

Innovation Charter School, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Innovation Charter School, Inc.
Pompano Beach, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Innovation Charter School, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above 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, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

"Citrin Cooperman" is the brand under which Citrin Cooperman & Company, LLP, a licensed independent CPA firm, and Citrin Cooperman Advisors LLC serve clients' business needs. The two firms operate as separate legal entities in an alternative practice structure. The entities of Citrin Cooperman & Company, LLP and Citrin Cooperman Advisors LLC are independent member firms of the Moore North America, Inc. (MNA) Association, which is itself a regional member of Moore Global Network Limited (MGNL). All the firms associated with MNA are independently owned and managed entities. Their membership in, or association with, MNA should not be construed as constituting or implying any partnership between them.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the budgetary comparison schedules for the General Fund and Special Revenue Fund on pages 23 and 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 the School's internal control over financial reporting and compliance.

Fort Lauderdale, Florida
September 26, 2024

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MANAGEMENT'S DISCUSSION
AND ANALYSIS

As management of Innovation Charter School, Inc. (the "School"), a component unit of the School Board of Broward County, Florida (the "School Board"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2024, with comparative information for the year ended June 30, 2023.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the past and current position of the School's financial condition. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements.

Financial Highlights

Our basic financial statements provide these insights into the results of this year's operations:

- The School's total assets exceeded its liabilities and deferred inflows of resources at June 30, 2024 by \$ 2,774,642 (net position).
- The School's total revenues were \$ 6,433,861, \$ 3,662,558 from full-time equivalents ("FTE") and other nonspecific revenues, \$ 1,265,890 from referendum revenues, \$ 128,772 from miscellaneous revenues, and \$ 1,376,641 from program revenues. The School's expenses for the year were \$ 5,597,039. Net position increased by \$ 836,822.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements, which consist of the statement of net position and the statement of activities, are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the School's financial position is improving or deteriorating. However, as a governmental entity, the School's activities are not geared toward generating profit as are the activities of commercial entities. Other factors such as the safety at the School and quality of education must be considered in order to reasonably assess the School's overall performance.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9 and 10 of this report.

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. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The School maintains several individual governmental funds. The General Fund, Special Revenue Fund, and Capital Projects Fund are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds, except for the Capital Projects Fund. A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budget.

The governmental funds financial statements can be found on pages 11 through 14 of this report.

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

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's adopted budget to actual results. Required supplementary information can be found on pages 23 and 24 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the School, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 2,774,642 at the close of the most recent fiscal year.

Innovation Charter School, Inc.			
Net Position			
	2024	2023	Variance
Current and Other Assets	\$ 3,078,859	\$ 2,149,827	\$ 929,032
Capital Assets, net	920,310	2,888	917,422
Total assets	3,999,169	2,152,715	1,846,454

Government-Wide Financial Analysis (continued)

Innovation Charter School, Inc. Net Position (continued)			
	2024	2023	Variance
Current Liabilities	756,765	214,895	541,870
Noncurrent Liabilities	467,762	-	467,762
Total liabilities	<u>1,224,527</u>	<u>214,895</u>	<u>1,009,632</u>
Net Position:			
Net investment in capital assets	2,469	2,888	(419)
Unrestricted	<u>2,772,173</u>	<u>1,934,932</u>	<u>837,241</u>
Total net position	<u>\$ 2,774,642</u>	<u>\$ 1,937,820</u>	<u>\$ 836,822</u>

Current and other assets increased due to an increase in amounts due from other governments. Capital assets, net of depreciation, increased due to the addition of a right-of-use asset of \$ 1,355,250 offset by current year depreciation and amortization of \$ 458,086. Liabilities increased due to the addition of a lease payable of \$ 917,841.

Governmental activities: The School's overall net position increased \$ 836,822 from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental activities.

