

Financial Statements with Reports of
Independent Certified Public
Accountants

Icahn Charter School 3

June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of:
Icahn Charter School 3

Report on the financial statements

We have audited the accompanying financial statements of Icahn Charter School 3 (the "Charter School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Icahn Charter School 3 as of June 30, 2021 and 2020, 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.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 1, 2021, 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, 2021

Icahn Charter School 3

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 5,358,690	\$ 4,669,171
Restricted Cash	75,000	75,000
Grants and contracts receivable	252,629	116,625
Due from school districts	183,848	194,251
Prepaid expenses	46,744	64,518
Contributions and other receivables	199,595	88,015
Capital assets, net	<u>6,351,857</u>	<u>6,425,551</u>
Total assets	<u>\$ 12,468,363</u>	<u>\$ 11,633,131</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 427,814	\$ 185,813
Accrued payroll and benefits	898,465	768,280
Due to school districts	21,363	-
Deferred revenue	45,818	46,261
Obligations under capital lease	<u>2,100</u>	<u>5,143</u>
Total liabilities	<u>1,395,560</u>	<u>1,005,497</u>
Commitments and contingencies		
NET ASSETS		
Without donor restrictions	5,054,283	4,386,892
With donor restrictions	<u>6,018,520</u>	<u>6,240,742</u>
Total net assets	<u>11,072,803</u>	<u>10,627,634</u>
Total liabilities and net assets	<u>\$ 12,468,363</u>	<u>\$ 11,633,131</u>

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

Icahn Charter School 3

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support						
Public School District:						
Resident student enrollment	\$ 5,127,129	\$ -	\$ 5,127,129	\$ 5,303,976	\$ -	\$ 5,303,976
Students with disabilities	22,778	-	22,778	22,219	-	22,219
Grants and contracts:						
State and local	25,420	-	25,420	26,047	-	26,047
Federal - Title and IDEA	176,601	-	176,601	171,001	-	171,001
Federal - Other	161,359	-	161,359	-	-	-
Other grants	22,278	-	22,278	7,357	-	7,357
Net assets released from restrictions	222,222	(222,222)	-	222,222	(222,222)	-
Total revenue, gains and other support	5,757,787	(222,222)	5,535,565	5,752,822	(222,222)	5,530,600
Expenses						
Program services:						
Regular education	4,239,331	-	4,239,331	4,043,052	-	4,043,052
Special education	157,234	-	157,234	130,512	-	130,512
Total program services	4,396,565	-	4,396,565	4,173,564	-	4,173,564
Supporting services:						
Management and general	695,824	-	695,824	744,612	-	744,612
Total operating expenses	5,092,389	-	5,092,389	4,918,176	-	4,918,176
Surplus (deficit) from school operations	665,398	(222,222)	443,176	834,646	(222,222)	612,424
Other revenue						
Other income	1,993	-	1,993	59,374	-	59,374
Change in net assets	667,391	(222,222)	445,169	894,020	(222,222)	671,798
Net assets, beginning of year	4,386,892	6,240,742	10,627,634	3,492,872	6,462,964	9,955,836
Net assets, end of year	\$ 5,054,283	\$ 6,018,520	\$ 11,072,803	\$ 4,386,892	\$ 6,240,742	\$ 10,627,634

