assets without donor restrictions	5,426,109	5,248,602
Net assets with donor restrictions	<u>14,859</u>	<u>16,453</u>
<b>TOTAL NET ASSETS</b>	<u>5,440,968</u>	<u>5,265,055</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 6,396,837</u></u>	<u><u>\$ 6,648,038</u></u>

See notes to financial statements.

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**WITH COMPARATIVE TOTALS FOR 2019**

	2020			2019
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Total
<b>PUBLIC SUPPORT AND REVENUE</b>				
Federal and state grants - education	\$ 3,672,174	\$ -	\$ 3,672,174	\$ 3,325,456
Federal and state grants - nutrition	108,220	-	108,220	136,079
Special education	705,262	-	705,262	519,548
Contributions	18,589	-	18,589	51,844
Student activities	16,539	-	16,539	23,928
Interest and dividends	7,397	-	7,397	8,411
Miscellaneous	19,402	-	19,402	30,985
Net assets released from restrictions				
Restrictions satisfied by purpose	1,594	(1,594)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>4,549,175</b>	<b>(1,594)</b>	<b>4,547,581</b>	<b>4,096,251</b>
<b>EXPENSES</b>				
General Education	3,639,954	-	3,639,954	3,394,686
Special education	501,062	-	501,062	453,426
Student activities	8,654	-	8,654	24,606
Interest expense	24,603	-	24,603	28,771
Depreciation and amortization	197,395	-	197,395	209,471
<b>TOTAL EXPENSES</b>	<b>4,371,668</b>	<b>-</b>	<b>4,371,668</b>	<b>4,110,960</b>
<b>CHANGES IN NET ASSETS</b>	<b>177,507</b>	<b>(1,594)</b>	<b>175,913</b>	<b>(14,709)</b>
<b>NET ASSETS - BEGINNING</b>	<b>5,248,602</b>	<b>16,453</b>	<b>5,265,055</b>	<b>5,279,764</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 5,426,109</b>	<b>\$ 14,859</b>	<b>\$ 5,440,968</b>	<b>\$ 5,265,055</b>

See notes to financial statements.

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**WITH COMPARATIVE TOTALS FOR 2019**

FUNCTIONAL EXPENSES	Regular Education	Special Education	Total Program Services	General and administrative	Fundraising	2,020	2,019
Salaries	\$ 2,066,369	\$ 385,112	\$ 2,451,481	\$ 309,410	\$ 22,226	\$ 2,783,117	\$ 2,416,742
Fringe benefits and payroll taxes	346,266	102,919	449,185	56,693	4,072	509,950	477,550
Other purchased services	233,568	4,800	238,368	30,085		268,453	335,120
Occupancy	129,840	-	129,840	16,388	1,177	147,405	200,992
Insurance	42,218	-	42,218	5,329	383	47,930	27,740
Supplies/materials	242,096	8,231	250,327	31,595	2,270	284,192	257,133
Marketing/recruitment	-	-	-	18,251	-	18,251	17,477
Technology	40,039	-	40,039	5,053	363	45,455	42,270
Office expense	31,214	-	31,214	3,940	283	35,437	38,791
Depreciation and amortization	173,874	-	173,874	21,945	1,576	197,395	209,471
Other	728	-	728	92	7	827	34,297
Student activities	8,654	-	8,654	-	-	8,654	24,606
Interest expense	21,672	-	21,672	2,735	196	24,603	28,771
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,336,537</b>	<b>\$ 501,062</b>	<b>\$ 3,837,599</b>	<b>\$ 501,516</b>	<b>\$ 32,553</b>	<b>\$ 4,371,668</b>	<b>\$ 4,110,960</b>

The organization maintains multiple allocation schedules based on a number of formulas including square footage, percentage of revenue, and estimates of time and effort. In most cases, expenses are allocated directly.

See notes to financial statements.

