

Financial Statements with Reports of
Independent Certified Public
Accountants

June 30, 2020 and 2019

Icahn Charter School 5

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 3,263,603	\$ 2,864,095
Restricted Cash	75,000	75,000
Grants and contracts receivable	136,396	149,663
Due from school district	119,583	38,319
Prepaid expenses	55,174	49,253
Contributions and other receivables	31,724	18,605
Other assets	34,323	25,813
Capital assets, net	<u>6,402,301</u>	<u>6,653,243</u>
Total assets	<u>\$ 10,118,104</u>	<u>\$ 9,873,991</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 139,803	\$ 377,170
Accrued payroll and benefits	634,065	522,234
Due to school districts	-	4,715
Deferred revenue	47,126	111,439
Obligations under capital leases	<u>14,232</u>	<u>20,372</u>
Total liabilities	<u>835,226</u>	<u>1,035,930</u>
Commitments and contingencies		
NET ASSETS		
Without donor restrictions	3,042,136	2,375,097
With donor restrictions	<u>6,240,742</u>	<u>6,462,964</u>
Total net assets	<u>9,282,878</u>	<u>8,838,061</u>
Total liabilities and net assets	<u>\$ 10,118,104</u>	<u>\$ 9,873,991</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support Public School District:						
Resident student enrollment	\$ 5,305,922					

	Regular Education	Special Education	Total	Management and General	2020 Total
Personnel service costs					
Administrative staff personnel	\$ 171,658	\$ -	\$ 171,658	\$ 293,305	\$ 464,963
Instructional personnel	2,385,530	-	2,385,530	-	2,385,530
Non-instructional personnel	-	-	-	213,451	213,451
Total personnel service costs	2,557,188	-	2,557,188		

	Regular Education	Special Education	Total	Management and General	2019 Total
Personnel service costs					
Administrative staff personnel	\$ 144,640	\$ -	\$ 144,640	\$ 282,092	\$ 426,732
Instructional personnel	2,232,205	16,618	2,248,823	-	2,248,823
Non-instructional personnel	-	-	-	225,235	225,235
Total personnel service costs	2,376,845	16,618	2,393,463	507,327	2,900,790
Fringe benefits and payroll taxes	508,261	1,501	509,762	71,189	580,951
Retirement	59,442	831	60,273	15,878	76,151
Legal	350	-	350	61	411
Accounting/audit services	29,409	2,303	31,712	5,516	37,228
Other purchasing/professional/consulting services	12,543	2,726	15,269	1,152	16,421
Building and land rent/lease	58,958	4,617	63,575	11,059	

	2020	2019
Cash flows from operating activities:		
Cash receipts from:		
Public school district	\$ 5,241,609	\$ 5,096,228
Grants and contracts	140,941	385,062
Other	47,524	66,527
Cash payments for:		
Vendors	(1,325,052)	(1,241,957)
Employee salaries and benefits	(3,627,200)	(3,461,658)
Net cash provided by operating activities	477,822	844,202
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	(72,174)	(54,158)
Cash flows from financing activities:		
Capital lease payments	(6,140)	(5,878)
Cash and cash equivalents and Restricted Cash, beginning of year	2,939,095	2,154,929
Cash and cash equivalents and Restricted Cash, end of year	\$ 3,338,603	\$ 2,939,095
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 444,817	\$ 6,935,748
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	323,116	346,339
Change in assets and liabilities:		
Grants and contracts receivable	13,267	(3,193)
Due from school district	(81,264)	72,771
Prepaid expenses	(5,921)	10,391
Contributions and other receivables	(13,119)	13,621

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NOTES TO THE FINANCIAL STATEMENTS

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NOTE A - NATURE OF OPERATIONS

The Icahn Charter School 5 (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 January 12, 2010, the Board of Regents of the University of the State of New York, for and on behalf of the State Education Department, granted a provisional charter valid for a term of five years, incorporating the Charter School. The charter was renewed in 2020 for a term up through and including July 31, 2026.

The central mission of the Charter School, using the Core Knowledge curriculum developed by E.D. Hirsch, is to provide students with a rigorous academic program offered in an extended day/year setting. Students are expected to graduate armed with the skills and knowledge to participate successfully in the most rigorous academic environments and have a sense of personal and community responsibility. The Charter School is coeducational and nonsectarian and commenced instruction on September 12, 2011.

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 hd.024 76 home. The outbreak

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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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, 2020 or 2019.

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

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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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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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.

The Charter School utilizes certain facilities provided by Inwood Opportunity, an organization affiliated with the Company, at no cost. The estimated fair value of cost savings associated with such arrangement totaled approximately \$75,000 for the year ended June 30, 2019 and is recognized as revenue within state and local grants, and also included within expenses in the statement of activities. During fiscal 2019, the Charter School entered into a use agreement for this space, see below.

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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Annual payments due subsequent to June 30, 2020 follow:

Year ending June 30,

2021	\$	6,913
2022		6,047
2023		<u>2,014</u>
Total		14,975
Less: interest		

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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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 for the period ending 6/30/2020. For the period ending 6/30/2019, the school considers all expenditures for the period ending 6/30/2019.

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