Innovation Charter School, Inc. Change in Net Position			
	2024	2023	Variance
Revenues:			
General revenues:			
FTE nonspecific revenues and other nonspecific revenues	\$ 3,662,558	\$ 3,318,617	\$ 343,941
Referendum revenues	1,265,890	-	1,265,890
Miscellaneous revenues	128,772	375,318	(246,546)
Program revenues:			
Charges for services	6,091	4,992	1,099
Operating grants and contributions	1,058,999	1,006,406	52,593
Capital grants and contributions	<u>311,551</u>	<u>295,102</u>	<u>16,449</u>
Total revenues	<u>6,433,861</u>	<u>5,000,435</u>	<u>1,433,426</u>

Government-Wide Financial Analysis (continued)

Innovation Charter School, Inc. Change in Net Position (continued)			
	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Expenses:			
Instruction	2,513,131	2,202,863	310,268
Exceptional programs	197,433	103,014	94,419
Instructional curriculum development	285,698	253,505	32,193
Instructional staff training services	15,810	5,591	10,219
Instructional related technology	128,289	118,351	9,938
Board services	27,096	22,219	4,877
School administration	865,402	96,247	769,155
Fiscal services	109,445	741,476	(632,031)
Food services	541,454	83,491	457,963
Operation of plant	611,181	472,719	138,462
Pupil transportation services	211,210	557,198	(345,988)
Pupil services	50,699	194,783	(144,084)
Interest expense	40,191	29,412	10,779
Total expenses	<u>5,597,039</u>	<u>4,880,869</u>	<u>716,170</u>
Change in net position	836,822	119,566	717,256
Net position - beginning	<u>1,937,820</u>	<u>1,818,254</u>	<u>119,566</u>
Net position - ending	\$ <u><u>2,774,642</u></u>	\$ <u><u>1,937,820</u></u>	\$ <u><u>836,822</u></u>

General revenues, compared to the previous year, increased due to a referendum of settlement funds awarded to the School; additionally, program revenues increased as well due to an overall increase in grant funding. Total expenses increased due to an increase in staff and compensation.

Financial Analysis of the School's Funds

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$ 2,319,430, while total fund balance increased to \$ 2,372,025. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 42% of total General Fund expenditures, while total fund balance represents 43% of that same amount.

The fund balance of the School's General Fund increased by \$ 437,093 during the current fiscal year. The increase was due to referendum funds that were used to support the operations of the School by providing support for the salary expense of instructional staff.

The Special Revenue Fund does not have an increase or decrease in fund balance during the current fiscal year as this fund reports state expense reimbursement grants.

The Capital Outlay Fund does not have an increase or decrease in fund balance during the current fiscal year as this fund reports state expense reimbursement grants.

General Fund Budgetary Highlights

Total revenues were more than budgeted by approximately \$ 1,015,000 due mainly to referendum settlement funds. Total expenditures were more than budgeted mainly due to the capital outlay related to the issuance of a new building lease. See page 23 for budget to actual comparison details.

Capital Assets and Debt Administration

Capital assets: As of June 30, 2024, the School had capital assets of \$ 920,310, net of accumulated depreciation and amortization, invested in lease assets and furniture and equipment. Capital asset additions for the year included \$ 1,355,250 for the building lease asset and \$ 20,258 in furniture and equipment. Additional information on the School's capital assets can be found in Note 4 of this report.

Debt: At June 30, 2024, the School had outstanding debt of \$ 917,841, compared to none in the prior year. The increase was due to the School entering into a long-term lease for its building. Additional information on the School's debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budget

For fiscal year 2025, the total funding for teacher salaries and instructional personnel will be \$ 3,210,188. The state of Florida has also approved an increase in the base funding allocation to \$ 50,266 for teachers with 1 to 16 years of experience. The School is experiencing a moderate decline in student enrollment, which is resulting in reduced overall revenue. Furthermore, the School expects a decrease in ESSER grant funding, as this program is scheduled to end in November 2024. Fortunately, the School has reserve funds available to address any revenue shortfall.

Requests for Information

This financial report is designed to provide a general overview of the Innovation Charter School, Inc.'s finances for all those with an interest. If you should have any questions pertaining to the information presented in this report or would like additional information, please contact the Finance Director of Innovation Charter School, Inc. at 600 SW 3rd Street, Pompano Beach, FL 33060.

BASIC
FINANCIAL STATEMENTS

Innovation Charter School, Inc.
Statement of Net Position
June 30, 2024

Current Assets:	
Cash and cash equivalents	\$ 1,851,923
Due from other governments	1,174,341
Prepaid items	<u>30,595</u>
Total current assets	<u>3,056,859</u>
Noncurrent Assets:	
Deposits	22,000
Capital assets, net of accumulated depreciation and amortization	<u>920,310</u>
Total noncurrent assets	<u>942,310</u>
Total assets	<u>3,999,169</u>
Current Liabilities:	
Accounts payable	13,067
Accrued liabilities	293,619
Lease payable	<u>450,079</u>
Total current liabilities	<u>756,765</u>
Noncurrent Liabilities:	
Lease payable	<u>467,762</u>
Total liabilities	<u>1,224,527</u>
Net Position:	
Net investment in capital assets	2,469
Unrestricted	<u>2,772,173</u>
Total net position	\$ <u><u>2,774,642</u></u>

See accompanying notes to financial statements.

