

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
Audit Reports and Schedules in Accordance
With the Uniform Guidance and
The State Single Audit Act
June 30, 2021

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
June 30, 2021

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SEWARD AND MONDE

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INDEPENDENT AUDITORS' COMBINED REPORT ON THE BASIC FINANCIAL STATEMENTS, SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

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

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 statements of financial position as of June 30, 2021 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information from Prior Period Financial Statements

The financial statements of Interdistrict School for Arts and Communication, Inc. as of June 30, 2020 were audited by other auditors whose report dated December 14, 2020 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 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 purposes of additional analysis and is not a required part of the financial statements. 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 U.S. generally accepted auditing standards. 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 October 19, 2021, 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's internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
October 19, 2021

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
STATEMENT of FINANCIAL POSITION
June 30, 2021
(with comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,275,003	\$ 886,322
Grants receivable	4,860	111,788
Other receivables	402,838	208,929
Prepaid expenses	4,329	44,944
Property and equipment, net	<u>5,202,470</u>	<u>5,144,854</u>
Total assets	<u><u>\$ 6,889,500</u></u>	<u><u>\$ 6,396,837</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 91,517	\$ 68,244
Accrued expenses	255,043	190,946
Refundable advances	568,913	197,507
Mortgage payable	<u>498,977</u>	<u>499,172</u>
Total liabilities	<u>1,414,450</u>	<u>955,869</u>
Net Assets		
Without donor restrictions	5,460,959	5,426,109
With donor restrictions	<u>14,091</u>	<u>14,859</u>
Total net assets	<u>5,475,050</u>	<u>5,440,968</u>
Total liabilities and net assets	<u><u>\$ 6,889,500</u></u>	<u><u>\$ 6,396,837</u></u>

See notes to financial statements.

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
STATEMENT of ACTIVITIES
For the year ended June 30, 2021
(with summarized financial information for the year ended June 30, 2020)

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020
Revenues and other support:				
Federal and state financial assistance	\$ 3,526,085	\$ -	\$ 3,526,085	\$ 3,780,392
Special education	956,165	-	956,165	705,262
Contributions	3,943	-	3,943	18,589
Student activities	753	-	753	16,539
Interest income	4,854	-	4,854	7,397
Miscellaneous	4,579	-	4,579	19,402
Net assets released from restrictions	768	(768)	-	-
Total revenues and other support	<u>4,497,147</u>	<u>(768)</u>	<u>4,496,379</u>	<u>4,547,581</u>
Expenses:				
Education	3,769,470	-	3,769,470	3,837,599
General and administrative	692,827	-	692,827	501,516
Development	-	-	-	32,553
Total expenses	<u>4,462,297</u>	<u>-</u>	<u>4,462,297</u>	<u>4,371,668</u>
Change in net assets	34,850	(768)	34,082	175,913
Net assets, beginning of year	<u>5,426,109</u>	<u>14,859</u>	<u>5,440,968</u>	<u>5,265,055</u>
Net assets, end of year	<u>\$ 5,460,959</u>	<u>\$ 14,091</u>	<u>\$ 5,475,050</u>	<u>\$ 5,440,968</u>

See notes to financial statements.

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
STATEMENT of FUNCTIONAL EXPENSES
For the year ended June 30, 2021
(with comparative financial information for the year ended June 30, 2020)

	2021			
	Education	General and Administrative	Total	2020
Salaries	\$ 2,438,133	\$ 439,230	\$ 2,877,363	\$ 2,783,117
Fringe benefits and payroll taxes	343,384	49,390	392,774	536,402
Other purchased services	144,096	134,984	279,080	254,935
Occupancy	192,178	12,267	204,445	147,405
Insurance	21,354	4,942	26,296	28,547
Supplies and materials	326,591	12,994	339,585	277,123
Marketing and recruitment	-	4,265	4,265	18,251
Technology	54,716	-	54,716	45,455
Office expense	18,354	16,325	34,679	35,510
Depreciation	193,208	12,332	205,540	197,395
Other	-	6,098	6,098	14,345
Student activities	4,204	-	4,204	8,580
Interest	33,252	-	33,252	24,603
Total	<u>\$ 3,769,470</u>	<u>\$ 692,827</u>	<u>\$ 4,462,297</u>	<u>\$ 4,371,668</u>

See notes to financial statements.

