
INTERNATIONAL SCHOOL OF BROWARD, INC.

INDEPENDENT AUDITOR'S REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

MARK ESCOFFERY, P.A.
CERTIFIED PUBLIC ACCOUNTANT

INTERNATIONAL SCHOOL OF BROWARD, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of
International School of Broward, Inc.
Hollywood, Florida

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of International School of Broward, Inc. ("the School") (a nonprofit organization) a component unit of The School Board of Broward County as of and for the year ended June 30, 2020, which collectively comprise the School's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the School. My responsibility is to express an opinion on these financial statements based on my audit.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

To the Board Members of
International School of Broward, Inc.
Hollywood, Florida
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Opinion

In my opinion, the financial statements referred to above and the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (GAAP Basis) and Actual-All Governmental Fund Types present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the School as of June 30, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, I have also issued my report dated September 20, 2020, on my consideration of the School's internal control over financial reporting and my 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 my 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*** and should be considered in assessing the results of my audit.

Other Matters

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on pages 3 through 6 and 13 are presented to supplement the basic financial statements. Such information although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Palm Beach Gardens, Florida
September 20, 2020

INTERNATIONAL SCHOOL OF BROWARD, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Our discussion and analysis of International School of Broward, Inc.’s (“the School”) financial program provides an overview of the School’s financial activities for the year ended June 30, 2020.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the School’s financial statements, which begin on page 7.

For financial statement purposes the School is considered a component unit of The School Board of Broward County which is a primary government entity for financial reporting. The School has included separate statements for the Governmental Fund Balance Sheet and the statement of Revenue, Expenditures and Changes in Fund Balance. The Statement of Net Position and the Statement of Activities report provide information on the activities of the School. The Fund Financial Statements reflect financing activities of the School by providing information on inflows and outflows of spendable resources.

NON FINANCIAL HIGHLIGHTS

The School’s daily enrollment for fiscal year ended June 30, 2020 was approximately 97 students. The School expects to have an enrollment of 100 students for the school year 2020-2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School’s financial position. Included in these statements are all assets and liabilities using the accrual basis of accounting. All the current year’s revenues and expenses are recorded when earned or incurred.

The Statement of Net Position presents information on all the School’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Fund Financial Statements

A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

**INTERNATIONAL SCHOOL OF BROWARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)

Fund Financial Statements (Cont'd.)

Governmental Funds – All of the School's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's governmental activities and the basic services it provides.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 15-22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. The School's liabilities exceeded assets by \$338,883 at June 30, 2020.

NET ASSETS

	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>
Current and Other Assets	\$ 360,207	\$ 13,237
Capital Assets	17,963	33,958
Total Assets	\$ 378,170	\$ 47,195
Long-term liabilities	490,061	311,036
Other Liabilities	226,992	110,726
Total Liabilities	\$ 717,053	\$ 421,762
Investment in Capital Assets	\$ 17,963	\$ 33,958
Debt Service	(490,061)	-
Unrestricted	133,215	(408,525)
Total Net Position	\$ (338,883)	\$ (374,567)

Revenues from governmental activities totaled \$698,981 for the year ended June 30, 2020. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 94.9% of total revenue.

**INTERNATIONAL SCHOOL OF BROWARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)

<u>Revenue Source</u>		<u>% of Total</u>		<u>% of Total</u>
	<u>6/30/20</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/19</u>
Federal Sources	\$ 19,695	2.6	-	-
State Sources	679,286	91.2	\$ 611,576	83.1
Local Sources	46,204	6.2	124,354	16.9
TOTAL	\$ 745,185	100.0	\$ 735,930	100.0

Local revenue sources are primarily donations and loan forgiveness.