Innovation Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2024

	Expenses	Program Revenues		Governmental	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities Net Revenue (Expense) and Change in Net Position
Functions/Programs:					
Instruction	\$ 2,513,131	\$ -	\$ 420,553	\$ -	\$ (2,092,578)
Exceptional programs	197,433	-	-	-	(197,433)
Instructional curriculum development	285,698	-	146,890	-	(138,808)
Instructional staff training services	15,810	-	-	-	(15,810)
Instructional related technology	128,289	-	-	-	(128,289)
Board services	27,096	-	-	-	(27,096)
School administration	865,402	-	66,084	-	(799,318)
Fiscal services	109,445	-	-	-	(109,445)
Food services	541,454	6,091	425,472	-	(109,891)
Operation of plant	611,181	-	-	311,551	(299,630)
Pupil transportation services	211,210	-	-	-	(211,210)
Pupil services	50,699	-	-	-	(50,699)
Interest expense	40,191	-	-	-	(40,191)
Total governmental activities	<u>\$ 5,597,039</u>	<u>\$ 6,091</u>	<u>\$ 1,058,999</u>	<u>\$ 311,551</u>	<u>(4,220,398)</u>
General revenues:					
FTE nonspecific revenues and other nonspecific revenues					3,662,558
Referendum revenues					1,265,890
Miscellaneous revenues					<u>128,772</u>
Total general revenues					<u>5,057,220</u>
Change in net position					836,822
Net position, July 1, 2023					<u>1,937,820</u>
Net position, June 30, 2024					<u>\$ 2,774,642</u>

See accompanying notes to financial statements.

Innovation Charter School, Inc.
 Balance Sheet of Governmental Funds
 June 30, 2024

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Outlay Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 1,851,923	\$ -	\$ -	\$ 1,851,923
Due from other governments	-	1,174,341	-	1,174,341
Due from special revenue fund	1,174,341	-	-	1,174,341
Prepaid items	30,595	-	-	30,595
Deposits	22,000	-	-	22,000
	<u>3,078,859</u>	<u>1,174,341</u>	<u>-</u>	<u>4,253,200</u>
Total assets	<u>\$ 3,078,859</u>	<u>\$ 1,174,341</u>	<u>\$ -</u>	<u>\$ 4,253,200</u>
Liabilities:				
Accounts payable	\$ 13,067	\$ -	\$ -	\$ 13,067
Accrued liabilities	293,619	-	-	293,619
Due to general fund	-	1,174,341	-	1,174,341
	<u>306,686</u>	<u>1,174,341</u>	<u>-</u>	<u>1,481,027</u>
Total liabilities	<u>306,686</u>	<u>1,174,341</u>	<u>-</u>	<u>1,481,027</u>
Deferred Inflows:				
Unavailable revenues	400,148	-	-	400,148
	<u>400,148</u>	<u>-</u>	<u>-</u>	<u>400,148</u>
Fund Balance:				
Nonspendable:				
Prepaid items	30,595	-	-	30,595
Deposits	22,000	-	-	22,000
Unassigned	2,319,430	-	-	2,319,430
	<u>2,372,025</u>	<u>-</u>	<u>-</u>	<u>2,372,025</u>
Total fund balances	<u>2,372,025</u>	<u>-</u>	<u>-</u>	<u>2,372,025</u>
Total liabilities and fund balances	<u>\$ 3,078,859</u>	<u>\$ 1,174,341</u>	<u>\$ -</u>	<u>\$ 4,253,200</u>

See accompanying notes to financial statements.

Innovation Charter School, Inc.
 Reconciliation of the Balance Sheet of Governmental
 Funds to the Statement of Net Position
 June 30, 2024

Total Fund Balances of Governmental Funds \$ 2,372,025

Amounts reported for governmental activities in the
 statement of net position are different because:

Capital assets used in governmental activities are not
 financial resources; and therefore, are not reported in
 the governmental funds:

Cost of capital assets	\$	1,593,707	
Accumulated depreciation/amortization		<u>(673,397)</u>	920,310

Unavailable revenue in the governmental fund is susceptible to full accrual in the government-wide statements.			400,148
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Liabilities not payable with current available resources
 are not reported as fund liabilities in the governmental
 fund statements. All liabilities, both current and long-
 term, are reported in the government-wide statements.

