

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
JUNE 30, 2023 AND 2022**

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Independent Auditor's Report

Board of Trustees of
International Leadership Charter High School

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of International Leadership Charter High School, a New York not-for-profit corporation, 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 my opinion, the financial statements present fairly, in all material respects, the financial position of International Leadership Charter High 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of International Leadership Charter High School and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 International Leadership Charter High School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, I:

- 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 International Leadership Charter High 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about International Leadership Charter High School's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 18, 2023, on my consideration of International Leadership Charter High School's internal control over financial reporting and on my 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 my 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 International Leadership Charter High 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 International Leadership Charter High School's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Henry Bon CPA". The signature is fluid and cursive, with the letters "H", "B", and "C" being particularly prominent.

New York, New York
October 18, 2023

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

A S S E T S

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 521,439	\$ 1,080,155
Grants and other receivable	1,414,161	487,670
Investment - retirement plan	83,524	53,524
Prepaid expenses	<u>48,083</u>	<u>61,420</u>
Total Current Assets	2,067,207	1,682,769
Property and Equipment		
Building	18,052,256	18,052,256
Land	2,530,000	2,530,000
Furniture and fixtures	341,514	319,230
Computers and equipment	<u>854,571</u>	<u>515,898</u>
	21,778,341	21,417,384
Less accumulated depreciation	<u>(4,071,553)</u>	<u>(3,497,794)</u>
Property and equipment, net	17,706,788	17,919,590
Right-of-use assets-Operating leases, net	1,299,798	-
Other Assets		
Restricted cash	2,862,487	2,974,833
Predevelopment costs	1,778,305	411,515
Security deposits	25,325	-
Cash in escrow	<u>75,171</u>	<u>75,289</u>
Total Other Assets	<u>4,741,288</u>	<u>3,461,637</u>
TOTAL ASSETS	<u><u>\$25,815,081</u></u>	<u><u>\$23,063,996</u></u>

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 1,123,478	\$ 851,717
Accrued expenses	356,268	229,223
Accrued interest payable	537,031	548,106
Deferred compensation	83,524	53,524
Deferred revenue	-	411,515
Current portion of lease obligations - operating leases	386,355	-
Loans payable - bank	95,683	-
Notes payable - current	319,762	-
Bonds payable - current	<u>445,000</u>	<u>425,000</u>
Total Current Liabilities	3,347,101	2,519,085
Long-Term Liabilities		
Notes payable - long term	180,238	-
Long-term lease obligations - operating leases	1,081,885	-
Bonds payable, net of unamortized bond issuance costs	<u>16,878,139</u>	<u>17,289,372</u>
Total Long-Term Liabilities	<u>18,140,262</u>	<u>17,289,372</u>
Total Liabilities	21,487,363	19,808,457
Net Assets		
Net Assets without donor restrictions	<u>4,327,718</u>	<u>3,255,539</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$25,815,081</u></u>	<u><u>\$23,063,996</u></u>

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

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Revenue and other support		
Public school district:		
Resident Student Enrollment	\$ 5,314,239	\$ 5,899,745
Students with Disabilities	20,780	178,902
Government Grants and contracts:		
Federal - Title and IDEA	247,420	276,282
Federal - Other	1,159,837	491,925
Foundation Grants	1,511,515	139,000
Contributions	52,337	42,101
Interest income	<u>82,403</u>	<u>2,141</u>
 Total Revenue and Other Support	 <u>8,388,531</u>	 <u>7,030,096</u>
Expenses		
Program services		
Regular education	5,228,379	4,907,535
Special education	<u>1,214,334</u>	<u>1,189,905</u>
 Total Program Services	 <u>6,442,713</u>	 <u>6,097,440</u>
 Management and General	 <u>873,639</u>	 <u>844,984</u>
 Total expenses	 <u>7,316,352</u>	 <u>6,942,424</u>
 Change in Net Assets	 1,072,179	 87,672
Net Assets without Donor Restrictions - Beginning of year	<u>3,255,539</u>	<u>3,167,867</u>
Net Assets without Donor Restrictions - End of year	<u><u>\$ 4,327,718</u></u>	<u><u>\$ 3,255,539</u></u>

