

Financial Statements and Reports of  
Independent Certified Public  
Accountants

**Icahn Charter School 1**

June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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, 2023, 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.



Iselin, New Jersey  
November 1, 2023

Icahn Charter School 1

STATEMENTS OF FINANCIAL POSITION

June 30,

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,906,297	\$ 1,499,402
Restricted cash	75,000	75,000
Grants and contracts receivable	372,188	613,669
Due from school districts	85,892	83,155
Prepaid expenses	13,180	15,571
Contributions and other receivables	194,922	433,126
Other assets	2,769	36,212
Right-of-use assets, operating leases, net	141,798	-
Capital assets, net	8,178,197	8,830,251
Total assets	<u>\$ 10,970,243</u>	<u>\$ 11,586,386</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 501,359	\$ 421,265
Accrued payroll and benefits	1,774,777	1,884,861
Due to school district	10,205	-
Deferred revenue	359,595	69,771
Operating lease liability	141,798	-
Finance lease liability	101,389	125,663
Total liabilities	<u>2,889,123</u>	<u>2,501,560</u>
<b>Contingencies</b>		
<b>Net assets</b>		
Without donor restrictions	738,382	1,252,572
With donor restrictions	7,342,738	7,832,254
Total net assets	<u>8,081,120</u>	<u>9,084,826</u>
Total liabilities and net assets	<u>\$ 10,970,243</u>	<u>\$ 11,586,386</u>

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

Icahn Charter School 1

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support</b>						
Public school district:						
Resident student enrollment	\$ 5,884,530	\$ -	\$ 5,884,530	\$ 5,289,010	\$ -	\$ 5,289,010
Grants and contracts:						
State and local	20,907	-	20,907	24,800	-	24,800
Federal - title and IDEA	220,804	-	220,804	238,474	-	238,474
Federal - other	549,066	-	549,066	599,472	-	599,472
Other grants	28,790	-	28,790	30,701	-	30,701
Net assets released from restrictions	489,516	(489,516)	-	489,516	(489,516)	-
Total revenues, gains and other support	7,193,613	(489,516)	6,704,097	6,671,973	(489,516)	6,182,457
<b>Expenses</b>						
Program services:						
Regular education	6,451,743	-	6,451,743	6,160,966	-	6,160,966
Special education	235,222	-	235,222	217,157	-	217,157
Total program services	6,686,965	-	6,686,965	6,378,123	-	6,378,123
Supporting services:						
Management and general	1,168,747	-	1,168,747	1,150,991	-	1,150,991
Total operating expenses	7,855,712	-	7,855,712	7,529,114	-	7,529,114
Deficit from school operations	(662,099)	(489,516)	(1,151,615)	(857,141)	(489,516)	(1,346,657)
<b>Other revenue</b>						
Contribution revenue	100,359	-	100,359	-	-	-
Other income	47,550	-	47,550	2,655	-	2,655
Total other revenue	147,909	-	147,909	2,655	-	2,655
<b>CHANGE IN NET ASSETS</b>	(514,190)	(489,516)	(1,003,706)	(854,486)	(489,516)	(1,344,002)
<b>Net assets, beginning of year</b>	1,252,572	7,832,254	9,084,826	2,107,058	8,321,770	10,428,828
<b>Net assets, end of year</b>	\$ 738,382	\$ 7,342,738	\$ 8,081,120	\$ 1,252,572	\$ 7,832,254	\$ 9,084,826

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

Icahn Charter School 1

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	Program Services			Management and General	Total
	Regular Education	Special Education	Total		
<b>Personnel service costs</b>					
Administrative staff personnel	\$ 312,956	\$ -	\$ 312,956	\$ 345,017	\$ 657,973
Instructional personnel	3,297,620	107,772	3,405,392	-	3,405,392
Non-instructional personnel	-	-	-	401,119	401,119
<b>Total personnel service costs</b>	<b>3,610,576</b>	<b>107,772</b>	<b>3,718,348</b>	<b>746,136</b>	<b>4,464,484</b>
Fringe benefits and payroll taxes	665,051	9,057	674,108	114,712	788,820
Retirement	62,030	5,389	67,419	27,053	94,472
Legal	1,267	-	1,267	233	1,500
Accounting/audit services	35,760	3,334	39,094	7,201	46,295
Other purchasing/professional consulting service	62,551	-	62,551	1,942	64,493
Building and land rent/lease	38,622	3,600	42,222	7,778	50,000
Repairs and maintenance	281,722	16,558	298,280	54,946	353,226
Insurance	97,557	-	97,557	17,971	115,528
Utilities	58,098	5,267	63,365	11,672	75,037
Supplies/material	149,799	9,947	159,746	-	159,746
Equipment/furnishing	2,154	-	2,154	2,603	4,757
Staff development	268,476	-	268,476	-	268,476
Marketing/recruitment	15,565	-	15,565	2,867	18,432
Technology	177,199	2,591	179,790	33,119	212,909
Telephone	14,862	1,385	16,247	2,993	19,240
Student service	261,712	13,424	275,136	-	275,136
Office expense	19,815	1,558	21,373	23,523	44,896
Depreciation	608,856	54,969	663,825	101,455	765,280
Other	20,071	371	20,442	12,543	32,985
<b>Total expenses</b>	<b>\$ 6,451,743</b>	<b>\$ 235,222</b>	<b>\$ 6,686,965</b>	<b>\$ 1,168,747</b>	<b>\$ 7,855,712</b>