Lease payable			<u>(917,841)</u>
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Net Position of Governmental Activities \$ 2,774,642

See accompanying notes to financial statements.

**Innovation Charter School, Inc.
Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
For the Year Ended June 30, 2024**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Outlay Fund</u>	<u>Total</u>
Revenues:				
Federal through state	\$ -	\$ 1,058,999	\$ -	\$ 1,058,999
State sources	3,662,558	-	259,141	3,921,699
Local sources	994,514	6,091	52,410	1,053,015
Total revenues	<u>4,657,072</u>	<u>1,065,090</u>	<u>311,551</u>	<u>6,033,713</u>
Expenditures:				
Current:				
Instruction	2,190,119	316,676	-	2,506,795
Exceptional programs	197,433	-	-	197,433
Instructional curriculum development	138,808	146,890	-	285,698
Instructional staff training services	15,810	-	-	15,810
Instructional related technology	126,289	2,000	-	128,289
Board services	27,096	-	-	27,096
School administration	799,318	66,084	-	865,402
Fiscal services	109,445	-	-	109,445
Food services	114,275	427,179	-	541,454
Operation of plant	82,020	74,261	3,150	159,431
Pupil transportation services	211,210	-	-	211,210
Pupil services	18,699	32,000	-	50,699
Capital outlay	1,375,508	-	-	1,375,508
Debt service:				
Principal	129,008	-	308,401	437,409
Interest	40,191	-	-	40,191
Total expenditures	<u>5,575,229</u>	<u>1,065,090</u>	<u>311,551</u>	<u>6,951,870</u>
Deficiency in revenues under expenditures	<u>(918,157)</u>	<u>-</u>	<u>-</u>	<u>(918,157)</u>
Other Financing Sources:				
Issuance of lease liability	<u>1,355,250</u>	<u>-</u>	<u>-</u>	<u>1,355,250</u>
Net change in fund balance	437,093	-	-	437,093
Fund Balances, July 1, 2023	<u>1,934,932</u>	<u>-</u>	<u>-</u>	<u>1,934,932</u>
Fund Balances, June 30, 2024	<u>\$ 2,372,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,372,025</u>

See accompanying notes to financial statements.

Innovation Charter School, Inc.
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2024

Net Change in Fund Balances of Governmental Funds \$ 437,093

Amounts reported for governmental activities in the
 Statement of Activities are different because:

The governmental funds report capital outlay as
 expenditures; however, in the statement of activities
 these costs are allocated over their estimated useful
 lives as provision for depreciation:

Capital outlay	\$	1,375,508	
Provision for depreciation/amortization		<u>(458,086)</u>	917,422

Revenues that are earned but not received within the availability period are recognized in the statement of activities when earned and subsequently in the governmental fund financial statements when they become available	400,148
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Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	437,409
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Entering into a lease obligation is recorded as an other source of financing in the governmental funds, but entering into lease obligations increase long-term liabilities in the statement of net position.	<u>(1,355,250)</u>
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Change in Net Position of Governmental Activities \$ 836,822

See accompanying notes to financial statements.

Note 1 - Organization and Operations

Innovation Charter School, Inc. (the "School") was incorporated as a not-for-profit corporation on July 10, 2013 organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act and Section 228.056, Florida Statutes. The governing body of the School is the Board of Directors (the "Board"), which is comprised of three members. The School's charter started July 1, 2015 and operations began August 2015. The School serves students in kindergarten through fifth grade.

Note 2 - Summary of Significant Accounting Policies

Reporting Entity: The School operates under a charter of the sponsoring school district, the School Board of Broward County, Florida (the "District"). The current charter is effective until June 30, 2025. The School is a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Government Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included with the reporting entity of the School.

Basis of presentation: The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund financial statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

The School reports the following major governmental funds:

General Fund - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for federal grants and certain state grants that are legally restricted to expenditures for particular purposes.

Capital Outlay Fund - This fund is used to account for state and local capital outlay funding that is legally restricted to expenditures for particular purposes.