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Services			Supporting Services	
	No. Of Positions	Regular Education	Special Education	Total Education	Management & General	Total
Administrative staff	12	\$ 745,273	\$ 186,318	\$ 931,591	\$ 310,530	\$1,242,121
Instructional personnel	20	1,292,694	149,831	1,442,525	-	1,442,525
	32					
Total Salaries		2,037,967	336,149	2,374,116	310,530	2,684,646
Payroll taxes and fringe benefits		325,755	53,793	379,548	49,830	429,378
Retirement		50,817	8,392	59,209	7,773	66,982
Legal services		-	-	-	59,029	59,029
Accounting / audit services		-	-	-	150,104	150,104
Other purchased / professional / consulting		267,713	66,692	334,405	21,271	355,676
Facility interest		729,530	280,588	1,010,118	112,237	1,122,355
Repairs and maintenance		101,504	39,040	140,544	15,616	156,160
Insurance		111,477	42,876	154,353	17,150	171,503
Utilities		71,311	27,427	98,738	10,971	109,709
Supplies / materials		50,020	5,797	55,817	-	55,817
Equipment / furnishings		12,200	4,692	16,892	1,877	18,769
Staff development		244,411	30,638	275,049	16,377	291,426
Marketing / recruitment		126,463	14,658	141,121	-	141,121
Technology		50,272	19,335	69,607	7,735	77,342
Food service		127,008	14,721	141,729	-	141,729
Student services		316,526	36,688	353,214	-	353,214
Office expense		45,192	17,381	62,573	6,952	69,525
Lease expense - operating lease		143,504	55,194	198,698	22,077	220,775
Depreciation		372,943	143,440	516,383	57,376	573,759
Miscellaneous expenses		43,766	16,833	60,599	6,734	67,333
TOTAL EXPENSES		<u>\$5,228,379</u>	<u>\$1,214,334</u>	<u>\$6,442,713</u>	<u>\$ 873,639</u>	<u>\$7,316,352</u>

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

		Program Services			Supporting Services	
	No. Of Positions	Regular Education	Special Education	Total Education	Management & General	Total
Administrative staff	11	\$ 616,077	\$ 154,019	\$ 770,096	\$ 256,699	\$1,026,795
Instructional personnel	20	1,240,754	144,305	1,385,059	-	1,385,059
	31					
Total Salaries		1,856,831	298,324	2,155,155	256,699	2,411,854
Payroll taxes and fringe benefits		266,835	43,343	310,178	38,257	348,435
Retirement		84,701	13,758	98,459	12,144	110,603
Legal services		-	-	-	115,529	115,529
Accounting / audit services		-	-	-	142,655	142,655
Other purchased / professional / consulting		268,617	130,158	398,775	22,353	421,128
Facility interest		749,026	288,087	1,037,113	115,235	1,152,348
Repairs and maintenance		118,834	45,705	164,539	18,282	182,821
Insurance		106,427	40,933	147,360	16,373	163,733
Utilities		61,577	23,684	85,261	9,473	94,734
Supplies / materials		41,459	4,681	46,140	-	46,140
Equipment / furnishings		22,954	8,829	31,783	3,531	35,314
Staff development		228,097	29,038	257,135	15,799	272,934
Marketing / recruitment		158,534	17,902	176,436	-	176,436
Technology		57,151	21,981	79,132	8,792	87,924
Food service		141,405	15,968	157,373	-	157,373
Student services		290,985	32,859	323,844	-	323,844
Office expense		80,333	30,897	111,230	12,359	123,589
Depreciation		343,901	132,270	476,171	52,908	529,079
Miscellaneous expenses		29,868	11,488	41,356	4,595	45,951
TOTAL EXPENSES		<u>\$4,907,535</u>	<u>\$1,189,905</u>	<u>\$6,097,440</u>	<u>\$ 844,984</u>	<u>\$6,942,424</u>

