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July 17, 2023

Charter School Board  
Irvington Community Schools, Inc.  
5751 East University Avenue  
Indianapolis, IN 46219

We have reviewed the audit report of Irvington Community Schools, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Irvington Community Schools, Inc. as of June 30, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings included in the report on pages 24 and 25. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on page 26.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Irvington Community Schools, Inc., was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**IRVINGTON COMMUNITY SCHOOLS, INC.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Years Ended June 30, 2022 and 2021



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Irvington Community Schools, Inc.

### **Opinion**

We have audited the financial statements of Irvington Community Schools, Inc. which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Irvington Community Schools, Inc. as of June 30, 2022 and 2021, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Irvington Community Schools, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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 Irvington Community Schools, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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## **Auditors' 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 auditors' report that includes our opinion. 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 GAAS 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 GAAS 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 Irvington Community Schools, Inc.'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 Irvington Community Schools, Inc.'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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of Irvington Community Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Irvington Community Schools, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Irvington Community Schools, Inc.'s internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in blue ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized initial "D".

Indianapolis, Indiana  
March 29, 2023

**IRVINGTON COMMUNITY SCHOOLS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 2,196,770	\$ 2,975,252
Grants receivable	1,178,214	89,315
Prepaid expenses	<u>82,797</u>	<u>113,182</u>
<i>Total current assets</i>	<u>3,457,781</u>	<u>3,177,749</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>6,964,319</u>	<u>6,821,172</u>
<b>OTHER ASSETS</b>		
In-kind contributions receivable	841,005	841,005
Restricted cash	<u>601,847</u>	<u>696,339</u>
<i>Total other assets</i>	<u>1,442,852</u>	<u>1,537,344</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,864,952</u></u>	<u><u>\$ 11,536,265</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 90,700	\$ 90,700
Current portion of bonds payable	357,466	217,629
Current portion of capital lease obligation	-	21,988
Accounts payable and accrued expenses	165,824	65,084
Accrued bond interest	<u>263,040</u>	<u>266,940</u>
<i>Total current liabilities</i>	<u>877,030</u>	<u>662,341</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	317,450	408,150
Bonds payable, net of current portion	9,184,470	9,541,936
Less: unamortized bond issuance costs	<u>(446,401)</u>	<u>(485,512)</u>
<i>Total long-term liabilities, net of unamortized bond issuance costs</i>	<u>9,055,519</u>	<u>9,464,574</u>
<i>Total liabilities</i>	<u>9,932,549</u>	<u>10,126,915</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,091,398	568,345
With donor restrictions	<u>841,005</u>	<u>841,005</u>
<i>Total net assets</i>	<u>1,932,403</u>	<u>1,409,350</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 11,864,952</u></u>	<u><u>\$ 11,536,265</u></u>

See independent auditors' report and accompanying notes to the financial statements

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 7,276,527	\$ 7,284,432
Grants	4,246,539	2,363,844
In-kind revenue	1,195,236	1,195,236
Student fees	23,468	19,981
Contributions	25,407	9,663
Fundraising	11,533	6,914
Interest	314	228
Other	96,077	66,295
	<u>12,875,101</u>	<u>10,946,593</u>
<i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	10,615,930	9,052,206
Management and general	1,736,118	1,475,986
	<u>12,352,048</u>	<u>10,528,192</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	523,053	418,401
<b>OTHER INCOME</b>		
Paycheck Protection Program loan forgiveness income	<u>-</u>	<u>479,392</u>
<b>CHANGE IN NET ASSETS</b>	523,053	897,793
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,409,350</u>	<u>511,557</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,932,403</u>	<u>\$ 1,409,350</u>

See independent auditors' report and accompanying notes to the financial statements

