

INTERNATIONAL COMMUNITY SCHOOL, INC.

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

INTERNATIONAL COMMUNITY SCHOOL, INC.

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Members of the Board
of International Community School, Inc.
Decatur, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of **International Community School, Inc.** (the "School") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of International Community School, Inc., as of June 30, 2020, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison schedule for the General Fund, Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System of Georgia, and the Schedule of Contributions – Teachers Retirement System of Georgia, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 4, 2020

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

The discussion and analysis of International Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- Total net position increased \$865,997 from restated net position of fiscal year 2019. This increase was set aside for future capital reserves.
- Program specific revenues in the form of grants and contributions accounted for \$5,947,598 or 98.91% of total revenues.
- The School had \$5,194,030 in expenses related to governmental activities; these expenses were fully offset by operating grants and contributions.
- The General Fund had \$6,060,027 in revenues, \$4,947,759 in expenditures, and \$723,828 in other financing sources. The General Fund's fund balance increased from the restated amount of \$3,439,304 to \$5,275,400.
- During the fiscal year, the School applied for and received a loan from the Small Business Association as part of the Paycheck Protection Program. The amount of these funds was \$738,828 and is reflected under the other financing sources. It is expected that the entire loan amount and any interest owed will be forgiven in the 2020-2021 fiscal year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand International Community School as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School; present both an aggregate view of the School's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. International Community School only operates a single fund, the General Fund.

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

Reporting the School as a Whole

Statement of Net Position and Statement of Activities

The view of the School as a whole looks at all financial transactions and asks the question: “How did we do financially during fiscal year 2020?” The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets, deferred outflows and inflows of resources, and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School’s *net position* and changes in those assets. This change in net position is important because it tells the reader whether, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the School’s Full Time Equivalent (FTE) revenue per student, number of students, facility conditions, required educational program and other factors.

In the Statement of Net Position and the Statement of Activities, the School has one distinct type of activity:

- Governmental Activities - All of the School’s programs and services are reported here including instruction and support services.

Reporting the School’s General Fund

Fund Financial Statements

Fund financial reports provide detailed information about the School’s major fund. The School uses one governmental fund, the General Fund, to account for a multitude of financial transactions.

Governmental Funds: All of the School’s activities are reported in governmental funds, which focus on how money flows into and out of the General Fund and the balances left at fiscal year-end available for spending in future periods. The General Fund is reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

The School as a Whole

The perspective of the Statement of Net Position is of the School as a whole. Table 1 provides a summary of the School's net position as of June 30:

STATEMENT OF NET POSITION

	Governmental Activities	
	2020	2019 (restated)
Assets		
Current and other assets	\$ 5,373,084	\$ 3,539,095
Capital assets	523,296	510,724
Total assets	5,896,380	4,049,819
Deferred outflow of resources		
Pension related items	1,428,638	991,720
Total assets and deferred outflow of resources	7,325,018	5,041,539
Liabilities		
Current liabilities	98,893	159,383
Non-current liabilities outstanding	5,356,855	3,766,121
Total liabilities	5,455,748	3,925,504
Deferred inflow of resources		
Pension related items	256,184	368,946
Net position		
Investment in capital assets	523,296	510,724
Restricted for program purposes	76,207	14,775
Unrestricted	1,013,583	221,590
Total net position	\$ 1,613,086	\$ 747,089
Total net position, deferred inflows of resources, and liabilities	\$ 7,325,018	\$ 5,041,539

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

Table 2 shows the change in net position for the fiscal year ended June 30:

CHANGES IN NET POSITION

	Governmental Activities	
	2020	2019 (restated)
Revenues		
Program revenues:		
Charges for services	\$ 23,368	\$ 57,917
Operating grants and contributions	5,947,598	6,588,909
General revenues:		
Contributions	54,267	33,329
Unrestricted investment earnings	26,872	-
Miscellaneous	7,922	33,116
Total revenues	6,060,027	6,713,271
Expenses		
Instruction	3,394,585	2,806,161
Support services:		
Pupil services	81,277	77,210
Improvement of instructional services	55,784	20,473
Educational media services	-	68,344
General administration	46,830	-
School administration	916,713	689,864
Support services - business	-	428,996
Maintenance and operation of plant	396,303	449,827
Student transportation services	93,885	119,309
School nutrition services	207,444	209,813
Interest	1,209	-
Total expenses	5,194,030	4,869,997
Increase in net position	865,997	1,843,274
Net position - beginning	747,089	(1,096,185)
Net position - ending	\$ 1,613,086	\$ 747,089

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

Governmental Activities

Instruction comprises 65% of governmental program expenses.