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

Icahn Charter School 1

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Program Services			Management and General	Total
	Regular Education	Special Education	Total		
<b>Personnel service costs</b>					
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	<u>\$ 6,160,966</u>	<u>\$ 217,157</u>	<u>\$ 6,378,123</u>	<u>\$ 1,150,991</u>	<u>\$ 7,529,114</u>

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

Icahn Charter School 1

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2023	2022
<b>Cash flows from operating activities:</b>		
Cash receipts from:		
Public school district	\$ 6,174,353	\$ 5,311,388
Grants and contracts	1,396,874	892,032
Other	47,551	2,657
Cash payments for:		
Vendors	(1,616,523)	(1,493,393)
Employee salaries and benefits	(5,457,859)	(4,878,426)
Net cash provided (used in) by operating activities	544,396	(165,742)
<b>Cash flows from investing activities:</b>		
Purchases of furniture, fixtures and equipment	(113,227)	(43,632)
<b>Cash flows from financing activities:</b>		
Finance lease payments	(24,274)	(38,667)
<b>NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	406,895	(248,041)
<b>Cash and cash equivalents and restricted cash, beginning of year</b>	1,574,402	1,822,443
<b>Cash and cash equivalents and restricted cash, end of year</b>	<u>\$ 1,981,297</u>	<u>\$ 1,574,402</u>
<b>Reconciliation of change in net assets to net cash provided by (used in) operating activities:</b>		
Change in net assets	\$ (1,003,706)	\$ (1,344,002)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	765,280	775,363
Amortization of right-of-use assets - Operating Leases	44,658	-
Change in assets and liabilities:		
Grants and contracts receivable	241,481	(308,735)
Due from school district	(2,737)	(25,971)
Prepaid expenses	2,392	4,799
Contributions and other receivables	238,204	333,291
Other assets	33,443	(36,212)
Accounts payable and accrued expenses	80,094	258,288
Accrued payroll and benefits	(110,084)	190,933
Due to school districts	10,205	(35,874)
Deferred revenue	289,824	22,378
Operating lease liability	(44,658)	-
Net cash provided by (used in) operating activities	<u>\$ 544,396</u>	<u>\$ (165,742)</u>
<b>Supplemental disclosure of cash flow information:</b>		
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, 2023 and 2022**

**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).

**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.

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, 2023, or 2022.

**Icahn Charter School 1**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***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 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, 2023 and 2022, there was no allowance for uncollectible receivables. Grants and contracts receivable and contributions and other receivables as of June 30, 2023 and 2022 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

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

cash equivalents at June 30, 2023 and 2022 is a reserve fund of \$91,000 and \$85,000, 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 accompanying statements 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 Charter 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 Internal Revenue Code 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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

***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.

***Recently Adopted Accounting Guidance***

The Charter School adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, on July 1, 2022. This standard requires organizations that enter into lease agreements as a lessee, to record on their statement of financial position the rights and obligations of the lease agreement, as a Right-of-Use ("ROU") lease asset and liability, respectively. In order to adopt this ASU, the Charter School elected certain practical expedients permitted under the standard's transition guidance. The practical expedients eliminate the need to reassess the lease classification of expired or existing leases, the need to assess whether any expired or existing contracts are or contain leases, the need to separately assess lease and non-lease components, and the need to reassess initial direct costs for any existing leases. The Charter School also elected the short-term lease practical expedient, and accordingly, does not record ROU lease assets or lease liabilities with terms less than 12 months. In addition, the Charter School utilized the portfolio approach to group leases with similar characteristics.

The Charter School determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration.

The Charter School analyzes each lease agreement to determine whether it should be classified as a finance lease or an operating lease. ROU assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments over the lease term. As most of the Charter School's leases do not provide an implicit interest rate, the Charter School uses the estimated risk-free rate that is comparable with the lease term in effect at the commencement date of the respective lease agreement in determining the present value of lease payments. ROU assets and lease liabilities for operating and finance leases are included in the statements of financial position and presented separately based on the classification of the underlying lease arrangement.

The Charter School's adoption of this standard on July 1, 2022 resulted in the recording of an initial ROU operating lease asset and liability each totaling \$186,456, respectively. The Charter School's accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged upon adoption of this standard. (see Note H for additional information).

