

Financial Statements with Reports of
Independent Certified Public
Accountants

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Report of Independent Certified Public Accountants

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Financial Statements

To the Board of Directors of:
Icahn Charter School 7

Report on the financial statements

We have audited the accompanying financial statements of Icahn Charter School 7 (the "School"), consisting of the balance sheet as of June 30, 2020 and 2019, 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

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 the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter School as of June 30, 2020 and 2019, 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, ~~attached as a separate document~~, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is ~~attached as a separate document~~ reporting and compliance.



New York, New York
November 2, 2020

Icahn Charter School 7

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,489,431	\$ 978,990
Restricted Cash	75,000	75,000
Grants and contracts receivable	129,131	133,363
Due from school district	77,584	27,822
Prepaid expenses	44,190	32,815
Contributions and other receivables	5,470	13,531
Other Assets	3,054	-
Capital assets, net	<u>272,935</u>	<u>358,999</u>
Total assets	<u>\$ 2,096,795</u>	<u>\$ 1,620,520</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 113,770	\$ 182,287
Accrued payroll and benefits	704,591	603,736
Deferred revenue	46,420	95,937
Obligations under capital leases	<u>84,852</u>	<u>107,054</u>
Total liabilities	<u>949,633</u>	<u>989,014</u>
Commitments and contingencies		
NET ASSETS		
Without donor restrictions	<u>1,147,162</u>	<u>631,506</u>
Total liabilities and net assets	<u>\$ 2,096,795</u>	<u>\$ 1,620,520</u>

	2020	2019
Revenue, gains and other support		
Public school district:		
Resident student enrollment	\$ 5,210,491	\$ 4,343,084
Students with disabilities	2,085	23,697
Grants and contracts:		
State and local	353,117	224,966
Federal - Title and IDEA	163,047	171,139
Other grants	35,501	50,139
Total revenue, gains and other support	5,764,241	4,813,025
Expenses		
Program services:		
Regular education	4,451,554	4,291,520
Special education	63,894	82,230
Total program services	4,515,448	4,373,750
Supporting services:		
Management and general	755,308	685,927
Total operating expenses	5,270,756	5,059,677
Surplus (deficit) fW*n		

	Regular Education	Special Education	Total	Management and General	2020 Total
Personnel service costs					
Administrative staff personnel	\$ 166,528	\$ -	\$ 166,528	\$ 293,305	\$ 459,833
Instructional personnel	2,512,902	-	2,512,902	-	2,512,902
Non-instructional personnel	-	-	-	210,977	210,977
Total personnel service costs	2,679,430	-	2,679,430	504,282	3,183,712
Fringe benefits and payroll taxes	578,584	-	578,584	46,449	625,033
Retirement	52,636	-	52,636	20,682	73,318
Legal service	21	-	21	4	25
Accounting/audit services	26,367	2,643	29,010	5,119	34,129
Other purchased/professional/consulting services	16,186	2,085	18,271	1,558	19,829
Building and land rent/lease	252,953	25,352	278,305	49,113	327,418
Repairs and maintenance	8,345	47	8,392	400	8,792
Insurance	39,091	-	39,091	6,898	45,989
Supplies/materials	163,806	12,420	176,226	-	176,226
Equipment/furnishings	1,350	-	1,350	135	1,485
Staff development	189,113	-	189,113	-	189,113
Marketing/recruitment	11,640	-	11,640	2,054	13,694
Technology	148,478	3,436	151,914	26,808	178,722
Telephone	11,434	1,146	12,580	2,220	14,800
Student services	100,325	2,441	102,766	-	102,766
Office expense	18,150	1,768	19,918	61,482	81,400

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STATEMENTS OF CASH FLOWS

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash receipts from:		
Public school district	\$ 5,160,974	\$ 4,357,816
Grants and contracts	516,281	517,959
Other	22,170	30,004
Cash payments for:		
Vendors	(1,314,651)	(1,311,437)
Employee salaries and benefits	(3,781,208)	(3,429,107)
	<u>603,566</u>	<u>165,235</u>
Cash flows from investing activities		
Purchases of furniture, fixtures and equipment	(70,923)	(226,906)
Cash flows from financing activities		
Capital lease payments	(22,202)	(14,521)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	510,441	(76,192)
Cash and cash equivalents and Restricted Cash, beginning of year	<u>1,053,990</u>	<u>1,130,182</u>
Cash and cash equivalents and Restricted Cash, end of year	<u>\$ 1,564,431</u>	<u>\$ 1,053,990</u>
Supplemental disclosure of cash flow information:		
Equipment acquired under capital leases	<u>\$ -</u>	<u>\$ 104,461</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 515,656	\$ (216,648)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	156,987	155,900
Change in assets and liabilities:		
Grants and contracts receivable	4,232	(2,975)
Prepaid expenses	(11,375)	4,913
Due from school districts	(49,762)	44,684
Contributions and other receivables	8,061	6,309
Accounts payable and accrued expenses	(68,517)	(28,813)
Accrued payroll and benefits	100,855	187,133
Increase in other assets	(3,054)	-
Deferred revenue	(49,517)	14,732
	<u>\$ 603,566</u>	<u>\$ 165,235</u>

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

Icahn Charter School 7
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

Icahn Charter School 7

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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. All such 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. The Charter School did not have any such amounts available to use or expend.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE D - RELATED PARTY TRANSACTIONS

Legal services are provided

Icahn Charter School 7

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Annual payments due subsequent to June 30, 2020 follow:

Year ending June 30,

2021	\$ 27,356
2022	27,356
2023	25,342
2024	13,080
Total	93,134
Less: interest	(8,282)
	\$ 84,852

NOTE H - PENSION PLAN

The Charter School has a defined contribution pension plan for full-time personnel. Contributions by the Charter School to the Plan totaled approximately \$73,000 and \$71,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE I - 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, result in a material 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 J - LIQUIDITY

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

Icahn Charter School 7

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

To the Board of Directors of:
Icahn Charter School 7

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 7 (the "School") which comprise the statement of financial position as of June 30, 2020, 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 2, 2020.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting of the School. We considered those internal control 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

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 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

Compliance and other matters

Our audit was limited to the financial statements and, therefore, we did not perform 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 compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*. Accordingly, this report is not suitable for any other purpose.



New York, New York
November 2, 2020