The Statement of Activities shows the cost of the program services and the grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services, that is, it identifies the cost of these services supported by investment earnings and miscellaneous revenues.

GOVERNMENTAL ACTIVITIES

	2020	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 3,394,585	\$ 627,211
Support services:		
Pupil services	81,277	7,528
Improvement of instructional services	55,784	5,167
General administration	46,830	4,338
School administration	916,713	52,305
Maintenance and operation of plant	396,303	36,707
Student transportation services	93,885	2,307
School nutrition services	207,444	42,582
Interest	1,209	(1,209)
Total	<u>\$ 5,194,030</u>	<u>\$ 776,936</u>
2019 (RESTATED)		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 2,806,161	\$ 1,151,233
Support services:		
Pupil services	77,210	65,809
Improvement of instructional services	20,473	4,438
Educational media services	68,344	2,892
School administration	689,864	209,675
Support services - business	428,996	156,635
Maintenance and operation of plant	449,827	125,201
Student transportation services	119,309	44,275
School nutrition services	209,813	16,591
Total	<u>\$ 4,869,997</u>	<u>\$ 1,776,749</u>

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

The School's Funds

The School's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$6,060,027 and expenditures of \$4,947,759. The General Fund's fund balance increased by \$1,836,096 in part due to the issuance of a note payable as well as higher than expected state source revenue collections.

General Fund Budgeting Highlights

The School's budget is for the General Fund. During the course of the fiscal year 2020, the only amendment to the budget was to increase the instruction budget by \$89,441. The budgeting systems are designed to tightly control cost yet provide flexibility.

Actual revenues of \$6,060,027 came in more than the budgeted amount by \$970,583 due to higher than expected state source revenue collections. The actual expenditures of \$4,947,759 were less than the budgeted amount by \$238,831 due to savings in student transportation and capital outlay departments. Revenues exceeded expenditures by \$1,112,268.

Capital Assets

At the end of fiscal year 2020, the School had invested in capital assets, all in governmental activities. Table 4 shows capital assets (net of depreciation) held at June 30:

CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 254,015	\$ 177,013
Equipment, furniture, and fixtures	<u>269,281</u>	<u>333,711</u>
Total	<u>\$ 523,296</u>	<u>\$ 510,724</u>

Long-term Debt

During the fiscal year, the School applied for and received a loan from the Small Business Association as part of the Paycheck Protection Program to mitigate the financial effects of COVID-19. The amount of the proceeds was \$738,828 and is accounted for under the other financing sources. At the end of fiscal year 2020, total debt outstanding was \$738,828. It is expected that the entire loan amount and any interest owed will be forgiven in the 2020-2021 fiscal year.

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

Current Issues

The COVID-19 virus has resulted in virtual instruction rather than in-person classroom instruction for an unspecified period of time. There have been some related costs and savings.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Treasurer at International Community School, 2418 Wood Trail Lane, Decatur, GA, 30033.

INTERNATIONAL COMMUNITY SCHOOL, INC.

STATEMENT OF NET POSITION JUNE 30, 2020

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 4,489,613
Due from other governments	871,917
Accounts receivable	1,859
Prepaid items	9,695
Capital assets:	
Depreciable, net of accumulated depreciation	523,296
Total assets	<u>5,896,380</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	1,428,638
Total deferred outflows of resources	<u>1,428,638</u>
 LIABILITIES	
Accounts payable	86,431
Accrued liabilities	12,462
Compensated absences, due within one year	26,301
Compensated absences, due in more than one year	78,902
Note payable, due within one year	318,678
Note payable, due in more than one year	405,150
Net pension liability	4,527,824
Total liabilities	<u>5,455,748</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension related items	256,184
Total deferred Inflows of resources	<u>256,184</u>
 NET POSITION	
Investment in capital assets	523,296
Restricted for program purposes	76,207
Unrestricted	1,013,583
Total net position	<u>\$ 1,613,086</u>

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL COMMUNITY SCHOOL, INC.

