

Financial Statements with Reports of
Independent Certified Public
Accountants

June 30, 2020 and 2019

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of Financial Position as of June 30, 2020 and 2019	5
Statements of Activities for the years ended June 30, 2020 and 2019	6
Statement of Functional Expenses for the year ended June 30, 2020	7
Statement of Functional Expenses for the year ended June 30, 2019	8
Statements of Cash Flows for the years ended June 30, 2020 and 2019	9
Notes to Financial Statements	10
Report of Independent Certified Public Accountants on	

Icahn Charter School 1

	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Public School District:						
Resident student enrollment	\$ 5,314,439	\$ -	\$ 5,314,439	\$ 5,219,900	\$ -	\$ 5,219,900
Student with disabilities	2,462	-	2,462	31,450	-	31,450
Grants and contracts:						
State and local	26,411	-	26,411	24,692	-	24,692
Federal - Title and IDEA	239,303	-	239,303	250,318	-	250,318
Other grants	34,538	-	34,538	30,700	-	30,700
Net assets released from restrictions	489,516	(489,516)	-	489,516	(489,516)	-
Total revenues, gains and other support	6,106,669	(489,516)	5,617,153	6,046,576	(489,516)	5,557,060
Expenses						
Program services:						
Regular education	5,177,653	-	5,177,653	4,925,885	-	4,925,885
Special education	137,365	-	137,365	152,606	-	152,606
Total program services	5,315,019	-	5,315,019	5,078,491	-	5,078,491
Supporting services:						
Management and general	1,070,784	-	1,070,784	1,110,325	-	1,110,325
Total operating expenses	6,385,803	-	6,385,803	6,188,816	-	6,188,816
Deficit from school operations	(279,134)	(489,516)	(768,650)	(142,240)	(489,516)	(631,756)
Other revenue						
Other income	20,301	-	20,301	246,934	-	246,934
Change in net assets	(258,833)	(489,516)	(748,349)	104,694	(489,516)	(384,822)
Net assets, beginning of year	2,024,964	9,300,802	11,325,766	1,920,270	9,790,318	11,710,588
Net assets, end of year	\$ 1,766,131	\$ 8,811,286	\$ 10,577,417	\$ 2,024,964	\$ 9,300,802	\$ 11,325,766

	Regular Education	Special Education	Total	Management and General	2020 Total
Personnel service costs					
Administrative staff personnel	\$ 264,103	\$ -	264,103		

	Regular Education	Special Education	Total	Management and General	2019 Total
Personnel service costs					
Administrative staff personnel	\$ 248,526	\$ -	\$ 248,526	\$ 282,092	\$ 530,618
Instructional personnel	2,595,540	48,971	2,644,511	-	2,644,511
Non-instructional personnel	-	-	-	398,046	398,046
Total personnel service costs	2,844,066	48,971	2,893,037	680,138	3,622,146

Icahn Charter School 1

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash receipts from:		
Public school district	\$ 5,246,950	\$ 5,226,104
Grants and contracts	860,750	356,519
Other	20,300	246,934
Cash payments for:		
Vendors	(1,007,726)	(1,295,953)
Employee salaries and benefits	(4,423,606)	(4,012,808)
Net cash provided by operating activities	<u>696,668</u>	<u>520,796</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	<u>(124,150)</u>	<u>(382,508)</u>
Cash flows from financing activities:		
Capital lease payments	<u>(35,192)</u>	<u>(23,485)</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	537,326	114,803
Cash and cash equivalents and Restricted Cash, beginning of year	<u>1,451,249</u>	<u>1,336,446</u>
Cash and cash equivalents and Restricted Cash, end of year	<u>\$ 1,988,575</u>	<u>\$ 1,451,249</u>
Supplemental disclosures of cash flow information:		
Equipment acquired under capital leases	<u>\$ -</u>	<u>\$ 143,028</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (748,349)	\$ (384,822)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	735,289	719,357
Change in assets and liabilities:		
Grants and contracts receivable	14,433	9,872
Due from school district	(81,838)	99,655
Prepaid expenses	(15,626)	712
Contributions and other receivables	625,442	(90,168)
Other assets	17,445	(14,354)
Accounts payable and accrued expenses	6,794	(52,592)
Accrued payroll and benefits	211,748	225,753
Due to school districts	(1,179)	1,179
Deferred revenue	(67,491)	6,204
Net cash provided by operating activities	<u>\$ 696,668</u>	<u>\$ 520,796</u>

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

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A - NATURE OF OPERATIONS

The Icahn Charter School 1 (the "Charter School") is an educational corporation formed to operate a charter school located in the City of New York, County of the Bronx. On March 20, 2001, the Board of Regents of the University of the State of New York, for and on behalf of the State Education Department, granted a provisional charter valid for a term of five years, incorporating the Charter School. The charter was renewed in 2020 for a term up through and including July 31, 2026.