Measurement focus and basis of accounting: The basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus, and the government-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the current period.

Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due.

Net position: Net position is classified in three categories.

The general meaning of each is as follows:

Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - consists of net position with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. There are no restricted net assets as of the year end.

Note 2 - Summary of Significant Accounting Policies (continued)

Unrestricted - indicates that portion of net position that is available to fund future operations and that do not meet the definition of "restricted" or "net investment in capital assets".

- When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then, unrestricted resources as they are needed.

Fund balance: The governmental fund financial statements present fund balances based on the provisions of U.S. GAAP which provide clearly defined fund balance classifications to report on the nature and extent to which the School is bound to have constraints on the specific purposes for which amounts in those funds can be spent.

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* - This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- *Restricted* - This classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- *Committed* - This classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision-making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- *Assigned* - This classification includes amounts that the Board of Directors intends to use for a specific purpose, but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- *Unassigned* - Represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds, and lastly unassigned funds. The details of the fund balance are included in the Balance Sheet of Governmental Funds.

Cash and cash equivalents: The School considers all demand accounts and money market funds which are not subject to withdrawal restrictions to be cash and cash equivalents.

The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Note 2 - Summary of Significant Accounting Policies (continued)

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Due from other governments: Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Due to and due from other funds: Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Capital assets: Capital assets purchased or acquired with an original cost of \$ 1,000 or more are capitalized at historical cost or estimated historical cost and are reported in the government-wide financial statement. Donated capital assets are valued at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, which include equipment acquired with state shared revenues are reported in the government-wide financial statements.

Depreciation and amortization on all assets are provided on the straight-line basis over the capital assets' estimated useful lives or lease term, whichever is shorter, as follows:

Furniture and equipment	3-5 years
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Right-of-use asset: The School has recorded a right-of-use lease asset as a result of implementing GASB 87. The right-of-use asset is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use asset is amortized on a straight-line basis over the shorter of the useful life or the lease term.

Unearned revenue: Unearned revenue arises when the School receives resources before it has a legal claim to them.

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 2 - Summary of Significant Accounting Policies (continued)

State funding (primary source of revenue): Student funding is provided by the State of Florida through the District. In accordance with the Charter Agreement, the District retains not more than 5% as an administrative fee. This funding is received on a pro rata basis over the twelve-month period and is adjusted for changes in full-time equivalent student population. After review and verification of Full-Time Equivalent ("FTE") reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year's errors disclosed by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature. Normally, such adjustments are reported in the year the adjustments are made.

Budget: An operating budget is adopted and maintained by the governing board for all the governmental funds, pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

The General Fund's expenditures exceeded the budget by \$ 1,801,520, which was covered by the current year revenue earned and from the issuance of a lease liability.

Income taxes: The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Date of management review: The School has evaluated subsequent events through September 26, 2024, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 3 - Cash and cash equivalents

At June 30, 2024, the carrying amount of the School's deposits and cash on hand totaled \$ 1,851,923 with a bank balance of \$ 1,874,966.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the Treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits of \$ 1,624,966, which are in excess of the federal insured level of \$ 250,000, are held in a qualified public depository and are covered by the collateral pool because the School has identified itself as a public entity.

Note 4 - Capital Assets

A summary of changes in governmental capital assets is as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets being depreciated/ amortized:				
Furniture and equipment	\$ 218,199	\$ 20,258	\$ -	\$ 238,457
Lease asset:				
Building	-	1,355,250	-	1,355,250
Total capital assets being depreciated/amortized	218,199	1,375,508	-	1,593,707
Accumulated depreciation/ amortization:				
Furniture and equipment	215,311	6,336	-	221,647
Lease asset:				
Building	-	451,750	-	451,750
Total accumulated depreciation/amortization	215,311	458,086	-	673,397
Net capital assets being depreciated/amortized	\$ 2,888	\$ 917,422	\$ -	\$ 920,310

The provision for depreciation and amortization for the year ended June 30, 2024 amounted to \$ 458,086. The School allocated \$ 6,336, 1%, of the depreciation and amortization to instruction and \$ 451,750, 99%, to the operation of the facility.

Note 5 - Lease

The School entered into a facility lease with a related party effective July 1, 2023 through June 30, 2026. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the commencement date of July 1, 2023. The discount rate used to recognize the intangible right-of-use asset, and the lease liability, was 3.86%.