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

Icahn Charter School 3

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	Program Services			Management and General	2021 Total
	Regular Education	Special Education	Total		
Personnel service costs					
Administrative staff personnel	\$ 245,948	\$ -	\$ 245,948	\$ 300,107	\$ 546,055
Instructional personnel	2,227,107	75,706	2,302,813	-	2,302,813
Non-instructional personnel	-	-	-	173,697	173,697
Total personnel service costs	2,473,055	75,706	2,548,761	473,804	3,022,565
Fringe benefits and payroll taxes	475,086	17,558	492,644	84,192	576,836
Retirement	79,828	3,785	83,613	17,954	101,567
Legal	1,727	-	1,727	195	1,922
Accounting/audit services	28,775	2,051	30,826	3,481	34,307
Other purchased/professional/consulting services	28,662	22,778	51,440	870	52,310
Repairs and maintenance	219,844	3,989	223,833	25,278	249,111
Insurance	94,495	-	94,495	10,672	105,167
Utilities	79,600	5,513	85,113	9,612	94,725
Supplies/materials	64,584	3,332	67,916	-	67,916
Equipment/furnishings	15,064	-	15,064	-	15,064
Staff development	175,259	-	175,259	-	175,259
Marketing/recruitment	12,325	-	12,325	1,392	13,717
Technology	152,693	550	153,243	17,306	170,549
Telephone	13,481	961	14,442	1,631	16,073
Student services	31,254	1,106	32,360	-	32,360
Office expense	1,702	93	1,795	16,386	18,181
Depreciation	287,345	19,801	307,146	24,470	331,616
Other	4,552	11	4,563	8,581	13,144
Total expenses	\$ 4,239,331	\$ 157,234	\$ 4,396,565	\$ 695,824	\$ 5,092,389

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

Icahn Charter School 3

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program Services			Management and General	2020 Total
	Regular Education	Special Education	Total		
Personnel service costs					
Administrative staff personnel	\$ 236,963	\$ -	\$ 236,963	\$ 293,305	\$ 530,268
Instructional personnel	2,206,011	48,346	2,254,357	-	2,254,357
Non-instructional personnel	-	-	-	205,513	205,513
Total personnel service costs	2,442,974	48,346	2,491,320	498,818	2,990,138
Fringe benefits and payroll taxes	436,885	15,277	452,162	81,257	533,419
Retirement	65,848	2,417	68,265	15,485	83,750
Legal	1,545	-	1,545	183	1,728
Accounting/audit services	31,715	2,486	34,201	4,045	38,246
Other purchased/professional/consulting services	12,673	22,219	34,892	747	35,639
Repairs and maintenance	156,232	4,942	161,174	19,063	180,237
Insurance	78,212	-	78,212	9,251	87,463
Utilities	71,644	5,409	77,053	9,113	86,166
Supplies/materials	84,573	4,758	89,331	-	89,331
Equipment/furnishings	4,290	-	4,290	806	5,096
Staff development	172,650	-	172,650	-	172,650
Marketing/recruitment	12,332	-	12,332	1,459	13,791
Technology	96,759	598	97,357	11,515	108,872
Telephone	5,913	463	6,376	754	7,130
Student services	62,271	1,724	63,995	-	63,995
Office expense	10,411	802	11,213	57,055	68,268
Depreciation	278,030	21,052	299,082	25,357	324,439
Other	18,095	19	18,114	9,704	27,818
Total expenses	<u>\$ 4,043,052</u>	<u>\$ 130,512</u>	<u>\$ 4,173,564</u>	<u>\$ 744,612</u>	<u>\$ 4,918,176</u>

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

Icahn Charter School 3

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash receipts from:		
Public school district	\$ 5,126,686	\$ 5,239,546
Grants and contracts	171,255	266,103
Other income	1,996	59,371
Cash payments for:		
Vendors	(778,671)	(1,233,560)
Employee salaries and benefits	(3,570,782)	(3,500,998)
Net cash provided by operating activities	950,484	830,462
Cash flows from investing activities		
Purchase of equipment	(257,922)	(90,317)
Cash flows from financing activities		
Capital lease payments	(3,043)	(2,916)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	689,519	737,229
Cash and cash equivalents and Restricted Cash, beginning of year	4,744,171	4,006,942
Cash and cash equivalents and Restricted Cash, end of year	<u>\$ 5,433,690</u>	<u>\$ 4,744,171</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 445,169	\$ 671,798
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	331,616	324,439
Change in assets and liabilities:		
Grants and contracts receivable	(136,004)	63,634
Due from school district	10,403	(174,017)
Prepaid expenses	17,774	(18,573)
Contributions and other receivables	(111,580)	149,863
Accounts payable and accrued expenses	242,001	(224,003)
Accrued payroll and benefits	130,185	106,308
Due to school districts	21,363	(4,557)
Deferred revenue	(443)	(64,430)
Net cash provided by operating activities	<u>\$ 950,484</u>	<u>\$ 830,462</u>