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Governmental activities	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
Instruction	\$ 3,394,585	\$ -	\$ 4,021,796	\$ 627,211
Support services:				
Pupil Services	81,277	-	88,805	7,528
Improvement of instructional services	55,784	-	60,951	5,167
General administration	46,830	-	51,168	4,338
School administration	916,713	-	969,018	52,305
Maintenance and operation of plant	396,303	-	433,010	36,707
Student transportation services	93,885	-	96,192	2,307
School nutrition services	207,444	23,368	226,658	42,582
Interest	1,209	-	-	(1,209)
Total governmental activities	<u>\$ 5,194,030</u>	<u>\$ 23,368</u>	<u>\$ 5,947,598</u>	<u>\$ 776,936</u>
General revenues:				
Contributions - general				54,267
Unrestricted investment earnings				26,872
Miscellaneous				7,922
Total general revenues				<u>89,061</u>
Change in net position				865,997
Net position, beginning of fiscal year, restated				<u>747,089</u>
Net position, end of fiscal year				<u>\$ 1,613,086</u>

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL COMMUNITY SCHOOL, INC.

BALANCE SHEET GOVERNMENTAL FUND June 30, 2020

ASSETS		General
Cash and cash equivalents	\$	4,489,613
Due from other governments		871,917
Accounts receivable		1,859
Prepaid items		9,695
Total assets	\$	5,373,084
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$	86,431
Accrued liabilities		11,253
Total liabilities		97,684
FUND BALANCES		
Nonspendable - prepaid items		9,695
Restricted for program purposes		76,207
Assigned - capital reserves		2,873,000
Unassigned		2,316,498
Total fund balances		5,275,400
Total liabilities and fund balances	\$	5,373,084

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL COMMUNITY SCHOOL, INC.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2020

Total fund balance - governmental fund	\$	5,275,400
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. These assets consist of:

Historical cost of capital assets	1,343,600	
Less accumulated depreciation	<u>(820,304)</u>	523,296
Total capital assets		

Long-term liabilities and certain deferred outflows and inflows of resources are not due and payable in the current period and therefore are not reported as liabilities in the governmental fund for the following:

Loan payable	(723,828)	
Accrued interest payable	(1,209)	
Net pension liability	(4,527,824)	
Deferred outflows of resources related to pensions	1,428,638	
Deferred inflows of resources related to pensions	(256,184)	
Compensated absences	<u>(105,203)</u>	(4,185,610)

Net position of governmental activities	<u>\$</u>	<u>1,613,086</u>
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The accompanying notes are an integral part of these financial statements.

INTERNATIONAL COMMUNITY SCHOOL, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General</u>
Revenues	
State sources	\$ 5,483,496
Federal sources	309,209
Contributions	209,160
Charges for services	23,368
Miscellaneous	7,922
Investment earnings	26,872
Total revenues	<u>6,060,027</u>
Expenditures	
Current:	
Instruction	3,011,040
Support services:	
Pupil services	81,277
Improvement of instructional services	55,784
General administration	46,830
School administration	886,872
Maintenance and operation of plant	396,303
Student transportation	93,885
School nutrition	207,444
Capital outlay	168,324
Total expenditures	<u>4,947,759</u>
Excess of revenues over expenditures	1,112,268
Other Financing Sources	
Issuance of note payable	<u>723,828</u>
Net change in fund balance	1,836,096
Fund balance, beginning of fiscal year, restated	<u>3,439,304</u>
Fund balance, end of fiscal year	<u><u>\$ 5,275,400</u></u>

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL COMMUNITY SCHOOL, INC.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Net change in fund balance - total governmental fund		\$ 1,836,096
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:		
Capital outlays	168,324	
Less current fiscal year depreciation	<u>(155,752)</u>	12,572
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.		
		<u>(723,828)</u>
In the governmental funds, current year expenditures related to pensions are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to pensions include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.		
		<u>(250,309)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest	(1,209)	
Compensated absences	<u>(7,325)</u>	<u>(8,534)</u>
Net change in net position - governmental activities		<u>\$ 865,997</u>

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: DESCRIPTION OF SCHOOL AND REPORTING ENTITY

REPORTING ENTITY

International Community School, Inc. (the "School") is a not-for-profit organization organized under the laws of the State of Georgia. The School is approved to provide educational services to students from kindergarten through fifth grade. The mission of the School is to educate refugees, immigrants, and local children, and provide a rigorous and holistic education in an intentionally diverse community of mutual learners. The School is located in Decatur, Georgia providing education for more than 400 students annually representing more than thirty nationalities and speaking twenty-five languages.