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities:</u>		
Changes in Net Assets	\$ 1,072,179	\$ 87,672
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	573,759	529,079
Amortization of bond issuance costs	33,767	33,767
Noncash portion of lease expenses - operating leases	196,086	-
(Increase) Decrease in operating assets		
Grants and other receivable	(926,491)	(367,209)
Prepaid expense	13,337	(5,443)
Security deposits	(25,325)	-
Increase (Decrease) in operating liabilities		
Accounts payable	271,761	188,464
Accrued expenses	127,045	31,806
Deferred revenue	(411,515)	408,475
Lease obligations - operating leases	(27,644)	-
Accrued interest payable	<u>(11,075)</u>	<u>(11,875)</u>
Net cash provided by operating activities	885,884	894,736
<u>Cash flows from investing activities:</u>		
Increase in predevelopment costs	(1,366,790)	(411,515)
Purchase of property and equipment	<u>(360,957)</u>	<u>(172,348)</u>
Net cash used in investing activities	(1,727,747)	(583,863)
<u>Cash flows from financing activities:</u>		
Proceeds from loans payable - bank	95,683	-
Proceeds from notes payable	500,000	-
Repayment of bonds payable	<u>(425,000)</u>	<u>(475,000)</u>
Net cash provided by (used in) Financing activities	<u>170,683</u>	<u>(475,000)</u>
Net decrease in Cash and Restricted Cash	(671,180)	(164,127)
Cash and Restricted Cash - Beginning of Year	<u>4,130,277</u>	<u>4,294,404</u>
Cash and Restricted Cash - End of Year	<u>\$ 3,459,097</u>	<u>\$ 4,130,277</u>
<u>Supplemental information</u>		
Interest paid during the year	<u>\$ 1,087,409</u>	<u>\$ 1,108,088</u>

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - ORGANIZATION

International Leadership Charter High School (the "Charter School") is an education corporation operating as a charter school in Bronx, New York. The Charter School opened in 2006 with a charter granted by the New York City Department of Education. On June 10, 2015, the New York City Department of Education granted the Charter School a provisional charter valid for a term of five years through June 30, 2020, and renewable upon expiration. In October 2017, the Charter School's charter was transferred to the Board of Regents of the University of the State of New York. The Charter School's provisional charter under the Board of Regents of the University of the State of New York was valid through June 30, 2020. On March 10, 2020, the charter was renewed for a five-year term through June 30, 2025.

The Charter School's mission is to prepare the young men and women of the Bronx for not only the demands of higher education but also for leading lives of meaning. This teaching philosophy provides powerful learning experiences that stress engagement, discovery, and the active application of learning to the world around us.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Charter School are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purposes. Accordingly, all financial transactions have been recorded and reported by net asset group.

Net assets of the Charter School are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustee has discretionary control to use these in carrying on operations in accordance with guidelines established by International Leadership Charter High School.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School has no net assets with donor restriction at June 30, 2023 and 2022.

Revenue and Support Recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenues over time as follows:

Public School District Revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public School District Revenue (Continued)

calculated annually by New York State Education Department (NYSED) in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED. As of June 30, 2023 and 2022, the Charter School owed NYSED in the amount of \$179,390 and \$52,286, respectively, which are included in accounts payable on the accompanying financial statements.

Contributions

The Charter School recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with a specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by their funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position.

Cash in Escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$75,171 and \$75,289 at June 30, 2023 and 2022, respectively. The escrow funds are restricted to fund legal and other costs related to the dissolution of the Charter School, should this become necessary.

Grants and Other Receivable

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2023 and 2022.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives which range from five to thirty-nine years. Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bonds Issuance Costs

Bond issuance costs, which consist of deferred financing charges, are stated at cost and are amortized over the term of the bonds which vary from 5 to 30 years through various dates up to July 2046. The bond issuance costs have been offset against bonds payable. The amortization of bonds insurance costs is included in interest expense.

Deferred Revenue

The Charter School records grant revenue as deferred revenue until either the funds are expended for the purpose of the grant or all requirements to earn the grant are met. As of June 30, 2023 and 2022, the total deferred revenue is \$0 and \$411,515, respectively.

Tax Exempt Status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020, through June 30, 2023, are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Long-Lived Asset Impairment

The Charter School evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2023 and 2022.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Marketing and Recruiting Costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs were \$141,121 and \$176,436 for the years ended June 30, 2023 and 2022, respectively.

Use of Estimates in the Preparation of Financial Statements

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

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management, and general and fundraising categories based on estimates of time and effort and other methods.

Fair Values of Financial Instruments

The Charter School's financial instruments consist primarily of cash, accounts receivable, accounts payable, and debt instruments. The carrying values of cash, accounts receivable, and accounts payable are considered to be representative of their respective fair values. The carrying values of the Charter School's debt instruments are approximately their fair values as of June 30, 2023, based on current incremental borrowing rates for similar types of borrowing arrangements.

