

Financial Statements with Reports of
Independent Certified Public
Accountants

Icahn Charter School 1

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Icahn Charter School 1

Opinion

We have audited the financial statements of Icahn Charter School 1 (the “Charter School”), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

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

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

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022, on our consideration of the Charter 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 Charter 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 Charter School's internal control over financial reporting and compliance.

Grant Thornton LLP

Iselin, New Jersey
November 1, 2022

Icahn Charter School 1

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,499,402	\$ 1,747,443
Restricted cash	75,000	75,000
Grants and contracts receivable	613,669	304,934
Due from school districts	83,155	57,184
Prepaid expenses	15,571	20,370
Contributions and other receivables	433,126	766,417
Other assets	36,212	-
Capital assets, net	8,830,251	9,490,524
	<u>8,830,251</u>	<u>9,490,524</u>
Total assets	<u>\$ 11,586,386</u>	<u>\$ 12,461,872</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 421,265	\$ 162,977
Accrued payroll and benefits	1,884,861	1,693,928
Due to school district	-	35,874
Deferred revenue	69,771	47,393
Obligations under capital leases	125,663	92,872
	<u>125,663</u>	<u>92,872</u>
Total liabilities	<u>2,501,560</u>	<u>2,033,044</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	1,252,572	2,107,058
With donor restrictions	7,832,254	8,321,770
	<u>7,832,254</u>	<u>8,321,770</u>
Total net assets	<u>9,084,826</u>	<u>10,428,828</u>
Total liabilities and net assets	<u>\$ 11,586,386</u>	<u>\$ 12,461,872</u>

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

Icahn Charter School 1

STATEMENTS OF ACTIVITIES

Years ended June 30, 2022 and 2021

	2022			2021		
	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	\$ 5,289,010	\$ -	\$ 5,289,010	\$ 5,230,030	\$ -	\$ 5,230,030
Contributed services - students with disabilities	-	-	-	9,602	-	9,602
Grants and contracts:						
State and local	24,800	-	24,800	25,465	-	25,465
Federal - Title and IDEA	238,474	-	238,474	226,775	-	226,775
Federal - Other	599,472	-	599,472	172,405	-	172,405
Other grants	30,701	-	30,701	41,391	-	41,391
Net assets released from restrictions	489,516	(489,516)	-	489,516	(489,516)	-
Total revenues, gains and other support	6,671,973	(489,516)	6,182,457	6,195,184	(489,516)	5,705,668
Expenses						
Program services:						
Regular education	6,160,966	-	6,160,966	4,692,545	-	4,692,545
Special education	217,157	-	217,157	187,844	-	187,844
Total program services	6,378,123	-	6,378,123	4,880,389	-	4,880,389
Supporting services:						
Management and general	1,150,991	-	1,150,991	975,670	-	975,670
Total operating expenses	7,529,114	-	7,529,114	5,856,059	-	5,856,059
(Deficit) surplus from school operations	(857,141)	(489,516)	(1,346,657)	339,125	(489,516)	(150,391)
Other revenue						
Other income	2,655	-	2,655	1,802	-	1,802
CHANGE IN NET ASSETS	(854,486)	(489,516)	(1,344,002)	340,927	(489,516)	(148,589)
Net assets, beginning of year	2,107,058	8,321,770	10,428,828	1,766,131	8,811,286	10,577,417
Net assets, end of year	\$ 1,252,572	\$ 7,832,254	\$ 9,084,826	\$ 2,107,058	\$ 8,321,770	\$ 10,428,828