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

Icahn Charter School 3

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A - NATURE OF OPERATIONS

The Icahn Charter School 3 (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 11, 2008, 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 last renewed in 2018 for a term up through and including July 31, 2023.

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 8, 2008.

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

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

During the fiscal year, the school began servicing students remotely and reopened to an in-school and remote schooling model in October 2020 servicing about one-third of the student population in-school. Over the course of the school year, in-school population increased as the availability of the vaccines increased. A robust remote learning plan was adapted and implemented for the Charter School students that decided to remain remote. In keeping with best practices and core principles, K-8 students received both synchronous and asynchronous instruction to support a learning experience that is purposeful, positive, and productive when at home. In order to mitigate the impact of the virus, the School has incorporated enhanced social distancing, use of personal protective equipment, and a combination of remote and face-to-face instruction in the 2020-2021 school year. For the 2021-2022, the school has adopted in-school learning only and will not offer remote learning due to the pandemic.

The in-school model has had little or no effect on student enrollment. Management expects this to be the case for the remainder of the 2021-2022 school year. Government funding to date is in line with expectations, although the New York State Education Department may reduce funding in the future. Management does not expect any changes in funding that will impact the financial stability of the school or student instruction.

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.

Icahn Charter School 3

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 or 2020.

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.

Icahn Charter School 3

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 and 2020, there was no allowance for uncollectible receivables. Grants and contracts receivables and contributions and other receivables as of June 30, 2021 and 2020 are expected to be collected within one year.

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

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents are recorded at fair value, and are comprised of highly liquid financial instruments with original maturities of three months or less at the time of purchase. Included in cash and cash equivalents at June 30, 2021 and 2020 is a reserve fund of \$159,000 and \$131,000 for the years ended June 30, 2021 and 2020, respectively, for the maintenance of the school facilities. Furthermore, a reserve fund of \$75,000 to cover debts in the event of the Charter School's dissolution is included as restricted cash within the statement of financial position.

Concentration of Credit Risk

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

Capital Assets

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

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

Icahn Charter School 3

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Classification of Expenses

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

Taxes

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

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

Use of Estimates

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.

NOTE C - CAPITAL ASSETS, NET

At June 30, 2021 and 2020, capital assets consisted of the following:

	2021	2020
Library, software and textbooks	\$ 121,625	\$ 121,625
Building	6,666,667	6,666,667
Equipment	1,549,973	1,304,446
Furniture and fixtures	315,716	303,319
	<u>8,653,981</u>	<u>8,396,057</u>
Less: Accumulated depreciation	<u>(2,302,124)</u>	<u>(1,970,506)</u>
	<u>\$ 6,351,857</u>	<u>\$ 6,425,551</u>

Included in equipment as of June 30, 2021 and 2020 are assets acquired under capital leases at a cost of approximately \$15,000 with accumulated depreciation of approximately \$12,500 and \$9,600, respectively.

Depreciation expense totaled approximately \$332,000 and \$324,000 for the years ended June 30, 2021 and 2020, respectively.

Icahn Charter School 3

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE D - RELATED PARTY TRANSACTIONS

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.