**IRVINGTON COMMUNITY SCHOOLS, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Years Ended June 30, 2022 and 2021**

	2022			2021		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 5,137,017	\$ 995,910	\$ 6,132,927	\$ 4,215,222	\$ 960,429	\$ 5,175,651
Employee benefits	1,036,350	197,423	1,233,773	972,515	196,757	1,169,272
Professional services	874,556	340,558	1,215,114	807,385	124,794	932,179
Occupancy	961,049	-	961,049	900,669	-	900,669
Depreciation	930,365	-	930,365	869,203	-	869,203
Interest	586,492	-	586,492	565,652	-	565,652
Classroom and office supplies	374,993	4,832	379,825	144,460	2,793	147,253
Food costs	319,981	-	319,981	172,858	-	172,858
Repairs and maintenance	86,927	-	86,927	124,934	-	124,934
Software	82,415	725	83,140	136,577	-	136,577
Authorizer fee	-	71,377	71,377	-	44,120	44,120
Equipment	62,535	-	62,535	51,297	-	51,297
Insurance	-	62,070	62,070	-	81,830	81,830
Staff development	50,500	-	50,500	40,970	-	40,970
Advertising	-	38,826	38,826	-	35,535	35,535
Clubs	12,340	-	12,340	2,422	-	2,422
Student transportation	11,584	-	11,584	1,250	-	1,250
Other	88,826	24,397	113,223	46,792	29,728	76,520
<i>Total functional expenses</i>	<u>\$ 10,615,930</u>	<u>\$ 1,736,118</u>	<u>\$ 12,352,048</u>	<u>\$ 9,052,206</u>	<u>\$ 1,475,986</u>	<u>\$ 10,528,192</u>

See independent auditors' report and accompanying notes to the financial statements

**IRVINGTON COMMUNITY SCHOOLS, INC.**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 523,053	\$ 897,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness income	-	(479,392)
Depreciation	930,365	869,203
Amortization of debt issuance costs included in interest	39,111	17,817
Changes in certain assets and liabilities:		
Grants receivable	(1,088,899)	79,022
Prepaid expenses	30,385	(22,454)
Accounts payable and accrued expenses	100,740	(35,408)
Accrued bond interest	<u>(3,900)</u>	<u>(3,900)</u>
<i>Net cash provided by operating activities</i>	<u>530,855</u>	<u>1,322,681</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(1,073,512)</u>	<u>(763,338)</u>
<b>FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligation	(21,988)	(20,357)
Principal payments on notes payable	(90,700)	(90,700)
Principal payments on bonds payable	<u>(217,629)</u>	<u>(203,076)</u>
<i>Net cash used in financing activities</i>	<u>(330,317)</u>	<u>(314,133)</u>
<b>NET CHANGE IN CASH</b>	(872,974)	245,210
<b>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<u>3,671,591</u>	<u>3,426,381</u>
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>	<u>\$ 2,798,617</u>	<u>\$ 3,671,591</u>
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>		
Cash - unrestricted	\$ 2,196,770	\$ 2,975,252
Cash - restricted on deposit with bond trustee	398,765	413,820
Cash - restricted for capital projects	-	79,491
Cash - restricted for repairs and replacement	<u>203,082</u>	<u>203,028</u>
<i>Total cash and restricted cash, end of year</i>	<u>\$ 2,798,617</u>	<u>\$ 3,671,591</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 551,281	\$ 551,735

See independent auditors' report and accompanying notes to the financial statements

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Irvington Community Schools, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates three public charter schools under Indiana Code 20-24; an elementary school, a middle school, and a high school. The School is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis ("OEI"). The charter is effective through June 30, 2023 and is renewable thereafter by mutual consent. The School served approximately 970 students in grades kindergarten through twelve during the 2021-2022 school year (1,030 students during the 2020-2021 school year).

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

Restricted Cash – The terms of the bonds payable require the School to establish cash accounts restricted for certain purposes including capital projects, debt service, and repair and replacement.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

In-kind Contributions Receivable – The School leases its high school building from the Consolidated City of Indianapolis for \$1 in annual rent. The lease agreement requires a minimum fifteen-month notice of intent to terminate by the lessor. The balance of in-kind contributions receivable of \$841,005 as of both June 30, 2022 and 2021 represents an estimate of the fair market value of in-kind rent to be received by the School in the fifteen-month period following notice of termination of the lease. This amount is also reflected as net assets with donor restrictions as of both June 30, 2022 and 2021.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Building and improvements	40 years
Furniture and equipment	5 years
Computer hardware and software	3 - 5 years
Textbooks and educational materials	3 years
Vehicles	5 years

Bond Issuance Costs – The School refinanced its Series 2009 bonds into Series 2018 bonds in September 2018 and incurred \$532,120 in bond issuance costs. In accordance with U.S. GAAP, the School classifies debt issuance costs as a contra-liability and is netted against the related bond debt for which the bond issuance costs were incurred. The amortization of the debt issuance cost is provided over the life of the bond debt and is classified as interest expense on the statements of activities and change in net assets.

The School capitalizes the costs of long-term debt issuance and amortizes those costs on the straight-line method over the life of the underlying bond debt of thirty years. Accumulated amortization was \$88,108 and \$48,997 as of June 30, 2022 and 2021, respectively.

Taxes on Income – The School has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2018 are open to audit for both federal and state purposes.