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
STATEMENT of CASH FLOWS
For the year ended June 30, 2021
(with comparative financial information for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 34,082	\$ 175,913
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	205,540	197,395
Bad debt expense	95	15
(Increase) decrease in assets:		
Grants receivable	106,928	(94,326)
Other receivables	(194,004)	(126,484)
Prepaid expenses	40,615	(15,241)
Increase (decrease) in liabilities:		
Accounts payable	23,273	(49,922)
Accrued expenses	64,097	11,488
Refundable advances	<u>371,406</u>	<u>(356,928)</u>
Net cash provided (used) by operating activities	<u>652,032</u>	<u>(258,090)</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	<u>(263,156)</u>	<u>(94,603)</u>
Net cash used by investing activities	<u>(263,156)</u>	<u>(94,603)</u>
Cash Flows from Financing Activities:		
Proceeds from mortgage payable	500,000	-
Principal payments on mortgage payable	<u>(500,195)</u>	<u>(31,752)</u>
Net cash used by investing activities	<u>(195)</u>	<u>(31,752)</u>
Net change in cash	388,681	(384,445)
Cash, beginning of year	<u>886,322</u>	<u>1,270,767</u>
Cash, end of year	<u><u>\$ 1,275,003</u></u>	<u><u>\$ 886,322</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 33,252	\$ 24,196

See notes to financial statements.

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
NOTES to FINANCIAL STATEMENTS
June 30, 2021
(with comparative financial information for the year ended June 30, 2020)

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. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

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. The School does not have any donor-imposed restrictions that are perpetual in nature.

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 net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as support without donor restrictions in the statement of activities.

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, 2021 and 2020. Additionally, there was no restricted cash balances at June 30, 2021 and 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 and billings to the State of Connecticut for May and June nutrition programs. Grants and other receivables are stated at the amount management expects to collect from outstanding balances. This estimate is based on management's assessments of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information. The carrying value of grants receivable approximates fair value. The School has determined that no allowance for uncollectible accounts for receivables is necessary as of June 30, 2021 and 2020.

Revenue recognition

Revenue from federal, state and local government grants and contracts are considered exchange transactions and are recorded by the School when the performance obligation is met. 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. Contributions are considered conditional

when the underlying agreement includes a performance barrier and a right of return to the promised assets exists. Conditional contributions are not recognized in the financial statements until the performance barrier and a right of return have been overcome. As of June 30, 2021 and 2020, the School had no conditional contributions.

Other revenues are recognized at the time of sale or when the performance obligation is satisfied.

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.

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, 2021 or 2020. The School's Federal and State income tax returns prior to fiscal year 2017 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 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, 2021 and 2020.

Property and equipment

The School follows the practice of reviewing expenditures for equipment in excess of \$2,500 and construction expense of \$5,000 for items to be capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Building and improvements	40 years
Furniture and equipment	3 - 10 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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 years ended June 30, 2021 and 2020.

Functional allocation of expenses

The statement of functional expenses presents 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

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 \$1,133,346 and \$786,701 at June 30, 2021 and 2020, respectively.

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.

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, 2020, 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 October 19, 2021, the date the financial statements were available to be issued.

Reclassifications

Certain 2020 amounts have been reclassified to conform with the 2021 presentation.

Note 2 - Liquidity and Availability of Financial Assets

The School regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The following reflects the financial assets of the School as of June 30 available for general expenditures within one year of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2021	2020
Cash	\$ 1,275,003	\$ 886,322
Grants receivable	4,860	111,788
Other receivables	402,838	208,929
Total financial assets	1,682,701	1,207,039
Less, amounts not available to be used within one year due to contractual or donor imposed restrictions:		
Net assets with donor restrictions	(14,091)	(14,859)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,668,610</u>	<u>\$ 1,192,180</u>

Note 3 - Concentrations

Approximately 78% and 83% of the School's revenue for the years ended June 30, 2021 and 2020, respectively, were funded by Federal and State grants. This funding is subject to specific requirements.

Note 4 - Grants

The following grants were awarded and expended during the years ended June 30, 2021 and 2020:

1. A State enrollment-based foundation grant in the amount of \$2,736,510 and \$3,459,319 for the years ended June 30, 2021 and 2020, 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 in the statement of financial position related to unexpended State enrollment-based foundation grant funding in the amount of \$513,405 and \$144,914 at June 30, 2021 and 2020, respectively. The State allows a carryover of up to 10% of the total State enrollment-based foundation grant to the following year. As of June 30, 2021 and 2020, respectively, the School has a carryover of \$213,240 and \$-0- to be expended in the next fiscal year. The State allows for the creation of a reserve fund for capital purchase, equipment purchase or other approved projects through a set aside of up to 5% of the total State enrollment-based foundation grant. The School has a reserve fund of \$300,165 and \$144,914 at June 30, 2021 and 2020, respectively. The budgets for the years ended June 30, 2021 and 2020 do not anticipate the use of this reserve fund.