Adoption of New Lease Standard

Effective July 1, 2022, the Charter School adopted Accounting Standards Update (ASU) 2016-02, *Leases* (ASC Topic 842) and subsequent amendments. ASC 842 affects all companies that enter into lease arrangements, with certain exclusions

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Lease Standard (continued)

under limited scope limitations. Under ASU 2016-02, an entity recognizes right-of-use ("ROU") assets and lease obligations on the statement of financial position for all leases with a lease term of more than 12 months. Short-term rentals under year to year leases or remaining lease terms of 12 months or less are exempt from being capitalized.

In adopting the new lease standard, the Charter School elected to use a transition method under which existing leases were measured and capitalized as of the date of adoption, July 1, 2022, in lieu of applying the standard retrospectively to July 1, 2021. Consequently, the 2022 financial statements and disclosures do not reflect the effects of implementing the new lease standard.

Additionally, as part of the implementation, the Charter School elected to use a package of optional practical expedients which permit the Charter School to avoid reassessing previous lease identifications within contracts, the existence of initial direct costs, and the lease classifications of any expired and existing leases. Moreover, in accordance with the expedients, all leases classified as operating leases under previous U.S. Generally Accepted Accounting Principles (U.S. GAAP) are automatically classified as operating leases under the new standards, and all leases previously classified as capital leases are recorded as finance leases.

The Charter School has not classified any leases as finance leases. All leases are classified as operating leases since the Charter School does not expect to consume a major part of the economic benefits of the leased assets over the remaining lease term.

Lease obligations are measured and recorded at the present value of future lease payments using a discount rate. The Charter School has made an accounting policy election to use a risk-free rate as the discount rate in measuring its lease obligations. Under this election, the risk-free rate used is the rate for a United States treasury instrument with a term consistent with the remaining lease term of an applicable lease.

Right-of-use assets are generally measured and recorded at the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Lease Standards (continued)

made on or before the commencement date. In January 2023, the Charter School recorded a right-to-use asset and lease obligation for operating leases in the amount of \$1,495,884.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors the liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes 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 education and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Charter School also has available a \$100,000 line of credit, of which it has drawn a total of \$95,683 and \$0, as of June 30, 2023 and 2022, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023

Cash	\$ 521,439
Grants and contract receivable	<u>1,414,161</u>
Total financial assets available	<u>\$ 1,935,600</u>

A portion of the bond fund detailed in Note 4 will be used to pay the bond payment due in July 2023 as described in Note 8.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 - RESTRICTED CASH

In accordance with the loan agreements for the 2013 and 2016 Bonds described at Note 8, the Charter School is required to maintain certain reserves. The following is a summary of the fund reserves held at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Bond fund	\$ 1,023,140	\$ 994,357
Earnings fund	24,304	15,157
Project fund	48,776	307,629
Reserve fund	1,603,950	1,559,184
Repair and replacement fund	<u>162,317</u>	<u>98,506</u>
	<u>\$ 2,862,487</u>	<u>\$ 2,974,833</u>

NOTE 5 - NET ASSETS

Net assets without donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 3,944,068	\$ 3,050,321
Invested in property and equipment, net of related debt	<u>383,650</u>	<u>205,218</u>
	<u>\$ 4,327,718</u>	<u>\$ 3,255,539</u>

NOTE 6 - CHARTER AGREEMENT AMENDMENT AND PREDEVELOPMENT COSTS

In June 2021, the Charter School received approval from the Board of Regents of the University of the State of New York to expand to operate a middle school program commencing with 6th grade in the 2022-2023 school year. The Charter School's charter agreement has been revised to serve students in grades 6 through 12 by the 2024-25 school year. The middle school began operations as of September 1, 2023.

In connection with this expansion, the charter School signed a lease agreement for a temporary location to serve the middle school program in January 2023. Also, the Charter School incurred predevelopment costs in the amount of \$1,366,790

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 - CHARTER AGREEMENT AMENDMENT AND PREDEVELOPMENT COSTS (CONTINUED)

and \$411,515 during the years ended June 30, 2023 and 2022, respectively. The total predevelopment costs as of June 30, 2023 and 2022 are \$1,778,305 and \$411,515, respectively.

NOTE 7 - LOAN PAYABLE - BANK

The Charter School has a \$100,000 line of credit agreement with a bank. The annual interest on this line of credit as of June 30, 2023 is 8.75%. The amounts outstanding on the line of credit at June 30, 2023 and 2022 were \$95,683 and \$0, respectively.