Advertising – Advertising costs are expensed as incurred and amounted to \$38,826 and \$35,535 for the years ended June 30, 2022 and 2021, respectively.

Subsequent Events – The School evaluated subsequent events through March 29, 2023, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 2 - REVENUE RECOGNITION**

Revenue Recognition Policy – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A significant portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognized revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

Contributed Materials and Services – Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Non-cash, in-kind contributions are recorded at fair value and recognized as revenue and expense in the accounting period in which they are received.

Volunteers provide program services throughout the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria under U.S. GAAP.

Disaggregation of Revenue – Revenue is disaggregated on the statements of activities and change in net assets.

**NOTE 3 - IN-KIND CONTRIBUTIONS**

Effective July 1, 2021, the School adopted ASU No. 2020-07 *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The amendments in this update are required to be applied retrospectively to each prior reporting period presented. The School applied the provisions of this ASU to the June 30, 2022 and 2021 financial statements. There was no material impact to the financial statements.

The School has recorded in-kind revenues and offsetting expenses totaling \$1,195,236 for both years ended June 30, 2022 and 2021. This amount represents approximately \$673,000 in in-kind rent (Note 9), and approximately \$522,000 in professional nursing services provided by Community Health Network. In-kind rent has been valued based on an appraisal of rent values. In-kind professional nursing services values were provided by the vendor.

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 418,523	\$ 418,523
Building and improvements	8,992,448	8,809,999
Furniture and equipment	2,193,488	1,960,234
Computer hardware and software	1,934,643	1,539,861
Textbooks and educational materials	906,069	643,027
Vehicles	41,749	41,749
Less: accumulated depreciation	<u>(7,522,586)</u>	<u>(6,592,221)</u>
<i>Property and equipment, net</i>	<u>\$ 6,964,334</u>	<u>\$ 6,821,172</u>

**NOTE 5 - PAYCHECK PROTECTION PROGRAM**

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes the Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from PPP notes payable could be used for costs related to payroll, employee healthcare, rent, and utilities. On April 23, 2020, the School was granted a note payable from The Huntington National Bank in the amount of \$1,175,000, pursuant to the PPP under Division A, Title I of the CARES Act. Under the terms of the PPP, the note payable would be forgiven if the funds were used for qualifying expenses as described in the CARES Act. Prior to July 1, 2020, the School expended \$695,608 of the PPP funds for allowable expenses, which were recognized as a contribution in accordance with FASB ASC 958-605 by reflecting the amount of funds expended as PPP loan forgiveness income. The remaining unspent portion of \$479,392 as of July 1, 2020 was reflected as a refundable advance on the statement of financial position. During the year ended June 30, 2021, the School incurred allowable expenses for the remainder of the funds. The School received notification the loan was forgiven in full effective December 28, 2020, therefore the remaining balance of the loan was recognized as PPP loan forgiveness income as of that date.

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 6 - BONDS PAYABLE**

Bonds payable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Bonds payable in semi-annual installments, including interest computed at rates ranging from 5.50% to 6.00%, through maturities in July 2023 to July 2048 (a)	\$ 8,905,000	\$ 9,045,000
Bonds payable in semi-annual installments, including variable rate interest as noted below, through maturity in December 2025 (b)	<u>636,936</u>	<u>714,565</u>
	9,541,936	9,759,565
Less: current portion	<u>(357,466)</u>	<u>(217,629)</u>
Long-term portion	\$ <u>9,184,470</u>	\$ <u>9,541,936</u>

(a) Education Facilities Revenue Bonds, Series 2018A and Series 2018B. The bonds are collateralized by the building.

(b) Qualified Zone Academy Bond (“QZAB”). Under the American Recovery and Reinvestment Act of 2009, the Federal Treasury created QZABs tax credit bonds, which provide federal subsidy equal to 5.67% interest. Interest on the QZABs is a fixed per annum rate of interest adjusted on each bond interest rate adjustment date equal to the greater of the Federal Home Loan Banks rate plus 400 basis points, 6%, or the QZAB rate. As of June 30, 2022, the interest rate was 6%. The bond is collateralized by the building and assignment of rent and lease interest.

The bond agreements contain certain covenants that limit the School’s ability to create liens, incur debt, and change management. The bond agreements also contain covenants requiring the maintenance of required reserves, establishes a minimum debt service coverage ratio, and establishes a minimum days cash on hand. The School was in compliance with all bond covenants as of June 30, 2022 and 2021.