The governing body of the School is comprised of a ten member Board of Directors. The School operates under a charter with the DeKalb County Board of Education ("Local Board") and the State Board of Education ("State Board"), which is effective for a five-year term that began on July 1, 2019 and expired June 30, 2024.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School does not consider any of its activities to be business-type activities.

Government-wide Statements:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School related to the administration and support of the School's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes (if any), and unrestricted amounts. The net investment in capital assets is calculated by taking the capital assets, net of accumulated depreciation, less any related long-term financing arrangements, and adding back any unspent bond or contract proceeds.

Fund Financial Statements:

The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports only one major governmental fund:

- **The General Fund** is the School's primary operating fund. It accounts for all financial resources of the School.

BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The basis of accounting determines when transactions are reported on the financial statements. The government-wide governmental financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenues are recognized in the fiscal year in which they are earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if they are collected within ninety (90) days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized as expenditures to the extent they have matured, and other long-term obligations which are recognized when due and payable. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under financed purchases are reported as other financing sources.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING/MEASUREMENT FOCUS (CONTINUED)

The State of Georgia reimburses the School for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (August 1 – May 31) and paid over a twelve-month period; for the School, this period is September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School over the same twelve-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

The School funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the School's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the School's investment in the Georgia Fund 1 is reported at fair value. The School considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES

Receivables, which include amounts due from other governments, consist of amounts due from the various entities disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

PREPAID ITEMS

Payments made to vendors for services which will benefit periods subsequent to June 30, 2020 are recorded as prepaid items. The prepaid items are recognized on the consumption method.

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase. On the government-wide financial statements, all purchased capital assets are valued at cost. The School capitalizes assets in excess of \$2,500 with a useful life of greater than one year. Donated capital assets are recorded at estimated acquisition value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Leasehold Improvements	5-7 years
Furniture and Fixtures	5-7 years
Equipment and Software	3-5 years

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources.

The School has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the School's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against expense over a five year period. Additionally, any contributions made by the School to the pension plan before fiscal year-end but subsequent to the measurement date of the School's net pension liability are reported as deferred outflows of resources.

COMPENSATED ABSENCES

It is the School's policy to permit employees to earn paid time off benefits. Employees can earn PTO at the rate of eight hours per month, provided the employee is in pay status for eighty or more hours during the month. Unused paid time off is rolled over into the subsequent fiscal year, not to exceed a total of 240 hours. Employees can accumulate up to a maximum of 240 hours at any given time during the fiscal year.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance - The School recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the School and is fiscally advantageous for the School. The policy adopted establishes guidance concerning the desired level of fiscal year end fund balance to be maintained by the School and the management of fund balance levels and is applicable only to the General Fund of the School.

Fund balance is a measurement of available financial resources defined as the difference between total assets/deferred outflows and total liabilities/deferred inflows in each fund.

The Governmental Accounting Standards Board (GASB) Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

Non spendable – Fund balance reported as “non spendable” represents fund balance associated with inventory, prepaid items, long-term amounts of loans and notes receivable, property held for resale (however, if the use of the proceeds from the collection of receivables or sale of the property is restricted, committed, or assigned, then the receivables or property should be reported in those categories), and corpus of a permanent fund (legally/contractually required to be maintained).

Restricted – Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources (such as bond resolutions and covenants and grant agreements).

Committed – Fund balance reported as “committed” includes amounts that can be used only for the specific purposes determined by a formal action of the Board. The Board as the highest level of decision making authority will have the sole authority to commit fund balance. Constraints can be removed or changed only by the Board through a formal resolution voted on by the Board. Actions to constrain resources should occur prior to the end of the School’s fiscal year, though the exact amount may be determined subsequently.

Assigned – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as committed or restricted fund balance. The intent is expressed by the Board. If these funds should have a deficit fund balance, those deficits are required to be reported as unassigned fund balance. The Board will have the authority under this policy to assign funds for a particular purpose.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY (CONTINUED)

Unassigned – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

If expenditures incurred exceed the amounts that have been restricted, committed, and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that governmental fund are reduced to eliminate the deficit.

The School applies restricted resources first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted equity is available. If restricted resources are not available, the School’s policy is to use committed first, then assigned funds, and lastly the unassigned.

USE OF ESTIMATES

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

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The School adopts an annual budget for its General Fund used to allocate state and federal funds as outlined in the Georgia Department of Education defined allotment for the fiscal year. The budget was prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. After the School has tentatively adopted the budget, amendments or revisions are presented to the Board as needed.

The General Fund had excess of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2020.

