

**Interdistrict School for Arts and  
Communication, Inc.**

**Financial Statements,  
State Financial Assistance in Accordance  
With the State Single Audit Act  
and Independent Auditor's Reports**

**June 30, 2015  
(With Summarized Information for 2014)**

# Interdistrict School for Arts and Communication, Inc.

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## State Single Audit

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## Independent Auditor's Report

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Interdistrict School for Arts and Communication, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interdistrict School for Arts and Communication, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Report on Summarized Comparative Information*

We have previously audited the Interdistrict School for Arts and Communication, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Matters*

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by the State Single Audit Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015 on our consideration of the Interdistrict School for Arts and Communication, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Interdistrict School for Arts and Communication, Inc.'s internal control over financial reporting and compliance.



Hartford, Connecticut  
December 1, 2015

**Interdistrict School for Arts and Communication, Inc.**

**Statement of Financial Position  
June 30, 2015  
(With Comparative Totals for 2014)**

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 806,326	\$ 524,946
Accounts receivable	158,551	133,556
Grants receivable	88,449	-
Pledges receivable, current portion	45,000	45,000
Prepaid expenses	1,676	29,087
Total current assets	<u>1,100,002</u>	<u>732,589</u>
Property and equipment, net	5,937,231	5,276,965
Long-term assets:		
Pledges receivable, net of current portion	<u>-</u>	<u>43,890</u>
Total assets	<u><u>\$ 7,037,233</u></u>	<u><u>\$ 6,053,444</u></u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	\$ 62,506	\$ 96,812
Accrued liabilities and deposits	195,244	178,375
Deferred revenue	397,795	53,470
Capital lease payable, current portion	-	12,708
Loan payable, current portion	31,149	6,167
Total current liabilities	<u>686,694</u>	<u>347,532</u>
Long-term liability:		
Loan payable, net of current portion	<u>623,248</u>	<u>347,926</u>
Total liabilities	<u>1,309,942</u>	<u>695,458</u>
Commitments		
Net assets:		
Unrestricted	5,682,316	5,305,372
Temporarily restricted	44,975	52,614
Total net assets	<u>5,727,291</u>	<u>5,357,986</u>
Total liabilities and net assets	<u><u>\$ 7,037,233</u></u>	<u><u>\$ 6,053,444</u></u>

See Notes to Financial Statements.

**Interdistrict School for Arts and Communication, Inc.**

**Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2015  
(With Comparative Totals For 2014)**

	2015			2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Public support and revenues:				
Federal and state grants	\$ 3,465,779	\$ -	\$ 3,465,779	\$ 4,281,091
Tuition	668,392	-	668,392	671,041
Contributions	27,344	-	27,344	22,002
Student activities	-	4,695	4,695	10,403
Rental income	-	-	-	21,420
Interest and dividends	5,515	-	5,515	3,700
Miscellaneous	17,219	-	17,219	10,477
Net assets released from restrictions:				
Restrictions satisfied by purpose	12,334	(12,334)	-	-
<b>Total public support and revenues</b>	<b>4,196,583</b>	<b>(7,639)</b>	<b>4,188,944</b>	<b>5,020,134</b>
Expenses:				
State enrollment-based foundation grant	2,584,853	-	2,584,853	2,572,727
Special education	668,372	-	668,372	671,049
Student activities	7,740	-	7,740	13,242
Teachers' retirement	349,707	-	349,707	84,000
Rental expenses	-	-	-	28,414
Interest expense	28,928	-	28,928	25,766
Depreciation and amortization	180,039	-	180,039	170,924
<b>Total expenses</b>	<b>3,819,639</b>	<b>-</b>	<b>3,819,639</b>	<b>3,566,122</b>
Changes in net assets	376,944	(7,639)	369,305	1,454,012
Net assets, beginning of year	5,305,372	52,614	5,357,986	3,903,974
Net assets, end of year	<u>\$ 5,682,316</u>	<u>\$ 44,975</u>	<u>\$ 5,727,291</u>	<u>\$ 5,357,986</u>

See Notes to Financial Statements.