Principal maturities of bonds payable are as follows for the years ending June 30:

2023	\$ 357,466
2024	242,604
2025	253,062
2026	543,804
2027	180,000
Thereafter	<u>7,965,000</u>
Total	\$ <u>9,541,936</u>

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 7 - NOTES PAYABLE**

Notes payable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Common School Loan payable in semi-annual installments, including interest computed at 1.00%, through maturity in January 2027	\$ 408,150	\$ 498,850
Less: current portion	<u>(90,700)</u>	<u>(90,700)</u>
Long-term portion	\$ <u>317,450</u>	\$ <u>408,150</u>

Principal maturities of notes payable are as follows for the years ending June 30:

2023	\$ 90,700
2024	90,700
2025	90,700
2026	90,700
2027	<u>45,350</u>
Total	\$ <u>408,150</u>

**NOTE 8 - CAPITAL LEASE**

The School had a capital lease obligation with monthly payments of \$1,910 maturing in May 2022.

**NOTE 9 - OPERATING LEASES**

The School leases various equipment and facilities under separate operating leases expiring through June 2026. The School incurred \$62,535 and \$51,297 of expense related to the leases during the years ended June 30, 2022 and 2021, respectively.

The future minimum rental payments required under the operating leases for subsequent years ending June 30, are as follows:

2023	\$ 66,178
2024	45,169
2025	45,171

The School also leases its high school location from the Consolidated City of Indianapolis for \$1 annually through June 30, 2026. In-kind revenue and occupancy expense is recorded based on an independent appraisal conducted in 2017 which estimated the fair market value of the building rent at approximately \$673,000. This amount was used as fair market value for each of the years ended June 30, 2022 and 2021.

# **IRVINGTON COMMUNITY SCHOOLS, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2022 and 2021**

### **NOTE 10 - RETIREMENT PLANS**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. The School contributed 5.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF during both years ended June 30, 2022 and 2021. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2021 (the latest year reported), TRF was over 100% funded and PERF was over 92% funded.

In lieu of participating in either the TRF or PERF plans, full-time employees have the option to participate in a 403(b) defined contribution retirement plan. The School made discretionary contributions to the 403(b) plan equal to 7.5% of participants' salaries. Retirement plan expense under all plans was \$321,463 and \$351,026 for the years ended June 30, 2022 and 2021, respectively.

### **NOTE 11 - COMMITMENTS**

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. OEI assesses a fee equal to 1% of the basic tuition support received by the School. The fee was \$71,377 and \$44,120 for the years ended June 30, 2022 and 2021, respectively.

### **NOTE 12 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Marion and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of grant receivables from the State of Indiana. At June 30, 2022 and 2021, all of the grant receivable balance was due from the State of Indiana. In addition, deposits maintained at Huntington and Horizon Banks are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceeded the FDIC insurance limit as of and during the years ended June 30, 2022 and 2021.

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 13 - LIQUIDITY**

The School's financial assets include cash, restricted cash, and grants receivable. Following is a schedule of financial assets and the ability thereof to meet cash needs as of June 30:

	<u>2022</u>	<u>2021</u>
Financial assets	\$ 3,976,831	\$ 3,760,906
Less: deposits with bond trustee unavailable for general expenditures within one year	<u>(601,847)</u>	<u>(696,339)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>3,374,984</u>	\$ <u>3,064,567</u>

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 14 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

SUPPLEMENTARY INFORMATION

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 96,592
National School Lunch Program	10.555		<u>392,573</u>
<i>Total U.S Department of Agriculture</i>			<u>489,165</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Grants to Local Educational Agencies	84.010	S010A200014	39,060
Title I, Grants to Local Educational Agencies	84.010	S010A210014	452,606
Title II, Supporting Effective Instruction State Grants	84.367	S367A210013	56,301
Title III, English Language Acquisition State Grants	84.365		8,154
Title IV, Student Support and Academic Enrichment	84.424A	S424A200015	27,147
Title IV, Student Support and Academic Enrichment	84.424A	S424A210015	47,307
Special Education Cluster			
Special Education - Grants to States	84.027A	22619-506-PN01	189,001
Special Education - Grants to States	84.027A	22611-506-PN01	3,384
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	242,941
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	579,018
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U210013	<u>785,482</u>
<i>Total U.S. Department of Education</i>			<u>2,430,401</u>
<i>Total federal awards expended</i>			<u><u>\$ 2,919,566</u></u>

See independent auditors' report and accompanying notes to this schedule

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Irvington Community Schools, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, 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 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



# Donovan CPAs

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

The Board of Directors  
Irvington Community Schools, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Irvington Community Schools, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2023.

### 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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 may exist that have not been identified.