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED June 30, 2020**  
**WITH COMPARATIVE TOTALS FOR 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 175,913	\$ (14,709)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	197,395	209,471
Bad debt expense	15	1,406
Changes in operating assets and liabilities		
Accounts receivable	(126,484)	14,587
Grants receivable	(94,326)	(13,949)
Prepaid expenses	(15,241)	2,658
Accounts payable	(49,922)	47,833
Accrued liabilities and deposits	11,488	45,470
Refundable advances - operations	(313,110)	54,507
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>(214,271)</u>	<u>347,274</u>
Cash flows from investing activities		
Purchase of property and equipment	(94,603)	(71,163)
Cash flows from financing activities		
Refundable advances - capital reserve	(43,819)	(63,713)
Payments on loan payable	(31,752)	(30,979)
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<u>(75,571)</u>	<u>(94,692)</u>
<b>NET INCREASE IN CASH</b>	(384,446)	181,419
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>1,270,767</u>	<u>1,089,348</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 886,322</u></u>	<u><u>\$ 1,270,767</u></u>
Supplemental disclosure of cash flow information		
Interest paid	<u><u>\$ 24,196</u></u>	<u><u>\$ 28,771</u></u>

See notes to financial statements.



**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**1. 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.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses recognized on investments and other assets or liabilities, if any, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as support without donor restrictions in the consolidated statement of activities and changes in net assets.

**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, 2020. Additionally, there was no restricted cash balances at June 30, 2020.

**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, 2020. Such estimate is based on management's assessments of the creditworthiness of its local school districts, the aging of its receivables, as well as current economic conditions and historical information.



**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 refundable advances in the accompanying statement of financial position. Receivables are recognized to the extent costs have been incurred, but not reimbursed.

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, 2020 or 2019. 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, 2020 or 2019.

**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

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2020.

**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 \$786,701 at June 30, 2020.

**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, 2019, 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 14, 2020, the date the financial statements were available to be issued.

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**2. NEWLY ADOPTED ACCOUNTING STANDARDS**

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its consolidated statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the consolidated statement of financial position and the consolidated statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. The School had no restricted cash as of June 30, 2019 consequently the balance remains unchanged.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Effective January 2019, the Organization adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Organization's contracts with customers. No practical expedients were applied. The majority of the School's revenue is derived from grants, contracts to provide services to third party recipients and contributions. Therefore, adoption of ASU 2014-09 had no impact on the recognition of revenue of School during the period presented or on the opening balance of School's net assets as of July 1, 2019.

**3. LIQUIDITY**

The School regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2020, the School has \$981,385 of financial assets available to meet annual operating needs for the 2021 fiscal year as follows:

Cash	\$ 886,322
Accounts receivable	208,929
Grants receivable	<u>111,788</u>
Total financial assets	1,207,038
Less	
Refundable advances – operations	(52,593)
Refundable advances – capital reserve	(144,914)
Net assets with donor restrictions	<u>(14,859)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 994,672</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.

**4. CONCENTRATIONS**

Approximately 81% of the School's revenue for the years ended June 30, 2020 and 2019 was funded by the federal and state Departments of Education. This funding is subject to specific requirements.



**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**5. GRANTS**

The following grants were awarded for use during the years ended June 30, 2020 and 2019:

1. A State Enrollment-Based Foundation Grant in the amount of \$3,459,319 and \$3,155,212 for 2020 and 2019, 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 refundable advances related to unexpended Per Pupil Funding. The State allows for a carryover to the following year of 10% of the total grant. The State allows a 5% reserve of funds for capital purchase, equipment purchase or other approved projects. The School has a cumulative total of \$144,914 at June 30, 2020; which is reflected as the long-term portion of refundable advances as the budget for the year ended June 30, 2020 does not anticipate the use of these funds.

**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.

**7. PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment:

	2020	2019
Land	\$ 80,000	\$ 80,000
Building	6,815,467	6,786,584
Construction in progress	65,720	-
Furniture and equipment	216,375	367,703
	7,177,562	7,234,287
Less accumulated depreciation	2,032,708	1,986,641
Net property and equipment	<u>\$ 5,144,854</u>	<u>\$ 5,247,646</u>

Depreciation expense was \$197,395 and \$209,471 for the years ended June 30, 2020 and 2019, respectively.

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**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, 2020 and 2019, 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.

The future scheduled maturities of long-term debt for the five years subsequent to June 30, 2020 and thereafter are approximately as follows:

2021	\$ 34,330
2022	36,000
2023	37,700
2024	39,600
2025	41,500
Thereafter	<u>310,042</u>
	<u>\$ 499,172</u>

**9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the acquisition of musical instruments.

**10. LEASING**

The Organization leases certain property and equipment under noncancellable operating leases. Rent expense pertaining to these lease agreements was \$15,936 for the year ended June 30, 2020. The leases provide for aggregate monthly payments of approximately \$1,328 expiring on April 18, 2023.

Future minimum lease payments is \$15,936 over each of the next three years with \$13,280 due in the final year of the lease.