**Interdistrict School for Arts and Communication, Inc.**

**Statement of Cash Flows  
Year Ended June 30, 2015  
(With Comparative Totals For 2014)**

	2015	2014
Operating activities:		
Changes in net assets	\$ 369,305	\$ 1,454,012
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	180,039	170,924
Changes in operating assets and liabilities:		
Accounts receivable	(24,995)	(10,111)
Grants receivable	(88,449)	-
Pledges receivable	(1,110)	(2,192)
Prepaid expenses	27,411	(14,707)
Accounts payable	(34,306)	52,960
Accrued liabilities and deposits	16,869	13,047
Deferred revenue	344,325	(97,000)
Net cash provided by operating activities	789,089	1,566,933
Investing activities:		
Purchase of property and equipment	(840,305)	(381,555)
Financing activities:		
Contributions restricted for long-term purposes	45,000	45,000
Payments on capital lease	(12,708)	(11,503)
Proceeds from loan payable	600,000	222,000
Payments on loan payable	(299,696)	(1,365,942)
Net cash provided by (used in) financing activities	332,596	(1,110,445)
Net increase in cash and cash equivalents	281,380	74,933
Cash and cash equivalents, beginning of year	524,946	450,013
Cash and cash equivalents, end of year	\$ 806,326	\$ 524,946
Supplemental disclosure of cash flow information:		
Interest paid	\$ 30,259	\$ 26,978

See Notes to Financial Statements.

**Interdistrict School for Arts and Communication, Inc.**

**Notes to Financial Statements  
June 30, 2015  
(With Summarized Information for 2014)**

**Note 1 - Organization and summary of significant accounting policies**

**Nature of operations**

The Interdistrict School for Arts and Communication, Inc. (the "School") is a nonprofit corporation engaged in all activities pertinent to operating a state-chartered public middle school for Grades 6 to 8. The School, located in New London, Connecticut, opened in the fall of 1997.

The School features an academically rigorous curriculum whose various disciplines are integrated through the arts - both visual and performing - and through modern communication skills. The curriculum supports a learning community that is multicultural. The School is run by its Board of Directors and a Management Team. The Board of Directors and Management Team are educators, arts and communication experts, financial experts, community leaders, teachers, parents, and students.

The School's activities began with its incorporation on February 4, 1997.

**Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on any related investments for general or specific purposes.

**Contributions**

Contributions are recognized by the School when a donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor, but whose restrictions are met in the same period, are reported as increases to unrestricted net assets. All other donor-restricted contributions are reported as increases to temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

## **Interdistrict School for Arts and Communication, Inc.**

### **Notes to Financial Statements June 30, 2015 (With Summarized Information for 2014)**

Contributed services received from Board Members and volunteers are not recorded in the financial statements since these services do not meet the criteria for recognition as contributed services.

#### **Recognition of grant support**

Federal, State and private awards are used to finance education programs and capital improvements. The School recognizes grants to the extent that eligible grant costs are incurred. Receivables are recognized to the extent costs have been incurred, but not reimbursed. Deferred revenue is recognized when grant advances exceed eligible costs incurred.

#### **Income taxes**

The School is classified by the Internal Revenue Service as exempt from income tax under Section 501(a) of the Internal Revenue Code as a public education school described in Section 501(c)(3).

The School has no unrecognized tax benefits at June 30, 2015 or 2014. The School's Federal and state income tax returns prior to fiscal year 2011 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the School would recognize interest and penalties associated with tax matters as part of management and general expenses in the statement of activities and changes in net assets and include accrued interest and penalties in accrued liabilities in the statement of financial position. The School did not recognize any interest or penalties associated with tax matters for the years ended June 30, 2015 and 2014.