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

Icahn Charter School 1

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Program services			Management and General	2022 Total
	Regular Education	Special Education	Total		
Personnel service costs					
Administrative staff personnel	\$ 285,468	\$ -	\$ 285,468	\$ 395,721	\$ 681,189
Instructional personnel	3,030,013	101,994	3,132,007	-	3,132,007
Non-instructional personnel	-	-	-	355,190	355,190
Total personnel service costs	3,315,481	101,994	3,417,475	750,911	4,168,386
Fringe benefits and payroll taxes	731,828	8,575	740,403	103,923	844,326
Retirement	26,018	5,100	31,118	25,530	56,648
Legal	3,404	-	3,404	582	3,986
Accounting/audit services	27,830	2,221	30,051	5,140	35,191
Other purchasing/professional consulting service	60,202	-	60,202	1,701	61,903
Building and land rent/lease	39,540	3,156	42,696	7,303	49,999
Repairs and maintenance	220,317	11,177	231,494	39,598	271,092
Insurance	80,824	-	80,824	13,825	94,649
Utilities	101,841	8,072	109,913	18,801	128,714
Supplies/material	213,546	11,491	225,037	-	225,037
Equipment/furnishing	195	-	195	1,841	2,036
Staff development	222,459	-	222,459	-	222,459
Marketing/recruitment	17,231	-	17,231	2,947	20,178
Technology	193,596	2,574	196,170	33,555	229,725
Telephone	15,623	1,247	16,870	2,886	19,756
Student service	228,578	11,725	240,303	-	240,303
Office expense	14,836	644	15,480	33,697	49,177
Depreciation	629,138	48,874	678,012	97,351	775,363
Other	18,479	307	18,786	11,400	30,186
Total expenses	\$ 6,160,966	\$ 217,157	\$ 6,378,123	\$ 1,150,991	\$ 7,529,114

The accompanying notes are an integral part of this financial statement.

Icahn Charter School 1

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program services			Management and General	2021 Total
	Regular Education	Special Education	Total		
Personnel service costs					
Administrative staff personnel	\$ 274,070	\$ -	\$ 274,070	\$ 300,107	\$ 574,177
Instructional personnel	2,367,575	88,447	2,456,022	-	2,456,022
Non-instructional personnel	-	-	-	322,547	322,547
Total personnel service costs	2,641,645	88,447	2,730,092	622,654	3,352,746
Fringe benefits and payroll taxes	585,979	7,445	593,424	88,986	682,410
Retirement	62,329	4,422	66,751	21,366	88,117
Legal	529	-	529	104	633
Accounting/audit services	26,299	2,363	28,662	5,646	34,308
Other purchasing/professional consulting service	19,514	9,602	29,116	1,680	30,796
Building and land rent/lease	38,329	3,444	41,773	8,228	50,001
Repairs and maintenance	179,315	5,290	184,605	36,362	220,967
Insurance	50,306	-	50,306	9,909	60,215
Utilities	63,055	5,497	68,552	13,503	82,055
Supplies/material	54,812	2,961	57,773	-	57,773
Equipment/furnishing	-	-	-	86	86
Staff development	149,274	-	149,274	-	149,274
Marketing/recruitment	12,602	-	12,602	2,482	15,084
Technology	161,615	2,802	164,417	32,385	196,802
Telephone	19,925	1,790	21,715	4,277	25,992
Student service	13,220	777	13,997	-	13,997
Office expense	17,652	1,434	19,086	14,535	33,621
Depreciation	587,611	51,152	638,763	104,211	742,974
Other	8,534	418	8,952	9,256	18,208
Total expenses	\$ 4,692,545	\$ 187,844	\$ 4,880,389	\$ 975,670	\$ 5,856,059

The accompanying notes are an integral part of this financial statement.