NOTE 8 - BONDS PAYABLE

On March 21, 2013, Build NYC Resource Corporation provided construction and permanent financing through the issuance of \$17,750,000 in Tax-Exempt Revenue Bonds (the "Series 2013 Bonds"). Principal is due at varying amounts annually through maturity on July 1, 2043. The proceeds from the sale of the bonds, together with other available funds were used to: (i) refinance or reimburse the Charter School for certain costs of acquiring, constructing, renovating, equipping, and furnishing its future educational facility; (ii) fund the service reserve fund established under the indenture in an amount equal to the debt service reserve fund requirement of the bonds; (iii) cover interest on the bonds during construction, for a period of 16 months; and (iv) pay certain of issuing the Series 2013 Bonds. Interest on the bonds is payable semiannually, computed on the basis of a 360-day year of twelve 30-day months.

On July 15, 2016, Build NYC Resource Corporation provided \$2,905,000 in Tax-Exempt Revenue Bonds (the "Series 2016A Bonds"), with interest calculated at 6.25% per annum, and \$395,000 in Taxable Revenue Bonds (the "Series 2016B Bonds"), with interest calculated at 5%, for a total of \$3,300,000 (collectively, the "2016 Series Bonds"), for renovations and equipment purchases, establishing reserve accounts, and for costs related to the issuance of the bonds. Provisions of the debt provide for payments of interest only on the Series 2016A Bonds through June 2023, then principal and interest payments through maturity (July 1, 2046), payments of interest only on the Series 2016B Bonds through July 2018, and then principal and interest payments through maturity (July 1, 2021). A final payment of \$120,000 was made on July 1, 2021, to retire the Series 2016B Bonds.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 - BONDS PAYABLE (CONTINUED)

Interest payments are due semi-annually on January 1 and July 1 of each year. These bonds are secured by the pledge and assignment to the Trustee of the Trust Estate for the benefit of the holders of the Bonds. The obligations of the Charter School under the loan agreement are secured by the mortgages assigned to the Trustee for the benefit of the holders of the Bonds.

Bonds payable are summarized as follows:

	<u>2023</u>	<u>2022</u>
2013 tax exempt bonds at 5.00% per annum, interest paid semiannually, principal paid annually. Bonds mature July 1, 2023.	\$ 390,000	\$ 765,000
2013 tax exempt bonds at 5.75% per annum, interest only payments through July 2023, then interest and principal payments through maturity in July 2033.	5,360,000	5,360,000
2013 tax exempt bonds at 6.00% per annum, interest only payments through July 2023, then interest and principal payments through maturity in July 2043.	9,470,000	9,470,000
2016 tax exempt bonds at 6.25% per annum, interest only payments through June 2022, then interest and principal payments through maturity in July 2046.	<u>2,855,000</u>	<u>2,905,000</u>
	18,075,000	18,500,000
Less unamortized bond issuance costs	<u>(751,861)</u>	<u>(785,628)</u>
	17,323,139	17,714,372
Less current portion of bonds payable	<u>(445,000)</u>	<u>(425,000)</u>
	<u>\$ 16,878,139</u>	<u>\$17,289,372</u>

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 - BONDS PAYABLE (CONTINUED)

Future maturities of bonds payable are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 445,000
2025	465,000
2026	495,000
2027	525,000
2028	555,000
Thereafter	<u>15,590,000</u>
	<u>\$18,075,000</u>

Under the terms of the bonds payable, the Charter School is required, among other things, to maintain certain financial covenants and operating ratios. As of June 30, 2023 and 2022, the Charter School was in compliance with certain of these covenants.

NOTE 9 - BONDS ISSUANCE COSTS

Total bond issuance costs are being amortized over the life of the bonds. Bonds issuance costs consist of the following:

	<u>2023</u>	<u>2022</u>
Bonds issuance costs	\$ 1,029,890	\$ 1,029,890
Accumulated Amortization	<u>(278,029)</u>	<u>(244,262)</u>
Net balance	<u>\$ 751,861</u>	<u>\$ 785,628</u>

The bonds issuance costs have been offset against bonds payable (Note 8). Interest expense, inclusive of bond issuance cost amortization of \$33,767, was \$1,108,105 and \$1,129,980 for the years ended June 30, 2023 and 2022. The estimated amortization for each of the ensuing years through June 30, 2028, is \$33,767.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 - RETIREMENT PLAN

Employee Retirement Plan

The Charter School sponsors a 401(k) retirement plan covering all regular employees. All employees are immediately eligible to begin making voluntary contributions. The Plan allows for the Charter School to make a discretionary contribution to the plan. The Charter School contributed approximately \$34,232 and \$32,515 for the years ended June 30, 2023 and 2022, respectively. Included in the 2022 financial statements are additional payments owed on a previous plan in the amount of \$21,436.