General Fund

Support services:

Pupil services	\$ 11,277
General administration	21,830
School administration	57,304
School nutrition services	3,150

These expenditures in excess of appropriations were funded by less than anticipated expenditures in other School functions.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Custodial credit risk. State statutes require all deposits and investments (other than federal or state government instruments) to be covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2020, the financial institution holding all of the School's non-Georgia Fund 1 program deposits is a participant of the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. The School is not a covered depositor, however, and cash balances were in excess of the FDIC (Federal Deposit Insurance Corporation) insured level by approximately \$575,000.

The Georgia Fund 1 is an investment pool that does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the School does not disclose its investment in the Georgia Fund 1 within the fair value hierarchy. As of June 30, 2020, the School had deposits in the Georgia Fund 1 investment pool totaling \$3,668,179.

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INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, being depreciated:				
Leasehold improvements	\$ 370,915	\$ 122,252	\$ -	\$ 493,167
Equipment, furniture, and fixtures	804,361	46,072	-	850,433
Total capital assets, being depreciated	<u>1,175,276</u>	<u>168,324</u>	<u>-</u>	<u>1,343,600</u>
Less accumulated depreciation for:				
Leasehold improvements	(193,902)	(45,250)	-	(239,152)
Equipment, furniture, and fixtures	(470,650)	(110,502)	-	(581,152)
Total accumulated depreciation	<u>(664,552)</u>	<u>(155,752)</u>	<u>-</u>	<u>(820,304)</u>
Governmental activities capital assets, net	<u>\$ 510,724</u>	<u>\$ 12,572</u>	<u>\$ -</u>	<u>\$ 523,296</u>

Current fiscal year depreciation expense by function is as follows:

Instruction	\$ 138,426
School Administration	17,326
Total	<u>\$ 155,752</u>

NOTE 6: LONG TERM DEBT

Long-term liability activity for the fiscal year ended June 30, 2020 was as follows:

	<u>Beginning Balance (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Note payable from direct borrowing	\$ -	\$ 723,828	\$ -	\$ 723,828	\$ 318,678
Net pension liability	3,727,835	1,342,966	(542,977)	4,527,824	-
Compensated absences	<u>97,878</u>	<u>28,983</u>	<u>(21,658)</u>	<u>105,203</u>	<u>26,301</u>
Governmental activities Long-term liabilities	<u>\$ 3,825,713</u>	<u>\$ 2,095,777</u>	<u>\$ (564,635)</u>	<u>\$ 5,356,855</u>	<u>\$ 344,979</u>

(1) The beginning compensated absences balance was restated by \$38,286. See footnote 11 for further discussion.

The net pension liability, note payable, and compensated absences are liquidated by the General Fund.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6: LONG TERM DEBT (CONTINUED)

Note Payable – Direct Borrowing

In May 2020, the School entered into a loan payable agreement of \$723,828 with the Small Business Administration (SBA) through the Paycheck Protection Program provision created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note bears interest at one percent and matures in April 2022. Per the terms of the note payable, the first six months of principal and interest payments are deferred, with interest accruing, then converting to monthly principal and interest payments, amortized over eighteen months, with all remaining unpaid principal and accrued interest due and payable twenty four months from the date of the note. At June 30, 2020, the outstanding balance was \$723,828. The School expects to meet any provisions for loan forgiveness within the next fiscal year.

The debt service requirements to maturity are as follows:

Fiscal year ending June 30:

	Principal	Interest	Total
2021	\$ 318,678	\$ 6,930	\$ 325,608
2022	405,150	1,859	407,009
	<u>\$ 723,828</u>	<u>\$ 8,789</u>	<u>\$ 732,617</u>

NOTE 7: RETIREMENT PLANS

GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan description: All teachers of the School as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

Benefits provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7: RETIREMENT PLANS (CONTINUED)

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2020. The School's contractually required contribution rate for the fiscal year ended June 30, 2020 was 21.14% of annual payroll. School contributions to TRS were \$527,771 for the fiscal year ended June 30, 2020.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2020, the School reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The School's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2019. At June 30, 2019, the School's proportion was 0.021057%, which was an increase of .000974% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School recognized pension expense of \$778,075. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 107,821
Changes of assumptions	434,504	-
Differences between expected and actual experience	255,211	1,342
Changes in proportion and differences between School contributions and proportionate share of contributions	211,152	147,021
School contributions subsequent to the measurement date	<u>527,771</u>	<u>-</u>
Total	<u>\$ 1,428,638</u>	<u>\$ 256,184</u>