#### **Cash equivalents**

For purposes of reporting cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

#### **Accounts receivable**

Allowances for accounts receivable are determined by management based on an assessment of their collectability. Management considers past history, current economic conditions and overall viability of the third party. Receivables are written off only when management believes amounts will not be collected. Based on this assessment, management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

**Interdistrict School for Arts and Communication, Inc.**

**Notes to Financial Statements  
June 30, 2015  
(With Summarized Information for 2014)**

**Property and equipment**

The School follows the practice of capitalizing expenditures for equipment in excess of \$1,000; the fair value of donated assets is similarly capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Building	40 years
Furniture and equipment	5 - 10 years

**Long-lived assets**

The School recognizes an impairment loss when the carrying amount of a long-lived asset exceeds its fair value. In the event that facts and circumstance indicate that the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. The evaluation process consists of comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down is required. If the review indicates that the asset will not be recoverable, the carrying value of the asset would be reduced to its estimated realizable value. There was no impairment loss recognized for the year ended June 30, 2015.

**Concentrations of credit risk**

The School maintains cash and cash equivalent balances in several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. From time to time, the School's balances may exceed these limits. At June 30, 2015, the School's uninsured bank balances totaled \$645,733. The School limits its credit risk by selecting financial institutions considered to be highly creditworthy.

**Prior year summarized information**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent events**

Management has evaluated subsequent events through December 1, 2015, the date the financial statements were available to be issued.

**Interdistrict School for Arts and Communication, Inc.**

**Notes to Financial Statements  
June 30, 2015  
(With Summarized Information for 2014)**

**Note 2 - Pledges receivable**

Pledges receivable consists of unconditional promises to the School and are restricted for the purpose of renovating the school. Pledges that are promised over more than one year are discounted to their net present value.

Pledges receivable consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Pledges:		
Due within 1 year	\$ 45,000	\$ 45,000
Due within 2-5 years	-	45,000
Less unamortized discount, 2.5%	<u>-</u>	<u>(1,110)</u>
	<u>\$ 45,000</u>	<u>\$ 88,890</u>

**Note 3 - Concentrations**

The School currently receives approximately 83% of its revenue, which is subject to specific requirements, from the Federal and State Departments of Education.

**Note 4 - Operating lease**

The School was the lessor of office suites located at 190 Governor Winthrop Boulevard, New London, Connecticut, for the purpose of providing its programs and services. The lease continued on a monthly basis until it was canceled as of June 30, 2014. Rental income received during 2015 and 2014 was \$0 and \$21,420, respectively.

**Note 5 - Capital lease**

The School was the lessee of computer equipment under a noncancelable capital lease expiring in 2015 with a capitalized cost of \$48,503. Accumulated depreciation relating to the leased computers in the statement of financial position as of June 30, 2015 and 2014 was \$47,702 and \$46,789, respectively. Depreciation expense for the leased computers reported in the statement of activities and changes in net assets during 2015 and 2014 was \$913 and \$13,727, respectively. Upon expiration of the lease, the School purchased the equipment for \$1.

**Note 6 - On-behalf payments**

The amount recognized in Federal and state grants and teachers' retirement expenses for contributions made by the State on-behalf of the School's teachers was \$349,707 in 2015 and \$84,000 in 2014.

**Interdistrict School for Arts and Communication, Inc.**

**Notes to Financial Statements  
June 30, 2015  
(With Summarized Information for 2014)**

**Note 7 - Grants**

The following grants were awarded for use during the years ended June 30, 2015 and 2014:

1. A State Enrollment-Based Foundation Grant in the amount of \$2,882,000 for 2015 and \$2,683,000 for 2014 for the purposes of financing public education.
2. Various grants for the purpose of providing education programs.

Certain grants require the fulfillment of various conditions as set forth by the grantor. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms; the School has accommodated the objectives of the grantors to the provisions of the grants.