Increases in levels of expenses for major functions of the School are shown in the following Table:

<u>Expense</u>		<u>% of</u>		<u>% of</u>
	<u>6/3020</u>	<u>Total</u>	<u>6/30/19</u>	<u>Total</u>
		<u>6/30/20</u>		<u>6/30/19</u>
Instruction	\$ 370,399	51.9	\$ 479,417	53.6
Instructional Support Services	200	-	439	-
Board Services	5,773	0.8	8,000	0.9
General Administration	32,293	4.5	30,506	3.4
School Administration	116,318	16.3	196,651	17.1
Facilities Acquisition	125,967	17.7	60,467	6.8
Fiscal Services	-	-	13,225	1.5
Central Services	1,534	0.2	4,059	0.5
Pupil Transportation	-	-	27,042	3.0
Operation of Plant	31,373	4.4	70,072	7.8
Maintenance of Plant	6,997	1.0	23,040	2.6
Interest on Long-term Debt	6,324	0.9	2,847	0.3
Depreciation	15,995	2.3	22,411	2.5
TOTAL	\$ 713,173	100.0	\$ 894,224	100.0

BUDGETARY HIGHLIGHTS

Revenues from all sources were approximately \$589,000 less than budgeted primarily because of lower enrollment.

Actual School expenditures were approximately \$540,000 less than budgeted because of lower enrollment, and the School closed early in March due to the Covid 19 pandemic.

Total fund balance of the General Fund was \$295,556 at June 30, 2020.

INTERNATIONAL SCHOOL OF BROWARD, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020

CAPITAL ASSETS

The School’s investment in capital assets at June 30, 2020 was \$17,963 (net of depreciation). The investment includes leasehold improvements, furniture and fixtures, equipment and software. The following is a summary of capital asset balances at June 30, 2020:

Leasehold Improvements	\$ 85,038
Furniture, Fixtures and Equipment	105,778
Building and fixed equipment	151,208
Audio visual equipment	<u>29,654</u>
	371,678
Less Accumulated Depreciation	<u>353,715</u>
	<u>\$ 17,963</u>

DEBT ADMINISTRATION

At year ended June 30, 2020 the School had a commercial bank loan in the amount of \$43,952. This loan matures in 2021. The School also had a line of credit in the amount of \$267,084. The line of credit is due in September 2020.

LONG-TERM DEBT

During 2020, the School was granted a loan from Celtic Bank in the aggregate amount of \$91,030, pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a Note dated May 12, 2020 issued by Celtic Bank matures on May 12, 2022 and bears an interest rate of 1% per annum. The School intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan is recorded as a current note payable at June 30, 2020.

The School received a loan from the Small Business Association (SBA) in the amount of \$317,900, on May 13, 2020. The loan bears interest at 2.75% per annum. This loan matures on May 13, 2051. Principal and interest payments are \$1,294 per month and begin on May 22, 2021. This loan was recorded as a non-current note payable at June 30, 2020.

INTERNATIONAL SCHOOL OF BROWARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

PROSPECTS FOR THE FUTURE

The School continues to receive funds from State sources in the form of Florida Education Finance Program Fees (FEFP). The fees are evaluated in October and February and are based on student enrollment.

- The Administration believes that the School will improve its rating from the Department of Education.

- The Administration believes that the School will continue to be successful and contribute to the educational requirements of Broward County.

REQUESTS FOR INFORMATION

The Management Discussion and Analysis provides a general overview of the finances of the School. Requests for additional information should be addressed to Dr. Carmella Morton at International School of Broward located at 3100 N. 75th Ave, Hollywood, Florida 33024.