During 2012, Inwood Opportunity LLC and The New York City School Construction Authority entered into a funding agreement in order to provide a permanent location for the operation of three (3) public charter schools for grades K-8, one of which is the Charter School. On March 30, 2014, Inwood Opportunity LLC entered into a prime lease for the land and building located at 1500 Pelham Parkway South, Bronx, New York that is to expire on August 31, 2113, with The New York City School Construction Authority. Although the lease is between Inwood Opportunity and the SCA, the lease agreement designates the three (3) public charter schools as the initial users of the premises. The lease will have a 99-year term and Inwood is obligated to pay rent of \$1 per year. In accordance with the lease agreement, Inwood Opportunity LLC concurrently entered into a use agreement with the three (3) public charter schools for the use of the leased land and building for a corresponding term.

Inwood Opportunity LLC accounted for this arrangement as an agency transaction on behalf of the three (3) public charter schools as the three (3) public charter schools are the ultimate beneficiary of the imputed fair value of the 99-year lease agreement. In August 2018, upon completion of construction and issuance of the certificate of occupancy, the fair value of the land and building was determined to be approximately \$20,000,000. During the year ended June 30, 2019, each of the three (3) public charter schools recorded one-third of the imputed fair value, or \$6,666,000, of the building and land, as each school shares the land and building evenly, within net assets with donor restrictions and capital assets. The building will be amortized over a 30-year term, the estimated useful life of the building, and the net assets will be released from the restrictions accordingly.

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 Icahn Charter School 1 who serve in a management capacity at the Charter School. Icahn Charter School 3 is also located in a building shared with Icahn Charter School 4 and Icahn Charter School 5. The three schools share certain resources that generate expenses that are prorated between the schools. At June 30, 2021 and 2020, accounts payable and accrued expenses included approximately \$171,000 and \$26,000, respectively, and other receivables included approximately \$180,000 and \$42,000, respectively, pertaining to these related party transactions.

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020, net assets with donor restrictions consisted of the following:

	2021	2020
Restricted as to purpose:		
Middle School	<u>\$ 6,018,520</u>	<u>\$ 6,240,742</u>

Icahn Charter School 3

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

During the years ended June 30, 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the purpose, or by meeting the time restrictions as follows:

	2021	2020
Middle School	\$ 222,222	\$ 222,222

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 ("DOE") 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 DOE totaled approximately \$5,150,000 and \$5,326,000 for the years ended June 30, 2021 and 2020, respectively. The Charter School is dependent upon this level of funding in order to continue its operations.

NOTE H - OBLIGATION UNDER CAPITAL LEASE

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

Annual payments due subsequent to June 30, 2021 follow:

Year ending June 30, 2022	\$ 2,133
Total	2,133
Less: interest	(33)
	<u>\$ 2,100</u>

NOTE I - PENSION PLAN

The Charter School has a defined contribution plan (the "Plan"), administered by T. Rowe Price, for all full-time personnel. Contributions by the Charter School to the Plan totaled approximately \$102,000 and \$84,000 for the years ended June 30, 2021 and 2020, respectively.

Icahn Charter School 3

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE J - COMMITMENTS AND CONTINGENCIES

Government Agency Audits

The Charter School participates in a number of federal and state programs. These programs require that the Charter School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government contracts by government agencies is presently not determinable, it should not, in the opinion of management, have a material effect on the Charter School's financial position or change in net assets. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

Litigation

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

NOTE K - LIQUIDITY

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

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:

	2021	2020
Cash and cash equivalents	\$ 5,358,690	\$ 4,669,171
Grants and contracts receivable	252,629	116,625
Due from school districts	183,848	194,251
Contributions and other receivables	199,595	88,015
Total financial assets available within one year	<u>\$ 5,994,762</u>	<u>\$ 5,068,062</u>

The school maintained a net assets with donor restrictions balance of approximately \$6,019,000 and \$6,241,000 as of June 30, 2021 and 2020, 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, 2021 financial statements for subsequent events through November 1, 2021, the date the financial statements were available to be issued. The Charter School is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

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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 3

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Icahn Charter School 3 (the "Charter School"), which comprise the statement of financial position as of June 30, 2021, 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, 2021.

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 internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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

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

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*.

Intended purpose

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, 2021