Icahn Charter School 1

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts from:		
Public school district	\$ 5,311,388	\$ 5,230,398
Grants and contracts	892,032	(228,439)
Other	2,657	1,802
Cash payments for:		
Vendors	(1,493,393)	(902,894)
Employee salaries and benefits	<u>(4,878,426)</u>	<u>(3,957,975)</u>
Net cash (used in) provided by operating activities	<u>(165,742)</u>	<u>142,892</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	<u>(43,632)</u>	<u>(271,971)</u>
Cash flows from financing activities:		
Capital lease payments	<u>(38,667)</u>	<u>(37,053)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(248,041)	(166,132)
Cash and cash equivalents and Restricted Cash, beginning of year	<u>1,822,443</u>	<u>1,988,575</u>
Cash and cash equivalents and Restricted Cash, end of year	<u><u>\$ 1,574,402</u></u>	<u><u>\$ 1,822,443</u></u>
Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ (1,344,002)	\$ (148,589)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	775,363	742,974
Change in assets and liabilities:		
Grants and contracts receivable	(308,735)	(124,022)
Due from school district	(25,971)	58,673
Prepaid expenses	4,799	44,789
Contributions and other receivables	333,291	(638,727)
Other assets	(36,212)	6,783
Accounts payable and accrued expenses	258,288	(528)
Accrued payroll and benefits	190,933	165,298
Due to school districts	(35,874)	35,874
Deferred revenue	<u>22,378</u>	<u>367</u>
Net cash (used in) provided by operating activities	<u><u>\$ (165,742)</u></u>	<u><u>\$ 142,892</u></u>
Supplemental disclosure of cash flow information:		
Assets acquired under capital leases	\$ 131,563	\$ -

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

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and 2021

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Charter School's policy is to prepare its financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") using the accrual basis of accounting. Consequently, certain revenue and related assets are recognized when pledged or earned and certain expenses are recognized when the obligation is incurred.

Net Asset Classification

The Charter School reports information regarding their financial position and changes in net assets according to the existence or absence of donor-imposed restrictions, as follows:

Net Assets without Donor Restriction

Represent net assets which are not restricted by donors. Net assets without donor restrictions are net assets of the Charter School that are fully available, at the discretion of the Board of Directors and management, for the Charter School to utilize in any of its programs or supporting services.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Net Assets with Donor Restriction

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. The Charter School's net assets with donor restrictions are all subject to donor-imposed restrictions that require the Charter School to use or expend the gifts as specified, based on purpose or passage of time.

Net assets with donor restrictions may also include amounts with donor stipulations that the corpus of the gifts be maintained in perpetuity, but allows for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes. The Charter School did not have any such amounts as of June 30, 2022 or 2021.

Revenue

Revenue is recorded on the accrual basis of accounting. The Charter School derives its revenue primarily from state and local capitation from the public school districts based on student enrollment, contributions and grants.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by explicit donor-imposed restrictions. Public school district revenues (state and local capitation) received from the New York City Department of Education Office of Charter Schools are recognized over the period earned. Revenue from grants and contracts is recognized as the related expenses are incurred, or services performed, in accordance with the terms of the respective grant or contract agreement. Amounts received in advance are reported as deferred revenue.

The Charter School records contributions of cash and other assets when an unconditional promise to give such assets is received from a donor. Contributions are recorded at the fair market value of the assets received and are classified as either with or without donor restrictions depending on whether the donor has imposed a restriction on the use of such assets.

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-restricted contributions whose restrictions are met in the same fiscal year are reported as revenues without donor restrictions.

The Charter School follows guidance requiring evaluation of whether a transfer of assets is: (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred; or (2) a contribution. If the transfer of assets is determined to be a contribution, the Charter School evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Charter School is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Receivables

Receivables contain some level of uncertainty surrounding timing and amount of collection. As such, the carrying value of the related receivables is reduced by an appropriate allowance for uncollectible accounts. The Charter School determines its allowance by considering a number of factors, including the length of time receivables are past due, the Charter School's previous loss history, the donor's current ability to pay

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

its obligation, and the condition of the general economy and the industry as a whole. Receivables outstanding longer than the payment terms are considered past due. As of June 30, 2022 and 2021, there was no allowance for uncollectible receivables. Grants and contracts receivables and contributions and other receivables as of June 30, 2022 and 2021 are expected to be collected within one year.