INTERNATIONAL SCHOOL OF BROWARD
Governmental Fund Balance Sheet (General Fund)
June 30, 2020

	<u>Governmental Funds</u>
ASSETS	
Cash	\$360,207
Total Assets	<u>360,207</u>
LIABILITIES	
Accrued salaries payable	63,206
Accounts Payable	1,445
Total Liabilities	<u>64,651</u>
FUND BALANCE	
Nonspendable	
Unassigned	295,556
	<u>295,556</u>
Total Liabilities and Fund Balance	<u>\$360,207</u>

The accompanying notes are an integral part of this statement

INTERNATIONAL SCHOOL OF BROWARD
STATEMENT OF NET POSITION
For the Year ended June 30, 2020

	Account Number	Primary Government		
		Governmental Activities	Business-type Activities	Total
ASSETS				
Cash and Cash Equivalents	1110	360,207		360,207
Accounts Receivable, Net	1130			
Other assets				
Due from other Agencies	12XX			
Capital Assets:				
Building and fixed equipment	1320	151,208		151,208
Less Accumulated Depreciation	1329	(134,128)		(134,128)
Improvements other than Buildings	1340	85,038		85,038
Less Accumulated Depreciation	1349	(85,038)		(85,038)
Furniture, Fixtures and equipment	1350	105,778		105,778
Less Accumulated Depreciation	1359	(105,778)		(105,778)
Audio Visual equipment	1382	29,654		29,654
Less Accumulated Depreciation	1389	(28,771)		(28,771)
Total Assets		378,170		378,170
LIABILITIES				
Salaries and Wages Payable	2110	63,206		63,206
Payroll Deductions and Withholdings	2170			
Accounts Payable	2120	1,445		1,445
Other liabilities	23XX			
Noncurrent liabilities:				
Portion Due Within One Year:				
Notes Payable	2,310			
Portion Due After One Year:				
Notes Payable	2,310	652,402		652,402
Total Liabilities		717,053		717,053
NET POSITION				
Invested in Capital Assets, Net of Related Debt		17,963		17,963
Restricted For:				
Categorical Carryover Programs	2710			
Debt Service	2750	(652,402)		(652,402)
Unrestricted		295,556		295,556
Total Net Position		(338,883)		(338,883)

The accompanying notes are an integral part of this statement

INTERNATIONAL SCHOOL OF BROWARD
Reconciliation of the Governmental Fund (General Fund)
Balance Sheet To The Statement of Net Position
June 30, 2020

Fund Balance- Governmental Funds		\$295,556
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets		\$371,678
Less accumulated depreciation		(353,715)
		17,963
<p>Long-Term Liabilities not due and payable in the current period and therefore are not reported in the governmental funds</p>		
Notes payable		(652,402)
Net Position of Governmental activities		(\$338,883)

The accompanying notes are an integral part of this statement

INTERNATIONAL SCHOOL OF BROWARD
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance
June 30, 2020

	<u>Governmental</u> <u>Funds</u>	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Outlay</u>	<u>Total</u>
EXPENSES				
Instruction	\$350,704	\$ 19,695		\$ 370,399
Instructional Support Services	200			200
Board	5,773			5,773
General Administration	32,293			32,293
School Administration	116,318			116,318
Facilities Acquisition	110,000		15,967	125,967
Central services	1,534			1,534
Operation of Plant	31,373			31,373
Maintenance of Plant	6,997			6,997
Debt Service	72,636			72,636
TOTAL EXPENSES	<u>727,828</u>	<u>19,695</u>	<u>15,967</u>	<u>763,490</u>
PROGRAM REVENUES				
Florida Education Finance Program (FEFP)	663,319			663,319
Capital Outlay			15,967	15,967
Total Program Revenues	<u>663,319</u>	<u>-</u>	<u>15,967</u>	<u>679,286</u>
GENERAL REVENUES				
Other federal sources		19,695		19,695
Other Local sources	46,204			46,204
Total General Revenues	<u>46,204</u>	<u>19,695</u>	<u>-</u>	<u>65,899</u>
Excess of Revenues over expenses	(18,305)	-	-	(18,305)
OTHER FINANCING SOURCES				
Transfers In	411,350	-	-	411,350
TOTAL OTHER FINANCING SOURCES	<u>411,350</u>	<u>-</u>	<u>-</u>	<u>411,350</u>
Excess of revenues over expenditures	393,045	-	-	393,045
Fund balance, beginning of Year as restated	(97,489)			(97,489)
Fund balance, end of year	<u>\$295,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$295,556</u>