The central mission of the Charter School, using the Core Knowledge curriculum developed by E.D. Hirsch, is to provide students with a rigorous academic program offered in an extended day/year setting. Students are expected to graduate armed with the skills and knowledge to participate successfully in the most rigorous academic environments and have a sense of personal and community responsibility. The Charter School is coeducational and nonsectarian and commenced instruction on September 4, 2001.

The Charter School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code and is classified as an organization described in Section 501(c)(3).

In March of 2020 the World Health Organization officially declared COVID-19, a disease caused by the novel coronavirus, a pandemic. This caused many local and national governments, including New York State, to impose restrictions on business operations, travel and time spent outside the home. The outbreak has adversely impacted the level of economic activity around the world and disrupted normal business activity in every sector of the economy. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. External factors, including the duration and intensity of the pandemic, the shape of the economic recovery across the globe, as well as timing and widespread adoption of vaccines, will all have an impact on the School's operating results. Due to the many uncertainties associated with the pandemic, management is unable to determine the full magnitude it may have on the School's financial condition, liquidity and future results, or the implications on instruction and the student experience.

As a result of the pandemic, the School closed its facility beginning in mid-March 2020 and taught the remainder of the school year on-line. A robust remote learning plan was adapted and implemented for the Charter School students. In keeping with best practices and core principles, K-8 students will receive both synchronous and asynchronous instruction to support a learning experience that is purposeful, positive, and productive. In order to mitigate the impact of the virus, the School has incorporated enhanced social distancing, use of personal protective equipment, and a combination of remote and face-to-face instruction in the 2020-2021 school year. The Icahn Charter School students began instruction for the 2020-2021

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The Charter School reports gifts of cash or other assets within net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Contributions not expected to be received within one year are recognized as support with donor restrictions and are discounted using a credit adjusted discount rate assigned in the year the pledge originates. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Classification of Expenses

Expenses attributable to more than one program or supporting service are allocated based on relevant drivers such as the full-time student equivalent calculations utilized by the School.

Taxes

The Charter School follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Charter School is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Charter School has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The Charter School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, the Charter School has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Use of Estimates

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Restricted as to purpose:		
Middle School	<u>\$ 8,811,286</u>	<u>\$ 9,300,802</u>

During the years ended June 30, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the purpose, or by meeting the time restrictions as follows:

	<u>2020</u>	<u>2019</u>
Middle School	<u>\$ 489,516</u>	<u>\$ 489,516</u>

NOTE F - CONTRIBUTED SERVICES

The Charter School utilizes certain transportation and food services provided by the New York City public school system at no cost. The Charter School is unable to determine the fair value for these services, and as such, this is not reflected on the accompanying financial statements.

NOTE G - CONCENTRATION OF REVENUES

The Charter School receives a majority of its revenues from the New York State Education Department through the New York City Department of Education Office of Charter Schools. The New York City Department of Education provides general operating support to the Charter School based upon the location and the number of students enrolled. Operating support provided to the Charter School by the New York City Department of Education totaled approximately \$5,317,000 and \$5,251,000 for the years ended June 30, 2020 and 2019, respectively. The Charter School is dependent upon this level of funding in order to continue its operations.

NOTE H - OBLIGATION UNDER CAPITAL LEASES

Certain long-term leases covering equipment are classified as capital leases. Accordingly, equipment is capitalized as leased property and amortized on a straight-line basis over the term of the lease. The corresponding obligation under the capital leases represents the present value of the rental payments discounted by interest rates implicit in the lease agreements.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Annual payments due subsequent to June 30, 2020 follow:

Year ending June 30,	
2021	\$ 41,895
2022	39,947
2023	32,784
2024	<u>28,544</u>
Total	143,170
Less: interest	<u>(13,245)</u>
	<u>\$ 129,925</u>

NOTE I - PENSION PLAN

The Charter School has a defined contribution plan (the "Plan"), administered by T-Rowe Price, for all full-time personnel. Contributions by the Charter School to the Plan totaled approximately \$110,000 and \$77,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE J - COMMITMENTS AND CONTINGENCIES

Government Agency Audits

The Charter School participates in a number of federal and state programs. These programs require that the Charter School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government contracts by government agencies is presently not determinable, it should not, in the opinion of management, have v o i" P á T So ha

To the Board of Directors of:
Icahn Charter School 1

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 Icahn Charter School 1 (the "Charter School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2020.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of