The Charter School writes off receivables when they are deemed to be uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents are recorded at fair value, and are comprised of highly liquid financial instruments with original maturities of three months or less at the time of purchase. Included in cash and cash equivalents at June 30, 2022 and 2021 is a reserve fund of \$85,000 and \$79,000, respectively, for the maintenance of the building. Furthermore, a reserve fund of \$75,000 to cover debts in the event of the Charter School’s dissolution is included as restricted cash within the statement of financial position.

Concentration of Credit Risk

Certain financial instruments potentially subject the Charter School to concentration of credit risk. These financial instruments consist primarily of cash and cash equivalents. The Charter School maintains its cash in various bank accounts, which may exceed federally insured limits at times. The Charter School has not experienced, nor does it anticipate, any losses with respect to these bank accounts.

Capital Assets

Furniture, fixtures, equipment, library, software, and textbooks are stated at cost net of depreciation, or fair value at date of contribution, if donated. The Charter School capitalizes all property and equipment with a cost of at least \$1,000 and an estimated useful life of more than one year. Depreciation of furniture, fixtures, equipment, library, software and textbooks is computed in the month in which the assets are acquired, utilizing the straight-line basis, over their estimated useful lives, as follows:

	<u>Useful lives</u>
Furniture and fixtures	3 years
Renovations and improvements	10-20 years
Building	30 years
Equipment	3-5 years
Library, software and textbooks	3 years

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.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized. The provisions of ASU 2020-07 are effective for annual reporting periods beginning after June 15, 2021, and retrospective application is required. The adoption of ASU 2020-07 as of and for the year ended June 30, 2022 did not have a material impact on the Charter School's financial statements.

NOTE C - CAPITAL ASSETS, NET

At June 30, 2022 and 2021, capital assets consisted of the following:

	2022	2021
Library, software and textbooks	\$ 287,067	\$ 287,067
Renovations and improvements	1,136,572	1,136,572
Building	14,685,478	14,685,478
Equipment	1,572,893	1,665,512
Furniture and fixtures	365,548	343,980
	18,047,559	18,118,609
Less: Accumulated depreciation	(9,217,308)	(8,628,085)
	<u>\$ 8,830,251</u>	<u>\$ 9,490,524</u>

Included in equipment as of June 30, 2022 and 2021 are assets acquired under capital leases at a cost of approximately \$131,000 and \$246,000 with accumulated depreciation of approximately \$7,000 and \$158,000, respectively.

Depreciation expense totaled approximately \$775,000 and \$743,000 for the years ended June 30, 2022 and 2021, respectively.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE D - RELATED PARTY TRANSACTIONS

Administrative Support

Legal services are provided by the Inwood Opportunity LLC (the "Company"), a foundation for which Carl C. Icahn serves as a trustee, at no cost to the Charter School. These amounts have not been reflected as in-kind contributions in the accompanying financial statements, as neither the Charter School nor the Company has a readily measurable or objective basis for determining such amounts.

Facilities

During 2001, the Foundation for a Greater Opportunity (the "Foundation") (an affiliated entity) entered into a 99 year ground lease for land located at 1525 Brook Avenue, Bronx, New York with the Children's Rescue Fund (the "Fund"). Subsequent to entering into the ground lease, the Foundation constructed a building on this land and has an operating lease with the Charter School for its use which commenced in September 2001. The original lease expired on September 1, 2011. The lease was renewed through August 31, 2026 and provides for rental payments of \$50,000 for each year of occupancy. Total rent expense for the years ended June 30, 2022 and 2021 was approximately \$50,000.