The accompanying notes are an integral part of this statement

INTERNATIONAL SCHOOL OF BROWARD
STATEMENT OF ACTIVITIES
June 30, 2020

FUNCTIONS	Account Number	Expenses	Charges for Services	Program Revenues		Net (expense) /revenues and Changes in Net Position		Total
				Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:								
Instruction	5000	\$ 370,399		\$ 19,695		\$ (350,704)		(350,704)
Instructional Support Services	6200	200				(200)		(200)
Board	7100	5,773				(5,773)		(5,773)
	7200	32,293				(32,293)		(32,293)
School Administration	7300	116,318				(116,318)		(116,318)
Facilities Acquisition and Construction	7400	125,967			15,967	(110,000)		(110,000)
Central services	7700	1,534				(1,534)		(1,534)
Operation of Plant	7900	31,373				(31,373)		(31,373)
Maintenance of plant	8100	6,997				(6,997)		(6,997)
Interest on Long- term Debt		6,324				(6,324)		(6,324)
Unallocated Depreciation Expense *		15,995				(15,995)		(15,995)
Total governmental activities		713,173		19,695	15,967	(677,511)		(677,511)
Taxes:								
						663,319		663,319
						46,204		46,204
						<u>709,523</u>		<u>709,523</u>
						32,012		32,012
						<u>(370,895)</u>		<u>(370,895)</u>
						<u><u>(\$338,883)</u></u>		<u><u>(\$338,883)</u></u>

* This amount excludes the depreciation that is included in direct expenses of the various functions.

The accompanying notes are an integral part of this statement

INTERNATIONAL SCHOOL OF BROWARD
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance
of Governmental Fund (General Fund) To The
Statement of Activities
June 30, 2020

Net Changes in Fund Balances- Governmental Funds		(\$18,305)
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.</p>		
Expenditures for capital assets		
Less current year depreciation	(15,995)	(15,995)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		66,312
Change in Net Position of Governmental Activities		\$32,012

The accompanying notes are an integral part of this statement

INTERNATIONAL SCHOOL OF BROWARD
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual- All Governmental Fund Types
For the Fiscal Year Ended June 30, 2020

	General Fund			Special Revenue			Capital Outlay			Total		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
	EXPENDITURES:											
Instruction	\$792,642	\$350,704	(\$441,938)	\$ -	\$19,695	\$ -				\$792,642	\$370,399	\$422,243
Instructional Support Services	38,552	200	(38,352)							38,552	200	38,352
Board	8,000	5,773								8,000	5,773	2,227
General Administration	59,846	32,293	(27,553)							59,846	32,293	27,553
School Administration	148,287	116,318	(31,969)							148,287	116,318	31,969
Fiscal services	27,000									27,000		27,000
Facilities Acquisition	110,000	110,000	-				15,967	(15,967)		110,000	125,967	(15,967)
Central services	4,200	1,534	(2,666)							4,200	1,534	2,666
Pupil transportation services	27,040									27,040		27,040
Operation of Plant	52,451	31,373	(21,078)							52,451	31,373	21,078
Maintenance of Plant	18,000	6,997	(11,003)							18,000	6,997	11,003
Debt service	17,349	72,636	55,287							17,349	72,636	(55,287)
	<u>1,303,367</u>	<u>727,828</u>	<u>(519,272)</u>	<u>-</u>	<u>19,695</u>	<u>-</u>	<u>-</u>	<u>15,967</u>	<u>(15,967)</u>	<u>1,303,367</u>	<u>763,490</u>	<u>539,877</u>
PROGRAM REVENUES:												
Florida Education Finance Program	1,196,912	663,319	(533,593)					15,967		1,196,912	679,286	(517,626)
Capital outlay												
	<u>1,196,912</u>	<u>663,319</u>	<u>(533,593)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,967</u>	<u>-</u>	<u>1,196,912</u>	<u>679,286</u>	<u>(517,626)</u>
GENERAL REVENUES:												
Other federal sources				19,617	19,695					19,617	19,695	78
Other local sources	118,272	46,204	(72,068)							118,272	46,204	(72,068)
	<u>118,272</u>	<u>46,204</u>	<u>(72,068)</u>	<u>19,617</u>	<u>19,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,889</u>	<u>65,899</u>	<u>(71,990)</u>
Excess of Expenditures over Revenues	<u>11,817</u>	<u>(18,305)</u>	<u>(86,389)</u>	<u>19,617</u>						<u>(18,305)</u>	<u>(49,739)</u>	
OTHER FINANCING SOURCES												
Transfers In		411,350									411,350	
TOTAL OTHER FINANCING SOURCES		<u>411,350</u>									<u>411,350</u>	
Excess of revenues over expenditures		393,045									393,045	
Fund balance, beginning of Year as restated		(97,489)									(97,489)	
Fund balance, end of year		<u>\$295,556</u>									<u>\$295,556</u>	