Deferred Compensation Plan

The Charter School established a deferred compensation plan for the Chief Executive Officer effective January 1, 2021. Contributions are made into the plan on an annual basis up to the IRS maximum and will be vested upon the retirement, death, or disability of the Chief Executive Officer. The total contribution to the plan for the years ended June 30, 2023 and 2022, were \$30,000 and \$53,000, respectively.

NOTE 11 - CONTINGENCY

Grants and Contracts

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

General Litigation

The Charter School is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Charter School. Events could occur that would change this estimate materially in the near term.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 - CONCENTRATIONS AND CREDIT RISK

At June 30, 2023 and 2022, approximately 71% and 87%, respectively, of grants and other receivables are due from one foundation relating to a certain grant.

For the year ended June 30, 2023 and 2022, 64% and 86%, respectively, of total operating revenue and support came from per-pupil funding. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

The Charter School maintains operating accounts, escrow, and restricted cash at financial institutions which at times may exceed the FDIC limit of \$250,000. At June 30, 2023 and 2022, the Charter School's cash accounts exceeded federally insured limits by \$2,883,926 and \$3,554,988, respectively. The Charter School has not experienced any losses in such accounts. The Charter School believes it is not exposed to any significant credit risk on cash.

NOTE 13 - FINANCIAL IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal years 2023 and 2022.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13 - FINANCIAL IMPACT OF COVID-19 OUTBREAK (CONTINUED)

The School has recognized \$529,090 and \$413,605 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively. The Charter School has also recognized \$49,950 of revenue for the CSP Response to COVID-19 Grant during the year ended June 30, 2022.

NOTE 14 - FOUNDATION AWARD AND DEFERRED REVENUE

In September 2020, the Charter School was notified it was a recipient of an award in the amount of \$975,000 from Walton Foundation (Walton) to assist in the potential growth and replication of the Charter School. The grant requires compliance with certain matching grant requirements and specific operational objectives to receive the funds, which are restricted for the Charter School's expansion.

During the year ended June 30, 2022, the Charter School incurred \$411,515 of middle school expansion costs which were funded by the Walton grant. These costs were recorded as pre-development costs.

Correspondingly, deferred revenue of \$411,515 and a grant receivable of \$411,515, were recorded on the accompanying 2022 financial statements. During the year ended June 30, 2023, the Charter School received payment of the \$411,515 from Walton and recognized the \$411,515 as earned revenue, included in Foundation Grants on the accompanying 2023 financial statements, in conjunction with the start of the construction of the middle school expansion.

In May 2023, the Charter School received an award of \$1,000,000 from Bloomberg Philanthropies to support the construction of a facility for the middle school, which was recorded as Foundation Grants and grants receivable for the year ended June 30, 2023. In August 2023, the Charter School received payment of \$1,000,000 from Bloomberg Philanthropies.

NOTE 15 - RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

In January 2023, the Charter School entered into a lease agreement expiring August 2026 for a temporary space for the middle school. The monthly rent through August 31, 2023 is \$10,000. As of September 1, 2023, the annual rent is \$500,400 which will increase by three percent each year over the term of the lease. In connection with

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 15 - RIGHT OF USE ASSETS AND LEASE OBLIGATIONS (CONTINUED)

adopting the new lease standard (see Note 2), the Charter School is recognizing a right-of-use asset and lease obligation for this lease.