Note 5 - Pension plans

The School maintains a defined contribution pension plan which covers all eligible employees and allows employees to defer a portion of their income on a pre-tax basis. The School's contribution is discretionary and determined in accordance with collective bargaining agreements and/or employment agreements. Pension expense for the years ended June 30, 2021 and 2020 was \$5,186 and \$-0-, respectively.

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 TRB Plan requires mandatory contributions by employees of 7.25% of their eligible annual compensation. The State of Connecticut provides the remaining funding of retirement benefits, and the School is not required to and does not contribute to the TRB Plan.

Note 6 - Property and equipment

The following is a summary of property and equipment at June 30:

	2021	2020
Land	\$ 80,000	\$ 80,000
Building and improvements	7,012,130	6,815,467
Construction in progress	20,000	65,720
Furniture and equipment	328,588	216,375
	7,440,718	7,177,562
Less, Accumulated depreciation	(2,238,248)	(2,032,708)
Net property and equipment	<u>\$ 5,202,470</u>	<u>\$ 5,144,854</u>

Depreciation expense was \$205,540 and \$197,395 for the years ended June 30, 2021 and 2020, respectively.

Note 7 - Mortgage payable

Mortgage payable consists of a mortgage loan with an original balance of \$500,000 dated May 10, 2021 at June 30, 2021, and a mortgage loan with an original balance of \$1,500,000 dated August 7, 2012 at June 30, 2020. The loan at June 30, 2021 bears interest at 3.75% per annum, payable in monthly installments of principal and interest of \$2,586 through May 2036, at which time the loan provides for an interest rate adjustment and recalculation of the monthly payment. The new monthly payment then applies through the loan's maturity date of June 1, 2046 when the entire outstanding balance shall be due and payable in full. The loan at June 30, 2020 had an interest rate of 4.75%. The loan is secured by the School's property. Interest expense on the mortgage was \$33,252 and \$24,196 for the years ended June 30, 2021 and 2020, respectively.

The future scheduled maturities of long-term debt for the five years subsequent to June 30, 2021 and thereafter are approximately as follows:

2022	\$ 11,204
2023	12,700
2024	13,100
2025	13,700
2026	14,200
Thereafter	<u>434,073</u>
	<u>\$ 498,977</u>

Note 8 - Net assets with donor restrictions

Net assets with donor restrictions that are temporary in nature amounted to \$14,091 and \$14,859 at June 30, 2021 and 2020, respectfully, and are available for the acquisition of musical instruments.

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose of acquiring musical instruments amounted to \$768 at June 30, 2021.

Note 9 - Leasing

The Organization leases copiers under non-cancellable operating leases. Rent expense pertaining to these lease agreements was \$16,991 and \$15,936 for the years ended June 30, 2021 and 2020, respectively. The leases expire on April 18, 2023.

Future minimum lease payments at June 30, 2021 includes \$18,468 due in 2022 and \$15,601 due in 2023, the final year of the leases.

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, parents and natural disasters. The School maintains commercial insurance to protect itself from these risks.

Note 11 - Contingent Liabilities

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.

Note 12 - Risks and uncertainties

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.

Substantially all of the School's teaching employees are covered by a collective bargaining agreement, which expires on June 30, 2025.

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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

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

We have audited, in accordance with U.S. generally accepted auditing standards 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, 2021, and the related statements of activities, 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 October 19, 2021.

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) as a basis for designing 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 the Organization'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 a 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 a 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 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 financial statements. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seward and Monde

North Haven, Connecticut
October 19, 2021

SEWARD AND MONDE

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Interdistrict School for Arts and Communication, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Interdistrict School for Arts and Communication, Inc.'s major federal program for the year ended June 30, 2021. Interdistrict School for Arts and Communication, Inc.'s major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Interdistrict School for Arts and Communication, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance 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 federal 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 federal program. However, our audit does not provide a legal determination of Interdistrict School for Arts and Communication, Inc.'s compliance.