The portion of payments on operating lease liabilities related to interest, along with the amortization of the related ROU, is recognized as rent expense. This rent expense is recognized on a straight-line basis over the term of the lease. The portion of payments on finance lease liabilities related to interest is recognized as interest expense. The amortization of the ROU assets under finance leases is recognized as part of depreciation expense. The impact of adopting this new guidance was not significant to the Charter School's financial statements.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

**NOTE C - CAPITAL ASSETS, NET**

At June 30, 2023 and 2022, capital assets consisted of the following:

	2023	2022
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	1,658,489	1,572,893
Furniture and fixtures	393,178	365,549
	18,160,784	18,047,559
Less: accumulated depreciation	(9,982,587)	(9,217,308)
	<u>\$ 8,178,197</u>	<u>\$ 8,830,251</u>

Included in equipment as of June 30, 2023 and 2022 are assets acquired under finance leases at a cost of approximately \$131,000 with accumulated depreciation of approximately \$30,000 and \$7,000, respectively.

Depreciation expense totaled approximately \$765,000 and \$775,000 for the years ended June 30, 2023 and 2022, respectively.

**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.

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

**Icahn Charter School 1**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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, 2023 and 2022, accounts payable and accrued expenses included approximately \$153,000 and \$35,000, respectively, and other receivables included approximately \$175,000 and \$433,000, respectively, pertaining to these related party transactions.

**NOTE E - NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2023 and 2022, net assets with donor restrictions consisted of the following:

	2023	2022
Restricted as to purpose:		
Middle School	\$ 7,342,738	\$ 7,832,254

During the years ended June 30, 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying the purpose, or by meeting the time restrictions as follows:

	2023	2022
Middle School	\$ 489,516	\$ 489,516

**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 \$5,885,000 and \$5,289,000 for the years ended June 30, 2023 and 2022, respectively. The Charter School is dependent upon this level of funding in order to continue its operations.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

**NOTE H - LEASES**

The Charter School assesses contracts at inception to determine if an arrangement includes a lease, which conveys the Charter School's right to control the use of an identified asset for a period of time in exchange for consideration.

The Charter School leases office space under a non-cancelable operating lease set to expire in August 2026. The lease requires fixed annual payments of \$50,000 for each year of occupancy. This lease agreement does not contain any residual value guarantees or material restricted covenants.

The value of a ROU lease liability is based on the present value of future lease payments. The Charter School uses a risk-free rate as the discount rate in calculating the ROU lease liability value for operating leases. For purposes of valuation at July 1, 2022, the Charter School used a discount rate of 2.87% and a remaining lease term of four years for its identified operating lease discussed above.

The Charter School did not have any short-term lease cost during the period.

The Charter School has entered into agreements for computer hardware and software, furniture, and equipment under finance leases. As of July 1, 2022, the Charter School had outstanding balances on capital lease liability totaling \$125,663 under the previous leasing accounting standard, which are now reflected as finance leases. Monthly payments on these leases range from \$280 to \$600 with remaining terms of 45 months as of June 30, 2023. As of June 30, 2023, the Charter School had outstanding balances on finance leases totaling \$101,389. The Charter School uses the discount rate implicit in the lease in calculating the ROU lease liability value for finance leases.

The ROU assets and accumulated amortization, lease cost, and other required information, for the year ended June 30, 2023 are:

ROU assets and accumulated amortization:

	Finance	Operating
ROU assets	\$ 131,563	\$ 186,456
Accumulated amortization	<u>(30,175)</u>	<u>(44,658)</u>
ROU assets, net	<u>\$ 101,389</u>	<u>\$ 141,798</u>

Lease costs:

Finance lease cost	
Amortization of finance lease ROU asset	\$ 30,175
Interest expense on lease liabilities	8,984
Operating lease cost	<u>50,000</u>
Total lease cost	<u>\$ 89,159</u>

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Other information:

Weighted-average remaining lease term	
Finance leases	3.75 years
Operating leases	3 years
Weighted-average discount rate	
Finance leases	4.50%
Operating leases	2.87%

Future annual lease payments due under the lease noted above are as follows for years subsequent to June 30, 2023:

<u>Fiscal Year Ending:</u>	<u>Finance</u>	<u>Operating</u>
2024	\$ 29,433	\$ 50,000
2025	29,433	50,000
2026	29,433	50,000
2027	22,074	0
	<hr/>	<hr/>
Total minimum lease payments	110,373 (8,984)	150,000 (8,202)
	<hr/>	<hr/>
Less: amounts representing interest	\$ 101,389	\$ 141,798

**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 \$95,000 and \$57,000 for the years ended June 30, 2023 and 2022, respectively.

**NOTE J - 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.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

**NOTE K - LIQUIDITY**

The Charter 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 Charter School considers all expenditures related to its ongoing activities of teaching its public school students to be general operating expenditures.

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:

	2023	2022
Cash and cash equivalents	\$ 1,906,297	\$ 1,499,402
Grants and contracts receivable	372,188	613,669
Due from school districts	85,892	83,155
Contributions and other receivables	194,922	433,126
	<hr/>	<hr/>
Total financial assets available within one year	\$ 2,559,299	\$ 2,629,352
	<hr/>	<hr/>

The School maintained a net assets with donor restrictions balance of approximately \$7,343,000 and \$7,832,000 as of June 30, 2023 and 2022, 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, 2023 financial statements for subsequent events through November 1, 2023, 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, 2023, 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, 2023.

### **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 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, 2023