## **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana  
March 29, 2023



# Donovan CPAs

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors  
Irvington Community Schools, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited Irvington Community Schools, Inc.'s (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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## **Opinion on Each Major Federal Program**

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, 2022.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

## **Report on Internal Control over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

The School's responses to the internal control over compliance findings identified in our audit are described in the corrective action plan on page 26. The School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, stylized initial "D".

Indianapolis, Indiana  
March 29, 2023

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2022**

**I. Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
• Material weakness identified?	Yes
• Significant deficiency identified?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major programs:	

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D & 84.425U	Education Stabilization Fund

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**II. Financial Statement Findings**

No matters are reportable.

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2022**

**III. Federal Award Findings and Questioned Costs**

FINDING 2022-001 CASH MANAGEMENT (REPEAT FINDING)  
MATERIAL WEAKNESS

Federal Program: Child Nutrition Cluster  
Assistance Listing Number: 10.553 & 10.555

Criteria

Per 7 CFR 210.14(b) and 7 CFR 220.7(e)(1)(iv), the “school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency.”

Condition

Based on the School’s expense reporting, a three-month average of expenditures would be approximately \$96,000. The School was carrying a balance in excess of the three months average of expenditures in all twelve months, including a balance of approximately \$329,000 as of June 30, 2022, after subtracting prepaid balances.

Cause

The School has not properly monitored the balance of these funds to make sure funds were expended in a manner to allow for compliance with federal guidelines.

Effect

This material weakness in internal control resulted in the School having an excessive cash balance in its meal program funds and not being in compliance with 7 CFR 210.14(b) and 7 CFR 220.7(e)(1)(iv).

Recommendation

We recommend the School develop internal controls to allow for closer monitoring of the balance of these funds. We also recommend the School proactively communicate the cash management finding to the Indiana Department of Education to discuss a remedial plan of action.

Views of Responsible Officials

The School’s Corrective Action Plan is included on page 26.

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2022**

**III. Federal Award Findings and Questioned Costs, Continued**

FINDING 2022-002 DOCUMENT RETENTION (REPEAT FINDING)  
SIGNIFICANT DEFICIENCY

Federal Program: Child Nutrition Cluster  
Assistance Listing Number: 10.553 & 10.555

Criteria

Per 7 CFR 200.334, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

Condition

Three claims for meal reimbursement were selected for testing. The School was unable to provide records of meals served that directly reconciled with those claims. A reconciliation was provided showing total meals served during the year compared to total meals claimed. A variance was noted, but this variance was below the \$25,000 threshold for reporting questioned costs.

Cause

The School did not maintain documentation for each individual claim.

Effect

Reconciliation of meals served data to individual claims was not possible.

Recommendation

We recommend the School develop internal controls requiring the maintenance of documentation of meals served for the individual claims submitted for the program.

Views of Responsible Officials

The School’s Corrective Action Plan is included on page 26.



# Irvington Community Schools

## 2021-22 Audit Findings Management Corrective Action Plan

Irvington Community School's 2021-22 audit found two items requiring Management's corrective action.

### **Federal Award Findings and Questioned Costs**

#### **Finding 2022-001 Cash Management (Material Weakness)**

##### **Federal Program: Child Nutrition Cluster**

*Finding: Per 7 CFR 210.14(b) and 7 CFR 220.7(e)(1)(iv), the "school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency*

*Management Corrective Action: Previous audit year expenses were classified as "General" funds when they should have classified as "Food Service". This, in aggregate, has led to an excess fund balance. Management, specifically Rod Iberg and Linda Heidrich, will work with the state on how to transfer the large arrear fund balances between accounts. Management will also endeavor to assure that all ongoing expenses are allocated to the correct fund.*

#### **Finding 2022-002 Document Retention (Significant Deficiency)**

##### **Federal Program: Child Nutrition Cluster**

*Finding: Per 7 CFR 200.334, "Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient."*

*Management Corrective Action: While the school's annual total meals served for the 2021-22 audit year were more than the meals claimed for reimbursement, the school was unable to reconcile all of the individual months. The school has since implemented and automated system to record lunches served. This point-of-sale system will eliminate the ongoing monthly accounting required to support monthly claims assuring the numbers served reconciles with the numbers claimed. Chris Ashmore has already implemented this system and tested the subsequent year-to-date audit period to assure this corrective action has, in fact, eliminated the problem.*

**IRVINGTON COMMUNITY SCHOOLS, INC.**  
**OTHER REPORT**  
**For the Year Ended June 30, 2022**

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Irvington Community Schools, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.