During 2006, the Foundation entered into another 99 year ground lease for land located at 1520 Brook Avenue, Bronx, New York with the Fund. Subsequent to entering into the ground lease, the Foundation subleased the land to the New York City School Construction Authority ("SCA") in connection with the construction of a charter public middle school. On October 24, 2006, the Foundation then entered into an agreement with the SCA to construct a charter public middle school on the subleased land. Upon completion of construction and issuance of the certificate of occupancy, title to the middle school building was transferred to the New York City Department of Education and leased back to the Foundation. Although the lease is between the Foundation and the SCA, the lease agreement designates the Charter School as the initial user of the premises. The lease has a 30-year term and the Foundation is obligated to pay rent of \$1 per year. In accordance with the lease agreement, the Foundation concurrently entered into a use agreement with the Charter School for the use of the leased land and building for a corresponding 30-year term.

The Foundation accounted for this arrangement as an agency transaction on behalf of the Charter School as the Charter School is the ultimate beneficiary of the imputed fair value of the 30 year lease agreement. During the year ended June 30, 2009, upon receiving the building to use, the Charter School has recorded the imputed fair value of the building of approximately \$14,700,000, within capital assets and recognized contributions revenue with donor restrictions which will be amortized over the 30-year term and released from the restrictions accordingly.

Other

Certain expenses are shared amongst the seven Icahn Charter Schools (affiliated entities) and amounts may also be received on behalf of another Icahn Charter School. Shared expenses primarily related to prorated salaries, based on student enrollment, for administrators at the Charter School who serve in a management capacity at other Icahn Charter Schools. At June 30, 2022 and 2021, accounts payable and accrued expenses included approximately \$35,000 and \$39,000, respectively, and other receivables included approximately \$433,000 and \$766,000, respectively, pertaining to these related party transactions.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 and 2021, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Restricted as to purpose:		
Middle School	<u>\$ 7,832,254</u>	<u>\$ 8,321,770</u>

During the years ended June 30, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the purpose, or by meeting the time restrictions as follows:

	<u>2022</u>	<u>2021</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 \$5,289,000 and \$5,240,000 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021

Annual payments due subsequent to June 30, 2022 follow:

<u>Years Ending June 30,</u>	
2023	\$ 29,433
2024	29,433
2025	29,433
2026	29,433
2027	<u>22,074</u>
Total	139,806
Less: interest	<u>14,143</u>
	<u>\$ 125,663</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 \$57,000 and \$88,000 for the years ended June 30, 2022 and 2021, 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 a material effect on the Charter School's financial position or change in net assets. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

Litigation

The Charter School may be involved in various legal actions from time to time arising in the normal course of business. In the opinion of management, there are no matters outstanding that would have a material adverse effect on the financial statements of the Charter School.

NOTE K - LIQUIDITY

The school regularly monitors liquidity to meet its operating expenses and other contractual commitments. Strong emphasis on budget and treasury management is undertaken in an effort to anticipate organizational needs during both the short-term and long-term. For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the school considers all expenditures related to its ongoing activities of teaching its public school students to be general operating expenditures.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The following financial assets could be readily made available within one year of the statement of financial position date to meet general operating expenditures as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,499,402	\$ 1,747,443
Grants and contracts receivable	613,669	304,934
Due from school districts	83,155	57,184
Contributions and other receivables	<u>433,126</u>	<u>766,417</u>
Total financial assets available within one year	<u>\$ 2,629,352</u>	<u>\$ 2,875,978</u>

The school maintained a net assets with donor restrictions balance of approximately \$7,832,000 and \$8,322,000 as of June 30, 2022 and 2021, respectively. The amounts that are restricted are not excluded from the above calculation of available assets to meet general operating expenses as the entire restricted amounts relate to the use of a building for stipulated purposes, and the satisfaction of such restriction is not dependent on the future outlay of financial assets.

NOTE L - SUBSEQUENT EVENTS

The Charter School evaluated its June 30, 2022 financial statements for subsequent events through November 1, 2022, the date the financial statements were available to be issued. The Charter School is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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 (*Government Auditing Standards*), the financial statements of Icahn Charter School 1 (the "Charter School"), which comprise the statement of financial position as of June 30, 2022, 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 1, 2022.

Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 Charter School's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on compliance and other matters

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

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Iselin, New Jersey
November 1, 2022