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7: RETIREMENT PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

School contributions subsequent to the measurement date of \$527,771 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30:	
2021	\$ 278,713
2022	22,062
2023	161,818
2024	182,090
Total	<u>\$ 644,683</u>

Actuarial assumptions: The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00 – 8.75%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Postretirement benefit increase	1.50%, semi-annually

Postretirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the long-term assumed rate of return on assets (discount rate), which was changed from 7.50% to 7.25%, and the assumed annual rate of inflation, which was changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7: RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued): The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.10)%
Domestic large equities	51.00	8.90
Domestic small equities	1.50	13.20
International developed market equities	12.40	8.90
International emerging market equities	5.10	10.90
Total	100.00%	

* Rates shown are net of inflation

Discount rate. The discount rate used to measure the total pension liability was 7.25%, which was a decrease from the discount rate of 7.5% utilized in the previous valuation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate.

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
School's proportionate share of the net pension liability	\$ 7,349,984	\$ 4,527,824	\$ 2,207,006

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7: RETIREMENT PLANS (CONTINUED)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report, which is publicly available at www.trsga.com/publications.

NOTE 8: RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and acts of God.

The School has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees and acts of God. The School has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School's insurance coverage in the past three fiscal years.

NOTE 9: LEASE COMMITMENTS

In January 2012, the School entered into a lease agreement with DeKalb County School System. The lease agreement is for the rental of the former Medlock Elementary School property in DeKalb County, Georgia (the Property) as a public charter school. The initial lease term began July 1, 2012 and ends June 30, 2022. The lease has two (2) successive five (5) extension options, after the initial term. The Property includes all improvements and fixtures, including land, parking lots, playgrounds, athletic fields and the like. In lieu of monetary rent, the School shall pay all expenses relating to the operation and maintenance of the Property. The County or the School may terminate the lease at any time, given at least eighteen months' notice to the other party.

The School leases certain office equipment under non-cancelable operating lease agreements. For the fiscal year ended June 30, 2020 rent paid under these leases was \$15,540. Minimum future rental payments due under these agreements are as follows:

Fiscal year ending June 30:	
2021	\$ 15,540
2022	15,540
Total	<u>\$ 31,080</u>

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10: COMMITMENTS AND CONTINGENCIES

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although the return of funds is a possibility, management of the School deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal funds, the Federal government. Such agencies have the authority to determine liabilities or limit or suspend participation in the various sponsored programs.

The School has elected the reimbursable method of financing unemployment claims in which the School reimburses the Georgia Department of Labor for benefits paid to its former employees. No accrual has been recorded for the fiscal year ended June 30, 2020.

The School has entered into a contract for bus services for the 2020-2021 school year with DeKalb County School District.

NOTE 11: RESTATEMENTS

During the fiscal year ended June 30, 2020, the School determined that a restatement to beginning fund balance of the General Fund was required in order to remove the effect of recording accrued paid time off (i.e. compensated absences), which is a long-term liability. Interpretation of Governmental Accounting Standards Board (GASB) 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, stipulates that a government's unmatured long-term indebtedness should be reported as general long-term liabilities, rather than governmental fund liabilities. This includes compensated absences that are not due for payment in the current period. Additionally, the compensated absences balance was determined to be understated and a restatement of governmental activities resulted.

In addition, the School determined that a restatement to beginning fund balance of the General Fund and beginning net position of Governmental Activities was required in order to report accrued State QBE funding, which was earned and available as of June 30, 2019. The School also included a restatement to the opening balance of compensated absences to accurately report the liability, which was understated.

The effects of the restatements resulted in a change to beginning fund balance of the General Fund and beginning net position of Governmental Activities and are shown on the following page:

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11: RESTATEMENTS (CONTINUED)

Fund balance, General Fund, as previously reported	\$ 2,463,563
Removal of compensated absences reported at June 30, 2019	59,592
Restatement for under accrual of State QBE funding	<u>916,149</u>
Beginning fund balance, General Fund, restated	<u><u>\$ 3,439,304</u></u>
Net position, Governmental Activities, as previously reported	\$ (130,774)
Restatement for under accrual of State QBE funding	916,149
Restatement to correct understatement of compensated absences	<u>(38,286)</u>
Net position, Governmental Activities, restated	<u><u>\$ 747,089</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