As of June 30, 2023, right-of-use assets and lease liabilities were as follows:

Right-of-use assets:	
Cost	\$1,495,884
Less: Accumulated Amortization	<u>(196,086)</u>
	<u>\$1,299,798</u>
Lease liabilities:	
Current portion	\$ 386,355
Long-term portion	<u>1,081,885</u>
	<u>\$1,468,240</u>

A summary of the future minimum lease payments recognized under the lease agreement, reconciled to the lease obligations recorded at June 30, 2023 follows:

2024	\$ 437,000
2025	512,910
2026	528,297
2027	<u>88,479</u>
Total	1,566,686
Less present value discount	<u>98,446</u>
Lease obligations recorded at June 30, 2023	1,468,240
Less current portion	<u>386,355</u>
Long-term lease obligations	<u>\$1,081,885</u>

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 16 - CASH AND RESTRICTED CASH

The balances in cash and restricted cash as reflected in the statement of cash flows consist of the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 521,439	\$ 1,080,155
Restricted cash	2,862,487	2,974,833
Cash in escrow	<u>75,171</u>	<u>75,289</u>
	<u>\$ 3,459,097</u>	<u>\$ 4,130,277</u>

NOTE 17 - NOTES PAYABLE

In June 2023, the Charter School borrowed \$250,000 from Corlaton Realty, Inc. The loan is in the form a of a note that bears an interest rate of 6% payable in 4 monthly installments of \$64,687.50 starting October 2023. The note matures on January 15, 2024. The balance of the note owed as of June 30, 2023 and 2022 was \$250,000 and \$0, respectively.

In June 2023, the Charter School borrowed \$250,000 from Capital One, National Association. The loan is in the form of a note that bears an interest rate of 7.75% payable in 36 monthly installments of \$7,843.61, starting July 2023. The note matures on July 5, 2026. The balance of the note owed as of June 30, 2023 and 2022 was \$250,000 and \$0, respectively. The note is secured by a deposit account the Charter School has with Capital One, which the balance of this account at June 30, 2023 is \$251,383.

A summary of the June 30, 2023 notes payable are as follows:

	<u>Total</u>	<u>Current</u>	<u>Non-Current</u>
Corlaton Realty, Inc	\$ 250,000	\$ 250,000	\$ -
Capital One, National Association	<u>250,000</u>	<u>69,762</u>	<u>180,238</u>
	<u>\$ 500,000</u>	<u>\$ 319,762</u>	<u>\$ 180,238</u>

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through October 18, 2023, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

SUPPLEMENTARY INFORMATION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees of
International Leadership Charter High School

I 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 International Leadership Charter High 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 my report thereon dated October 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered International Leadership Charter High School's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of International Leadership Charter High School's internal control. Accordingly, I do not express an opinion on the effectiveness of International Leadership Charter High School's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether International Leadership Charter High School's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Henry Bon CPA". The signature is fluid and cursive, with the letters "CPA" written in a slightly more formal, blocky style at the end.

New York, New York
October 18, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of
International Leadership Charter High School

**Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program**

I have audited International Leadership Charter High School's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of International Leadership Charter High School's major federal programs for the year ended June 30, 2023. International Leadership Charter High School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, International Leadership Charter High School's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of International Leadership Charter High School and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of International Leadership Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to International Leadership Charter High School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on International Leadership Charter High School's compliance based on my audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about International Leadership Charter High School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 International Leadership Charter High School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of International Leadership Charter High School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of International Leadership Charter High School's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Henry Ben APLC". The signature is fluid and cursive, with the letters "A" and "P" being particularly prominent.

New York, NY
October 18, 2023

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? No

A significant deficiency No

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? No

A significant deficiency identified? No

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

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR Section 200.516(a)? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.282A	CSP-CHARTER SCHOOL EXPANSION GRANT
84.425D & 84.425U	ESSER II

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? No

Section II: Financial Statement Findings None

Section III: Federal Award Findings and Questioned Costs None

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Grantor</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Education Pass-through Program from New York State Department of Education		
Special Education- Grants to States IDEA, Part B	84.027	\$ 44,330
Title I-A, Improving basic program	84.010A	169,593
Title II-A, Improving Teacher Quality	84.367A	20,404
Title IV, Student Support and Academic Enrichment	84.424A	13,093
CSP-Charter School Expansion Grant	84.282A	479,569
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act		
ESSER II - Elementary and Secondary School Emergency Relief Fund	84.425D	303,912
ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief Fund	84.425U	<u>225,178</u>
Total United States Department of Education		1,256,079
Federal Communications Commission		
Universal Service Fund - Schools and Libraries: E-rate	32.004	<u>151,178</u>
Total Federal Assistance		<u>\$ 1,407,257</u>

See accompanying notes to schedule of expenditures of federal awards.

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of International Leadership Charter High School under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guide). Because the schedule presents only a selected portion of the operations of International Leadership Charter High School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of International Leadership Charter High School.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3 - Indirect Cost Rate

International Leadership Charter High School has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.