The accompanying notes are an integral part of this statement

**INTERNATIONAL SCHOOL OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

International School of Broward, Inc. (“the School”) was established as a nonprofit organization under the laws of the State of Florida and is the reporting entity.

The School operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with The School Board of Broward County, Florida. Under the Contract the School provides an education to children, from sixth through twelfth grade, who reside in Broward County in and around the City of Hollywood. For financial statement purposes the School is considered a component unit of The School Board of Broward County, which is a primary government entity for financial reporting.

The School Board of Broward County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee.

The Contract is effective through June 30, 2024. The Contract requires The School Board to provide the School’s primary source of funding based upon the number of full-time equivalent students (FTES) registered at the School.

The School is a tax-exempt organization under 501(C)(3) of the Internal Revenue Code.

The School’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

Basic Financial Statements

The School’s basic financial statements are the Statements of Net Position and the Statement of Activities. All the activities of the School are classified as governmental type activities. There are no business type activities of the School. All the School’s governmental type activities are included in the general fund and special revenue fund. There are no other major funds. In the Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School’s net position are reported in three parts – invested in capital assets, net of related debt; restricted for categorical carryover programs, debt service; and unrestricted net position.

INTERNATIONAL SCHOOL OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic Financial Statements (cont'd.)

The Statement of Activities reports both the gross and net cost of each of the School's functions. The functions are also supported by government revenues such as Florida Education Finance Program (FEFP), Capital Outlay Funds and Federal Grants. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function (after care and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund Financial Statements

Fund Financial Statements are provided for governmental funds. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the Fund Financial Statements:

General Fund – is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Special Revenue Fund – Accounts for specific revenue, such as federal grants that are legally restricted to expenditures for particular purposes.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounting and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental type activities in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. When both restricted and unrestricted resources are available for use, it is the policy of the School to use restricted resources first, then unrestricted resources as they are needed.

INTERNATIONAL SCHOOL OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus

The accounting and financial reporting treatment is determined by applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet and operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net position.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that subject the School to concentrations of credit risk include cash. While the School attempts to limit its financial exposure, its deposit balances may at times exceed federally insured limits. The School has not experienced any losses on such balances.

Cash deposits are held at banks qualified as public depositories in accordance with Chapter 280 Florida Statutes.

INTERNATIONAL SCHOOL OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements.

The School measures fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Contributed Services and Facilities

The School does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time to the School's program services.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year expenditures were controlled at the object level (i.e. salaries, purchased services, and capital outlay).

INTERNATIONAL SCHOOL OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Leasehold Improvements	Life of Lease
Furniture, Fixtures and Equipment	3-10 Years
Software	3 Years

Revenue Sources

Revenues for operations are received primarily from The School Board of Broward County pursuant to the funding provisions included in the School’s Charter. In accordance with the funding provisions of the Charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent students and related data to The School Board of Broward County. Funding for the School is adjusted during the year to reflect the revised calculations by the Florida Department of Education under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition, the School receives an annual allocation of charter school outlay funds for leasing of school facility.