**11. 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.



**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**12. SUBSEQUENT EVENTS**

In early 2020, an outbreak of a novel strain of coronavirus emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the School's financial position, results of operations, and cash flows. The School is not able to reliably estimate the length or severity of this outbreak and the related financial impact.

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**

**SUPPLEMENTAL FINANCIAL REPORTS  
IN ACCORDANCE WITH THE  
CONNECTICUT SINGLE AUDIT ACT**

**JUNE 30, 2020**

**DOHERTY  
BEALS &  
BANKS, P.C.**  
CERTIFIED PUBLIC  
ACCOUNTANTS

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**

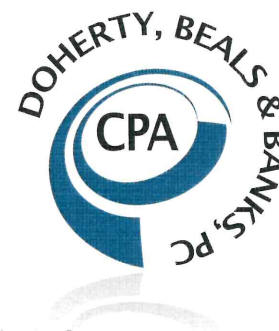
**SUPPLEMENTAL FINANCIAL REPORTS  
IN ACCORDANCE WITH THE  
CONNECTICUT SINGLE AUDIT ACT**

**JUNE 30, 2020**

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Board of Directors  
Interdistrict School for Arts and Communication, Inc.  
190 Governor Winthrop Blvd.  
New London, CT 06320



**Report on Compliance for Each Major State Program; Report on Internal Control  
over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance  
Required by the State Single Audit Act**

**Independent Auditor's Report**

**Report on Compliance for Each Major State Program**

We have audited 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, 2020. Interdistrict School for Arts and Communication, Inc.'s major state programs are identified in the summary of auditors' 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.

***Auditors' 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, 2020.

Stacey L. Gualtieri, CPA  
Audrey A. Leone, CPA



## **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 a 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.

## **Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of Interdistrict School for Arts and Communication, Inc., as of and for the year ended June 30, 2020 and have issued our report thereon dated December 14, 2020, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the State Single Audit Act 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*Doherty, Beals + Banks, P.C.*  
DOHERTY, BEALS & BANKS, P.C.  
New London, Connecticut

December 14, 2020



**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<b>State Grantor/Pass- Through Grantor/Program Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Passed Through To Subrecipients*</b>	<b>Expenditures</b>
<b>State Department of Education</b>			
Charter Schools (2020)	11000-SDE64000-16119		\$ 3,105,000
Charter Schools (2019 c/o)	11000-SDE64000-16119		354,319
Child Nutrition State Matching Grant	11000-SDE64000-16211		1,689
Talent Development	11000-SDE64000-12552		<u>1,929</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<u>\$ 3,462,937</u>

*See notes to schedule.*

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF**  
**STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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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, 2020. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including: Positive Parenting Program, Families First/Nurturing Network, Fatherhood Initiative, Reunification and Therapeutic Family Time Services, and Intimate Partner Violence.

**1. 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 agencies.

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.

**2. SUBRECIPIENTS\***

\*The Schedule of Expenditures of State Financial Assistance is to include an identification of the total amount provided to subrecipients from each state program. This identification should be presented on the face of the Schedule. There were no payments to subrecipients during this period.

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**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: Unqualified

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:

State Grantor and Program	State Core-CT Number	Expenditures
State Department of Education	11000-SDE64000-16119	\$ 3,462,937

- Dollar threshold used to distinguish between type A and type B programs. \$ 200,000

**INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**II. FINANCIAL STATEMENT FINDINGS**

- We issued reports, dated December 14, 2020 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no significant deficiencies.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No findings or questioned costs are reported relating to State Financial Assistance programs.



Board of Directors  
Interdistrict School for Arts and Communication, Inc.  
190 Governor Winthrop Blvd.  
New London, CT 06320

**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***

**Independent Auditor's Report**

We have audited, 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 the financial statements of Interdistrict School for Arts and Communication, Inc., which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2020.

**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 the Interdistrict School for Arts and Communication, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Stacey L. Gualtieri, CPA  
Audrey A. Leone, CPA

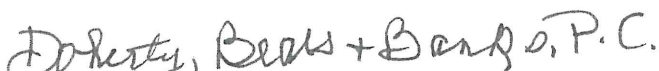


## Compliance and Other Matters

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 result of that testing, and not to provide an opinion on the effectiveness of Interdistrict School for Arts and Communication, Inc.'s internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

  
DOHERTY, BEALS & BANKS, P.C.  
New London, Connecticut

December 14, 2020