**Note 8 - Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Funds to be used to conduct education for special education students	\$ -	\$ 2,887
Funds to be used for musical instruments	32,407	34,114
Funds to be used for student fundraising activities	<u>12,568</u>	<u>15,613</u>
Total temporarily restricted net assets	<u>\$ 44,975</u>	<u>\$ 52,614</u>

**Note 9 - Property and equipment**

The following is a summary of property and equipment:

	<u>2015</u>	<u>2014</u>
Construction in progress	\$ -	\$ 73,370
Land	80,000	80,000
Building	6,648,258	5,848,992
Furniture and equipment	<u>328,425</u>	<u>214,016</u>
	7,056,683	6,216,378
Less accumulated depreciation	<u>1,119,452</u>	<u>939,413</u>
Net property and equipment	<u>\$ 5,937,231</u>	<u>\$ 5,276,965</u>

Depreciation and amortization expense was \$180,039 and \$170,924 for the years ended June 30, 2015 and 2014, respectively.

**Interdistrict School for Arts and Communication, Inc.**

**Notes to Financial Statements  
June 30, 2015  
(With Summarized Information for 2014)**

**Note 10 - Functional classification of expenses**

The expenses as summarized in the statement of activities and changes in net assets have been allocated as follows:

	<u>2015</u>	<u>2014</u>
Program services	\$ 3,496,552	\$ 3,238,728
Management and general	273,270	279,449
Fundraising	<u>49,817</u>	<u>47,945</u>
 Total expenses	 <u>\$ 3,819,639</u>	 <u>\$ 3,566,122</u>

**Note 11 - Construction loan**

Loan payable consists of a commercial construction mortgage loan with an original balance of \$1,500,000 dated August 7, 2012 for the demolition and construction of the new gym. The loan bears interest at 4.07% per annum until such adjustment date which will be adjusted to a fixed rate per annum equal to two and one half percent above the Index rate. The interest rate shall never be less than 4.07% nor greater than 18%. At June 30, 2015, the interest rate was 4.07%. The loan is secured by all school property. On September 11, 2013, the School received a Charter School Building Project and Improvements grant of \$1,356,398 to pay down the construction loan balance. On September 12, 2013, the loan was then modified based on the new balance plus an additional advance of \$150,000 for the third floor modifications. The loan was modified again on May 15, 2014 based on the balance plus an additional advance of \$72,000 to be used for the fourth floor modifications. On September 26, 2014, the loan was then modified to include an additional advance of \$600,000 for the fourth floor modifications. Based on the modification, the monthly payments payable to Charter Oak Federal Credit Union were revised to \$4,767 including principal and interest commencing November 1, 2014 through the loan's maturity date of August 1, 2027 when the entire outstanding balance shall be due and payable in full. On March 31, 2015, the School received a Charter School Building Project and Improvements grant of \$412,497, \$283,449 of which was designated to pay down the construction loan balance.

The future scheduled maturities of long-term debt for the five years subsequent to June 30, 2015 and thereafter are as follows:

Year Ending <u>June 30</u>	
2016	\$ 31,149
2017	32,441
2018	33,786
2019	35,187
2020	36,647
Thereafter	<u>485,187</u>
	<u>\$ 654,397</u>

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**State  
Single  
Audit**

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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  
Interdistrict School for Arts and Communication, 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 the Interdistrict School for Arts and Communication, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2015.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Interdistrict School for Arts and Communication, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Interdistrict School for Arts and Communication, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Interdistrict School for Arts and Communication, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency (Finding 2012-001).

#### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Interdistrict School for Arts and Communication, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### *Interdistrict School for Arts and Communication, Inc.'s Response to the Finding*

Interdistrict School for Arts and Communication, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Interdistrict School for Arts and Communication, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### *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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hartford, Connecticut  
December 1, 2015

Independent Auditor's Report on Compliance for Each  
Major State Program and Report on Internal Control over  
Compliance Required by the State Single Audit Act

To the Board of Directors  
Interdistrict School for Arts and Communication, Inc.