Fund Balance Classifications

GASB requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

- a) **Nonspendable** fund balance includes amounts that are not in a spendable form such as inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). There was anonspendable fund balance at year end.
- b) **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. There was no restricted fund balance at year end.
- c) **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the School’s highest level of decision making authority. There was no committed fund balance at year end.

**INTERNATIONAL SCHOOL OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Fund Balance Classifications (Cont'd.)

- d) **Assigned** fund balance includes amounts intended to be used by the School's Management for specific purposes but which does not meet the criteria to be classified as restricted or committed. There was no assigned fund balance at year end.
- e) **Unassigned** fund balance includes amounts that are available for any purpose. These amounts are reported only in the general fund. There was an unassigned fund balance at year end.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against nonspendable fund balance, followed in order by restricted fund balance, committed fund balance, assigned fund balance, and lastly unassigned fund balance at the end of the fiscal year. The School's Board of Directors can deviate from this policy if it is in the best interest of the School.

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 were as follows:

	Balance <u>Beginning</u>	Additions	Disposals	Balance <u>Ending</u>
Leasehold Improvements	\$ 85,038	\$ -	\$ -	\$ 85,038
Buildings and fixed equipment	151,208	-	-	151,208
Furniture, Fixtures and Equipment	105,778	-	-	105,778
Audio Visual equipment	29,654	-	-	29,654
	<u>371,678</u>	-	-	<u>371,678</u>
Less Accumulated Depreciation	337,720	15,995	-	353,715
NET CAPITAL ASSETS	<u>\$ 33,958</u>	<u>\$ 15,995</u>	<u>\$ -</u>	<u>\$ 17,963</u>

Depreciation expense of \$15,995 was unallocated during the year ended June 30, 2020.

NOTE 3 – COMPENSATED ABSENCES

Employees of the School are entitled to paid vacation and sick days depending on length of services. The School's policy is to recognize the cost of vacation days when earned by the employees. The value of unused vacation days was determined to be immaterial and therefore no accrual has been made.

INTERNATIONAL SCHOOL OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 – LONG TERM LIABILITIES

Long Term liability activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Re- ductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PPP Loan		91,030		91,030	91,030
SBA Loan		317,900		317,900	1,134
Note – TD Bank	43,952	-	15,167	28,785	17,779
REM LLC	267,085	-	52,398	214,687	-
	\$ 311,037	\$ 408,930	67,565	\$ 652,402	\$ 109,943

During 2020, the School was granted a loan from Wells Fargo Bank in the aggregate amount of \$91,030, pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a Note dated May 12, 2020 issued by Celtic Bank matures on May 12, 2022 and bears an interest rate of 1% per annum. The School intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan is recorded as a current note payable at June 30, 2020.

The School received a loan from the Small Business Association (SBA) in the amount of \$317,900, on May 13, 2020. The loan bears interest at 2.75% per annum. This loan matures on May 13, 2051. Principal and interest payments are \$1,294 per month and begin on May 22, 2021. This loan was recorded as a non-current note payable at June 30, 2020.

Debt Maturity

Debt service requirements at June 30, 2020 were as follows:

YEAR ENDED JUNE 30	<u>PRINCIPAL</u>	<u>INTEREST</u>
2021	109,943	3,186
2022	59,312	8,624
2023	59,504	8,432
2024	59,702	8,233
2025	59,905	8,030
2026-2051	304,036	80,348
	\$ 652,402	\$ 116,853

INTERNATIONAL SCHOOL OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 – CONTRACTS

The School has a Contract with Charter School Services Corp. (CSC) to provide accounting, financial management, and budgeting services. The Contract has a five year term and expires on June 30, 2024. Fees for the year ended June 30, 2020 were waived by Charter School Services Corp.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Lease Agreements

The School leases its administrative and classroom facilities under a non-cancelable operating lease that expired in June 2020. Annual rental expenses were approximately \$110,000 for the year ended June 30, 2020.