The following is a schedule of the School's future base rent payments as of June 30, 2024:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 450,079	\$ 27,521	\$ 477,600
2026	467,762	9,838	477,600
	\$ 917,841	\$ 37,359	\$ 955,200

Note 5 - Lease (continued)

The lease activity for the year ended June 30, 2024 are as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amount Due Within One Year
Lease - building	\$ -	\$ 1,355,250	\$ 437,409	\$ 917,841	\$ 450,079

Note 6 - Related Party Transactions

Several members of the School's Board of Directors are employees of the company from which the School leases its main facility. Monthly lease payments are \$ 39,800.

Note 7 - Employee Benefit Plan

The School offers all of its full-time employees who had attained 21 years of age a retirement plan (the "Plan") under Internal Revenue Code Section 403(b). The employee is allowed to contribute up to a maximum of 100% of their annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to a 2- to 6-year graded vesting. A participant is vested 20% after 2 years, 40% after 3 years, 60% after 4 years, 80% after 5 years, and 100% after 6 years.

Note 8 - Capital Appropriations Funding

The Florida Department of Education has approved a Charter School Capital Outlay ("CSCO") award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring board. The School's CSCO Award totaled \$ 259,141 for the 2023-2024 school year which has been recognized as revenue in the accompanying financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay a portion of the interest expense on the lease.

Local Capital Improvement Revenue ("LCIR") funds are also appropriated by the School Board for charter school capital outlay purposes, with funds being allocated among eligible charter schools in a similar manner to the CSCO Award. The School's LCIR Award totaled \$ 52,410 for the 2023-2024 school year which has been recognized as revenue in the accompanying financial statements.

Note 9 - Risk Financing

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions, employee health, workers' compensation and natural disasters for which the School carries commercial insurance. During the fiscal year 2024, the School did not experience any claims resulting from the risks described above.

Note 10 - Referendum Settlement

In 2018, the voters of Broward County approved a Referendum allowing the Broward County School Board (the "School Board") to levy an ad valorem tax for fiscal years July 1, 2019 through June 30, 2023 to enhance funding for school resource officers, hire school security staff, increase compensation to recruit and retain highly qualified district teachers. The School Board previously levied and distributed all revenue generated pursuant to the 2018 Referendum to non-public schools for 2019-2023 school years.

The School filed an action against the School Board asserting that the School Board breached its contractual obligation to pay the School their proportionate share of the 2018 Referendum Levy. In March 2024, the Florida Commissioner of Education directed a Memorandum to the Florida State Board of Education, finding probable cause that the School Board was not in compliance with Florida law as a result of not sharing revenues generated by the 2018 Referendum. A settlement was reached between the School Board and the School, with a payment plan beginning in July 2024. For the year ended June 30, 2024, the School recognized \$ 763,526 in the government-wide financial statements as general revenues, \$ 363,378 in the governmental funds financial statements as local source revenue, and \$ 400,148 as a deferred inflow of resources because it does not meet the availability criteria as described in Note 2. Deferred amounts will be recognized as revenue over the next two years.

REQUIRED SUPPLEMENTARY
INFORMATION

Innovation Charter School, Inc.
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State sources	\$ 3,595,832	\$ 3,595,832	\$ 3,662,558	\$ 66,726
Local sources	45,980	45,980	994,514	948,534
Total revenues	<u>3,641,812</u>	<u>3,641,812</u>	<u>4,657,072</u>	<u>1,015,260</u>
Expenditures:				
Current:				
Instruction	2,032,851	2,032,851	2,190,119	(157,268)
Exceptional programs	-	-	197,433	(197,433)
Instructional curriculum development	-	-	138,808	(138,808)
Instructional staff training services	-	-	15,810	(15,810)
Instructional related technology	-	-	126,289	(126,289)
Board services	19,250	19,250	27,096	(7,846)
School administration	727,189	727,189	799,318	(72,129)
Fiscal services	86,500	86,500	109,445	(22,945)
Food services	-	-	114,275	(114,275)
Operation of plant	319,872	319,872	82,020	237,852
Pupil transportation services	200,000	200,000	211,210	(11,210)
Pupil services	388,047	388,047	18,699	369,348
Capital outlay	-	-	1,375,508	(1,375,508)
Debt service:				
Principal	-	-	129,008	(129,008)
Interest	-	-	40,191	(40,191)
Total expenditures	<u>3,773,709</u>	<u>3,773,709</u>	<u>5,575,229</u>	<u>(1,801,520)</u>
Excess (deficiency) of revenues over expenditures	(131,897)	(131,897)	(918,157)	(786,260)
Other Financing Sources:				
Issuance of lease liability	-	-	1,355,250	1,355,250
Net change in fund balance	<u>\$ (131,897)</u>	<u>\$ (131,897)</u>	<u>\$ 437,093</u>	<u>\$ 568,990</u>