*Report on Compliance for Each Major State Program*

We have audited the Interdistrict School for Arts and Communication, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Interdistrict School for Arts and Communication, Inc.'s major state programs for the year ended June 30, 2015. Interdistrict School for Arts and Communication, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Interdistrict School for Arts and Communication, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Interdistrict School for Arts and Communication, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Interdistrict School for Arts and Communication, Inc.'s compliance.

### *Opinion on Each Major State Program*

In our opinion, Interdistrict School for Arts and Communication, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

### Report on Internal Control over Compliance

Management of Interdistrict School for Arts and Communication, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Interdistrict School for Arts and Communication, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Interdistrict School for Arts and Communication, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Hartford, Connecticut  
December 1, 2015

**Interdistrict School for Arts and Communication, Inc.**  
**Schedule of Expenditures of State Financial Assistance**  
**Year Ended June 30, 2015**

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State Grant Program Core – CT Number</u>	<u>Expenditures</u>
State Department of Education: Passed through City of New London: Charter Schools	11000-SDE64000-17041-84179	\$ 2,633,704
Charter School Facility, General Improvements, and Debt Repayment	12052-SDE64000-43003	412,497
High Quality Schools Start Up	12052-SDE64370-43538	5,760
State Department of Emergency Services and Private Protection: School Security Competitive Grant	12052-DPS32183-43526	<u>88,449</u>
Total State Financial Assistance		<u>\$ 3,140,410</u>

See Note to Schedule of Expenditures of State Financial Assistance.

## **Interdistrict School for Arts and Communication, Inc.**

### **Note to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2015**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Interdistrict School for Arts and Communication, Inc., under programs of the State of Connecticut for the fiscal year ended June 30, 2015. Various departments and agencies of the State of Connecticut have provided financial assistance to the Interdistrict School for Arts and Communication, Inc., through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education.

#### Summary of Significant Accounting Policies

The accounting policies of the Interdistrict School for Arts and Communication, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

#### Basis of Accounting

The expenditures reported on the schedule of expenditures of state financial assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

**Interdistrict School for Arts and Communication, Inc.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?       yes   x  no

State Financial Assistance

Internal control over major programs:

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

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

Any audit findings disclosed that are required  
 to be reported in accordance with Section 4-236-24  
 of the Regulations to the State Single Audit Act?       yes   x  no

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core - CT Number</u>	<u>Expenditures</u>
State Department of Education:		
Charter Schools	11000-SDE64000-17041-84179	\$ 2,633,704
Charter School Facility, General Improvements, and Debt Repayment	12052-SDE64000-43003	412,497
Dollar threshold used to distinguish between type A and type B programs:		<u>\$ 200,000</u>

**Interdistrict School for Arts and Communication, Inc.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

Section II - Financial Statement Findings

Finding 2012-001 - Preparation of Financial Statements

Criteria

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

Condition

The School does not prepare complete financial statements and notes to the financial statements in preparation of the audit in accordance with accounting principles generally accepted in the United States of America.

Cause

The School has insufficient expertise in selecting and applying accounting policies that are in conformity with accounting principles generally accepted in the United States of America. Due to the continuing issuance of new accounting principles and auditing standards, this deficiency is not uncommon in small organizations.

Effect

There is no effect.

Recommendation

The School should evaluate available options in order to access the expertise necessary to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Views of Responsible Officials and Planned Corrective Actions

The School agrees with the finding but lacks the financial resources to fully address the finding at this time.

Section III - State Financial Assistance Findings and Questioned Costs

There were no findings or questioned costs reported relating to State Financial Assistance programs.

**Interdistrict School for Arts and Communication, Inc.**

**Summary Schedule of Prior Year Findings  
Year Ended June 30, 2015**

Finding 2012-001 - Preparation of Financial Statements

Condition

The School does not prepare complete financial statements and notes to the financial statements in preparation of the audit in accordance with accounting principles generally accepted in the United States of America.

Current Status

The finding has not been adequately addressed and is repeated in the schedule of findings and questioned costs.