INTERNATIONAL COMMUNITY SCHOOL, INC.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
State sources	\$ 4,713,624	\$ 4,713,624	\$ 5,483,496	\$ 769,872
Federal sources	269,820	269,820	309,209	39,389
Contributions	82,000	82,000	209,160	127,160
Charges for services	12,000	12,000	23,368	11,368
Miscellaneous	12,000	12,000	7,922	(4,078)
Investment earnings	-	-	26,872	26,872
Total revenues	<u>5,089,444</u>	<u>5,089,444</u>	<u>6,060,027</u>	<u>970,583</u>
Expenditures:				
Current:				
Instruction	\$ 2,984,687	\$ 3,074,128	\$ 3,011,040	\$ 63,088
Support services:				
Pupil services	70,000	70,000	81,277	(11,277)
Improvement of instructional services	70,100	70,100	55,784	14,316
General administration	25,000	25,000	46,830	(21,830)
School administration	829,568	829,568	886,872	(57,304)
Maintenance and operations	410,000	410,000	396,303	13,697
Student transportation	250,000	250,000	93,885	156,115
School nutrition	204,294	204,294	207,444	(3,150)
Capital outlay	253,500	253,500	168,324	85,176
Total expenditures	<u>5,097,149</u>	<u>5,186,590</u>	<u>4,947,759</u>	<u>238,831</u>
Excess (deficiency) of revenues over (under) expenditures	(7,705)	(97,146)	1,112,268	1,209,414
Other Financing Sources				
Issuance of note payable	-	-	723,828	723,828
Net change in fund balances	(7,705)	(97,146)	1,836,096	1,933,242
Fund balance, beginning of year, restated	<u>3,439,304</u>	<u>3,439,304</u>	<u>3,439,304</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,431,599</u>	<u>\$ 3,342,158</u>	<u>\$ 5,275,400</u>	<u>\$ 1,933,242</u>

INTERNATIONAL COMMUNITY SCHOOL, INC.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM OF GEORGIA FOR THE FISCAL YEAR ENDED JUNE 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's proportion of the net pension liability	2.105700%	2.008300%	2.038500%	2.199500%
School's proportionate share of the net pension liability	\$ 4,527,824	\$ 3,727,835	\$ 3,788,615	\$ 4,537,814
Total	<u>\$ 4,527,824</u>	<u>\$ 3,727,835</u>	<u>\$ 3,788,615</u>	<u>\$ 4,537,814</u>
School's covered payroll	\$ 2,569,770	\$ 2,391,672	\$ 2,341,065	\$ 2,412,607
School's proportionate share of the net pension liability as a percentage of its covered payroll	176.20%	155.87%	161.83%	188.09%
Plan fiduciary net position as a percentage of the total pension liability	78.56%	80.27%	79.33%	76.06%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

INTERNATIONAL COMMUNITY SCHOOL, INC.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	2020	2019	2018	2017
Contractually required contributions	\$ 527,771	\$ 537,082	\$ 402,040	\$ 334,070
Contributions in relation to the contractually required contributions	527,771	537,082	402,040	334,070
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Schools' covered payroll	\$ 2,496,552	\$ 2,569,770	\$ 2,391,672	\$ 2,341,065
Contributions as a percentage of covered payroll	21.14%	20.90%	16.81%	14.27%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

INTERNATIONAL COMMUNITY SCHOOL, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Teachers' Retirement System of Georgia

Changes of assumptions : In 2010 and later, the expectation of retired life mortality was changed to the RP 2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Effective with the June 30, 2018 valuation, the long-term assumed rate of return on assets (discount rate) was changed from 7.50% to 7.25%, and the assumed annual rate of inflation was changed from 2.75% to 2.50%.

COMPLIANCE SECTION

**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 Members of the Board
of the International Community School, Inc.
Decatur, Georgia**

We have audited, 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, the financial statements of the governmental activities and the major fund of the International Community School, Inc. (the "School") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-002.

International Community School, Inc.'s Responses to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 4, 2020

INTERNATIONAL COMMUNITY SCHOOL, INC.

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the
financial statements audited were prepared in
accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

 X yes no

Significant deficiencies identified?

 yes X none reported

Noncompliance material to financial statements noted?

 X yes no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2020 due to the total amount of federal awards expended being less than \$750,000.

INTERNATIONAL COMMUNITY SCHOOL, INC.

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings and Responses

2020-001 Restatements

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the School.

Condition: Internal controls were not sufficient to detect material misstatements in the School's financial statements for the fiscal year ended June 30, 2019.