Innovation Charter School, Inc.
 Schedule of Revenues and Expenditures
 Budget and Actual - Special Revenue Fund
 For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Federal through state	-\$ 738,876	\$ 738,876	\$ 1,058,999	\$ 320,123
Local sources	-	-	6,091	6,091
Total revenues	<u>738,876</u>	<u>738,876</u>	<u>1,065,090</u>	<u>326,214</u>
Expenditures:				
Current:				
Instruction	254,808	254,808	316,676	(61,868)
Instructional curriculum development	-	-	146,890	(146,890)
Instructional related technology	-	-	2,000	(2,000)
School administration	55,568	55,568	66,084	(10,516)
Food services	519,021	519,021	427,179	91,842
Operation of plant	-	-	74,261	(74,261)
Pupil services	25,000	25,000	32,000	(7,000)
Total expenditures	<u>854,397</u>	<u>854,397</u>	<u>1,065,090</u>	<u>(210,693)</u>
Net change in fund balance	<u>\$ (115,521)</u>	<u>\$ (115,521)</u>	<u>\$ -</u>	<u>\$ 115,521</u>

OTHER AUDITOR'S REPORTS

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

To the Board of Directors
Innovation Charter School, Inc.
Pompano Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Innovation Charter School, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or 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 or significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fort Lauderdale, Florida
September 26, 2024

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**MANAGEMENT LETTER REQUIRED BY CHAPTER 10.850 OF THE RULES OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors
Innovation Charter School, Inc.
Pompano Beach, Florida

Report on the Financial Statements

We have audited the financial statements of Innovation Charter School, Inc. (the "School"), Florida, as of and for the fiscal year ended June 30, 2024, and have issued our report thereon dated September 26, 2024.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 26, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations made in the preceding financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Innovation Charter School, Inc. and 065177.

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**Financial Condition and Management**

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

Fort Lauderdale, Florida
September 26, 2024

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Innovation Charter School, Inc.

Federal Single Audit Section
For the Year Ended June 30, 2024

Innovation Charter School, Inc.

Federal Single Audit Section
For the Year Ended June 30, 2024

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

To the Board of Directors
Innovation Charter School, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Innovation Charter School, Inc.'s (the "School") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2024. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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Report on Internal Control Over Compliance (continued)

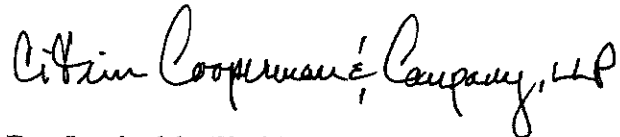
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the School as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our report thereon dated September 26, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to September 26, 2024. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Fort Lauderdale, Florida
November 6, 2024

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**Innovation Charter School, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Provided to Subrecipients
Indirect Programs:				
U.S. Department of Agriculture - Passed through Florida Department of Agriculture - Child Nutrition Cluster -				
School Breakfast Program (SBP)	10.553	022857	\$ 109,741	\$ -
National School Lunch Program (NSLP)	10.555	022857	308,680	-
Total Child Nutrition Cluster			<u>418,421</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>418,421</u>	<u>-</u>
U.S. Department of Education				
Passed through Florida Department of Education				
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	Unknown	256,015	-
English Language Acquisition State Grants	84.365	Unknown	3,491	-
Education Stabilization Fund	84.425	Unknown	371,999	-
Total U.S. Department of Education			<u>631,505</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>1,049,926</u>	\$ <u>-</u>

See accompanying notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Innovation Charter School, Inc. (the "School") for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2 - Summary of Significant Accounting Policies

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 Rate

The School did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Innovation Charter School, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified Opinion*

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/State Awards

Internal control over major programs:

Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs? *Unmodified Opinion*

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

Identification of major program(s):

<u>Assistance Listing Number</u>	<u>Federal Program or Cluster</u>
10.553/ 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARDS PROGRAM FINDINGS

None reported.