Minimum payments under this lease, assuming the lease will be renewed and also the Charter with Broward County School Board are as follows:

2020	113,000
2021	117,000
2022	120,000
2023	124,000
2024	128,000
	<u>\$ 602,000</u>

Risk Management

The School is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for all material risks of loss to which the School is exposed, including general liability, property, auto and workers compensation. A review of the last six years reveals that settled claims have not exceeded insurance coverage.

The School receives funding from the State of Florida based on the number of full time equivalent (FTE) students who attend the Charter School. The data is compiled by the School and is subject to audit by the State and if errors are found this could result in amounts having to be repaid to the State or decrease in future allocations. Management believes that the amounts that would have to be remitted back to the State due to errors in their FTE count would not be material to the financial position of the School.

INTERNATIONAL SCHOOL OF BROWARD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated events that occurred subsequent to the year end for potential recognition or disclosure in the financial statements, through the date on which the financial statements were available to be issued. The date when the financial statements were available to be issued was September 20, 2020. Management's evaluation did not reveal any subsequent events that would have a material effect on the financial statements.

Mark Escoffery, P.A.

Certified Public Accountant

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board Members of
International School of Broward, Inc.
Hollywood, Florida

I have audited the financial statements of International School of Broward, Inc. (“the School”) (a nonprofit organization) as of and for the year ended June 30, 2020, and have issued my report thereon dated September 20, 2020. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the School’s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the School’s internal control over financial reporting.

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.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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* (Cont'd.)

To the Board Members of
International School of Broward, Inc.
Hollywood, Florida
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

This Report is intended solely for the information and use of the Board Members, Management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Palm Beach Gardens, Florida
September 20, 2020

Mark Escoffery, P.A.

Certified Public Accountant

8645 N. Military Trail
Suite 503
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MANAGEMENT LETTER

To the Board Members of
International School of Broward, Inc.
Margate, Florida

Report on the Financial Statements

I have audited the financial statements of the International School of Broward, Inc., Florida, as of and for the fiscal year ended June 30, 2020, and have issued my report thereon dated September 20, 2020.

Auditor's Responsibility

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules

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

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The finding and recommendation made in the preceding annual financial audit report was implemented.

Finding 2018.1 Financial Conditions

It was noted during the audit that the School did not have deteriorating financial conditions for the year ended June 30, 2020.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is International School of Broward, Inc.

MANAGEMENT LETTER (Continued)

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, require that I report the results of my determination as to whether or not the International School of Broward, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with my audit, I determined that the International School of Broward, Inc. did not meet one of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1) (e)6.a. and 10.855(12), Rules of the Auditor General, I applied financial condition assessment procedures for the International School of Broward, Inc. It is management's responsibility to monitor the International School of Broward, Inc.'s financial condition and my financial condition assessment was based in part on representations made by management and review of financial information provided by same. Financial assessments made including a review of subsequent financial statements did not indicate that the School's financial condition is deteriorating. However, management of the school needs pay close attention to student enrollment because a reduction in revenues could put them on the path to a fiscal emergency and deteriorating financial conditions. The School had a fund balance as of the current year June 30, 2020 in the amount of \$295,556 but has a negative net position of \$338,883. This showed a \$32,000 improvement over the prior year.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that I report the results of my determination as to whether or not the International School of Broward, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with my audit, I determined that the International School of Broward, Inc. maintained on its Web site the information specified in Section 1002.33(9) (p), Florida Statutes.


Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that I address in the management letter any recommendations to improve financial Management. In connection with my audit, I did not have any such recommendations.

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

Purpose of this Letter

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



Mark Escoffery, P.A.
Palm Beach Gardens, Florida
September 20, 2020