Context/Cause: During our audit for the fiscal year ended June 30, 2020, an audit adjustment was required to restate opening fund balance of the General Fund. The School recorded compensated absences in the General Fund as an accrued liability. Interpretations of Governmental Accounting Standards Board (GASB) 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, stipulates that a government's unmatured long-term indebtedness should be reported as general long-term liabilities, rather than governmental fund liabilities. The compensated absences balance was determined to be understated and a restatement of governmental activities resulted.

In addition, during our testing, an audit adjustment was required to restate opening fund balance of the General Fund and opening net position of Governmental Activities. The School was not properly accruing revenues from the State QBE funding, which are remitted from DeKalb County Board of Education. These revenues are considered earned and available as of June 30, 2019 as well as June 30, 2020 for the current year collections. Lastly, during our testing of compensated absences, an audit adjustment was required to restate the opening net position of Governmental Activities to correct an underreported amount of the liability.

Effect: Restatements to beginning fund balance of the General Fund of \$59,592 and \$916,419 were required to remove the compensated absences accrual and under accrual of the State QBE funding, respectively. The restatements resulted in opening fund balance for the fiscal year ended June 30, 2020 being reported as \$3,439,304. In addition, an audit adjustment was posted to accrue the fiscal year 2020 State QBE receivable for \$818,908. This resulted in an additional, net accrual of \$97,241 in the General Fund and Governmental Activities.

The School's Governmental Activities was understated by \$916,149 as a result of the effect of the prior year State QBE receivable and overstated by \$38,286 as a result of the effect of the understatement of compensated absences. The restatement resulted in opening net position for the fiscal year ended June 30, 2020 being reported as \$747,089.

INTERNATIONAL COMMUNITY SCHOOL, INC.

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings and Responses

2020-001 Restatements (Continued)

Recommendation: We recommend the School carefully review the financial statement and the applicable reporting requirements under generally accepted accounting principles (GAAP) to ensure that financial information is properly reported.

Auditee's Response: The School agrees with the auditor's findings on the restatements. Regarding the accrued liability for compensated absences (paid time off): the School has historically booked this account as a short-term liability rather than a long-term liability as restated by the auditors. The School defers to the current auditor's interpretation of the Governmental Accounting Standard for this, while noting that the timing of actual payouts is not known in advance with at minimum an estimated portion of the liability being considered as short-term.

Regarding the accrual/timing of QBE revenue: the School defers to the current auditor's expertise and research on this matter, but notes that this complicates budgeting, financial reporting, and diverges from intuitive thinking.

Historically, the School booked the revenues as calculated, documented, and received from the DeKalb County School District in alignment with the School's fiscal year of July 1 - June 30.

INTERNATIONAL COMMUNITY SCHOOL, INC.

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings and Responses

2020-002 Cash Collateral

Criteria: Policies should be in place requiring all financial institutions holding cash deposits to be properly insured and, or collateralized at all times throughout the fiscal year. State statutes require deposits of public funds to be insured, be collateralized as part of the State of Georgia Secure Deposit Program, or individually collateralized at a rate of at least 110 percent of the deposit amount.

Condition: As of June 30, 2020, deposits of the School held at a financial institution totaling approximately \$575,000 were not fully collateralized or insured in accordance with the Official Code of Georgia Annotated (OCGA) Section 45-8-12.

Context/Cause: The School's deposits were not properly monitored by management of the School and therefore, were not adequately collateralized at the financial institution as of June 30, 2020. Balances cleared within ten days of the end of the month would result in no balance considered "at risk," however, funds drawn out of accounts were not sufficient within the required period.

Effect: The failure of a financial institution to fully collateralize or insure the School's deposits could result in financial loss to the School, should the financial institution fail. The School did not comply with State statutes by approximately \$575,000.

Recommendation: We recommend the School ensure that all deposits are properly categorized as public funds by the financial institution and that the deposits are adequately insured and, or collateralized throughout the fiscal year.

Auditee's Response: Regarding collateralization of cash deposits, the School agrees with the auditor's finding that the accounts need to be collateralized. Due to the receipt of a PPP Loan, and the uncertainty surrounding operations during the pandemic, the School briefly maintained unusually high balances in the demand deposit account that were above the FDIC insurance limit and our bank would not honor our request to collateralized the excess deposits. The School plans to open additional demand deposit accounts and utilize deposits to Georgia Fund 1 to prevent such issues in the future.