Opinion on Each Major Federal 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 its major federal program for the year ended June 30, 2021.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Seward and Monde

North Haven, Connecticut
October 19, 2021

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
SCHEDULE OF EXPENDITURES of FEDERAL AWARDS
For the year ended June 30, 2021

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Expenditures for the Year Ended June 30, 2021
U.S. Department of the Treasury:			
Passed through the State of Connecticut Department of Education:			
Coronavirus Relief Funds	21.019	12060-29561-82079-2020	\$ 401,860
U.S. Department of Agriculture:			
Passed through the State of Connecticut Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	12060-20508-82079-2021	3,309
COVID-19 School Breakfast Program	10.553	12060-29576-82079-2020	1,268
National School Lunch Program	10.555	12060-20560-82079-2021	17,986
COVID-19 National School Lunch Program	10.555	12060-29572-82079-2020	3,694
Total Child Nutrition Cluster			26,257
U.S. Department of Education:			
Passed through the State of Connecticut Department of Education:			
Title I Grants to Local Education Agencies	84.010	12060-20679-82070-2020	94,247
Title I Grants to Local Education Agencies	84.010	12060-20679-82070-2021	120,421
			214,668
Improving Teacher Quality State Grants	84.367	12060-20858-84131-2020	883
Improving Teacher Quality State Grants	84.367	12060-20858-84131-2021	15,657
			16,540
Student Support and Academic Enrichment Grant	84.424	12060-22854-82079-2020	11,006
Education Stabilization Fund - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	12060-29571-82079-2020	130,506
Passed through LEARN:			
English Language Acquisition State Grants	84.365		8,313
Total Expenditures of Federal Awards			\$ 809,150

The accompanying notes are an integral part of this schedule.

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
NOTES to SCHEDULE of EXPENDITURES
of FEDERAL AWARDS
For the year ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Interdistrict School For Arts and Communication, Inc. (the "School") under programs of the federal government for the year ended June 30, 2021. 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 assets, or cash flows of the School.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the School conform to U.S. generally accepted accounting principles as applicable to not-for-profit organizations.

Expenditures reported on the Schedule are reported on the 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.

Note 3 - Indirect Cost Recovery

The School did not recover its indirect costs using the 10 percent de minimis indirect cost rate allowed under Section 200.414 of the Uniform Guidance.

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
SCHEDULE of FINDINGS and QUESTIONED COSTS
For the year ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report 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

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

21.019

Coronavirus Relief Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

. . .Continued. . .

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
SCHEDULE of FINDINGS and QUESTIONED COSTS
For the year ended June 30, 2021
...Continued...

Section II - Financial Statement Findings

There are no findings to report.

Section III - Federal Award Findings and Questioned Costs

No findings or questioned costs are reported.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

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

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 Interdistrict School For Arts and Communication, Inc.'s major state program for the year ended June 30, 2021. Interdistrict School for Arts and Communication, Inc.'s major state program is 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Interdistrict School for Arts and Communication, Inc.'s major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 its major state program for the year ended June 30, 2021.

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 an 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 a 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.

Seward and Monde

North Haven, Connecticut
October 19, 2021

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
SCHEDULE OF EXPENDITURES of STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2021

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM CORE-CT NUMBER	EXPENDITURES
Department of Education:		
Charter schools	11000-SDE64000-16119	\$ 2,736,510
Talent development	11000-SDE64000-12552	1,506
Child nutrition state matching grant	11000-SDE64000-16211	1,784
Bilingual education	11000-SDE64000-17042	3,513
State school breakfast	11000-SDE64000-17046	<u>2,716</u>
Total State Financial Assistance		<u><u>\$ 2,746,029</u></u>

See note to schedule.

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
NOTE to SCHEDULE of EXPENDITURES of
STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2021

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Interdistrict School For Arts and Communication, Inc. (the "School") under programs of the State of Connecticut for the fiscal year ended June 30, 2021. Various departments 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 the Charter School.

1 - Summary of Significant Accounting Policies

The accounting policies of the School conform to U.S. generally accepted accounting principles 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
For the year ended June 30, 2021

I. Summary of Auditors' Results

Financial Statements

Type of auditors' 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 auditors' 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>
Department of Education: Charter Schools	11000-SDE64000-16119	\$ 2,736,510
• Dollar threshold used to distinguish between Type A and Type B programs		\$ <u>200,000</u>

. . . Continued . . .

INTERDISTRICT SCHOOL FOR ARTS AND COMMUNICATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2021
. . . Continued . . .

II. Financial Statement Findings

- No findings are reported.

III. State Financial Assistance Findings and Questioned Costs

- No findings or questioned costs are reported relating to State financial assistance programs.