

Financial Statements with Reports of  
Independent Certified Public  
Accountants

**Icahn Charter School 6**

June 30, 2020 and 2019

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors of:  
**Icahn Charter School 6**

**Report on the financial statements**

We have audited the accompanying financial statements of Icahn Charter School 6 (the "Charter School"), which comprise the statements of financial position 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'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 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, dated November 2, 2020, 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 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* in considering the Charter School's internal control over financial reporting and compliance.



New York, New York  
November 2, 2020

Icahn Charter School 6

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,722,192	\$ 2,673,648
Restricted Cash	75,000	75,000
Grants and contracts receivable	162,870	185,613
Due from school district	63,127	-
Prepaid expenses	145,259	30,038
Contributions and other receivables	9,684	20,207
Other assets	66,000	66,000
Capital assets, net	197,225	312,133
	<u>3,441,357</u>	<u>3,362,639</u>
Total assets	<u>\$ 3,441,357</u>	<u>\$ 3,362,639</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 209,611	\$ 394,123
Accrued payroll and benefits	717,460	563,107
Due to school districts	4,340	4,340
Deferred revenue	61,929	134,726
Obligations under capital leases	19,705	29,108
Deferred rent liability	73,808	126,102
Total current liabilities	<u>1,086,853</u>	<u>1,251,506</u>
Commitments and contingencies		
<b>NET ASSETS</b>		
Without donor restrictions	<u>2,354,504</u>	<u>2,111,133</u>
Total liabilities and net assets	<u>\$ 3,441,357</u>	<u>\$ 3,362,639</u>

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

Icahn Charter School 6

STATEMENTS OF ACTIVITIES

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Revenues, gains and other support</b>		
Public School District:		
Resident student enrollment	\$ 5,344,707	\$ 5,465,686
Students with disabilities	9,203	12,853
Grants and contracts:		
State and local	885,502	928,086
Federal - Title and IDEA	209,466	253,463
Other grants	28,444	24,829
Total revenues, gains and other support	<u>6,477,322</u>	<u>6,684,917</u>
<b>Expenses</b>		
Program services:		
Regular education	5,221,500	5,067,973
Special education	127,458	174,547
Total program services	<u>5,348,958</u>	<u>5,242,520</u>
Supporting services:		
Management and general	928,748	1,046,134
Total operating services	<u>6,277,706</u>	<u>6,288,654</u>
Surplus from school operations	<u>199,616</u>	<u>396,263</u>
<b>Other revenue</b>		
Other income	<u>43,755</u>	<u>62,054</u>
Change in net assets	243,371	458,317
<b>Net assets, beginning of year</b>	<u>2,111,133</u>	<u>1,652,816</u>
<b>Net assets, end of year</b>	<u>\$ 2,354,504</u>	<u>\$ 2,111,133</u>

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

Icahn Charter School 6

STATEMENT OF FUNCTIONAL EXPENSES

As of June 30, 2020

	Program Services			Management and General	2020 Total
	Regular Education	Special Education	Total		
<b>Personnel service costs</b>					
Administrative staff personnel	\$ 153,909	\$ -	\$ 153,909	\$ 293,305	\$ 447,214
Instructional personnel	2,564,408	-	2,564,408	-	2,564,408
Non-instructional personnel	-	-	-	245,220	245,220
Total personnel service costs	2,718,317	-	2,718,317	538,525	3,256,842
Fringe benefits and payroll taxes	562,326	68	562,394	77,856	640,250
Retirement	70,820	-	70,820	18,347	89,167
Legal	1,041	-	1,041	160	1,201
Accounting/audit services	26,500	3,077	29,577	4,550	34,127
Other purchasing/professional/consulting services	13,834	-	13,834	1,073	14,907
Building and land rent/lease	625,374	72,619	697,993	107,383	805,376
Repairs and maintenance	44,245	1,588	45,833	7,051	52,884
Insurance	39,858	-	39,858	6,132	45,990
Utilities	16,640	1,932	18,572	2,857	21,429
Supplies/materials	199,785	17,552	217,337	-	217,337
Equipment/furnishings	4,052	-	4,052	8,228	12,280
Staff development	337,985	-	337,985	-	337,985
Marketing/recruitment	12,907	-	12,907	1,986	14,893
Technology	137,350	2,486	139,836	21,513	161,349
Telephone	9,662	1,122	10,784	1,659	12,443
Student services	177,845	5,241	183,086	-	183,086
Office expense	19,577	2,207	21,784	97,111	118,895
Depreciation	176,438	19,449	195,887	22,626	218,513
Other	26,944	117	27,061	11,691	38,752
Total expenses	\$ 5,221,500	\$ 127,458	\$ 5,348,958	\$ 928,748	\$ 6,277,706

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

## Icahn Charter School 6

## STATEMENT OF FUNCTIONAL EXPENSES

As of June 30, 2019

	Program Services			Management and General	2019 Total
	Regular Education	Special Education	Total		
<b>Personnel service costs</b>					
Administrative staff personnel	\$ 155,178	\$ -	\$ 155,178	\$ 282,092	\$ 437,270
Instructional personnel	2,342,720	-	2,342,720	-	2,342,720
Non-instructional personnel	-	-	-	311,507	311,507
Total personnel service costs	2,497,898	-	2,497,898	593,599	3,091,497
Fringe benefits and payroll taxes	504,861	68	504,929	89,186	594,115
Retirement	69,357	-	69,357	21,607	90,964
Legal	204	-	204	40	244
Accounting/audit services	24,982	3,372	28,354	5,513	33,867
Other purchasing/professional/consulting services	16,873	12,853	29,726	1,506	31,232
Building and land rent/lease	637,373	86,030	723,403	140,662	864,065
Repairs and maintenance	18,059	295	18,354	3,569	21,923
Insurance	35,932	-	35,932	6,987	42,919
Utilities	26,579	3,587	30,166	5,866	36,032
Supplies/materials	274,140	27,995	302,135	-	302,135
Equipment/furnishings	6,153	-	6,153	12,668	18,821
Staff development	302,908	-	302,908	-	302,908
Marketing/recruitment	12,906	-	12,906	2,510	15,416
Technology	148,060	2,822	150,882	29,338	180,220
Telephone	9,802	1,323	11,125	2,163	13,288
Student services	241,982	8,069	250,051	-	250,051
Office expense	23,624	3,043	26,667	85,421	112,088
Depreciation	192,694	24,935	217,629	33,900	251,529
Other	23,586	155	23,741	11,599	35,340
Total expenses	\$ 5,067,973	\$ 174,547	\$ 5,242,520	\$ 1,046,134	\$ 6,288,654

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

Icahn Charter School 6

STATEMENTS OF CASH FLOWS

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from:		
Public school district	\$ 5,271,908	\$ 5,479,416
Grants and contracts	1,102,755	1,349,995
Other	43,757	62,054
Cash payments for:		
Vendors	(2,424,962)	(2,025,173)
Employee salaries and benefits	(3,831,906)	(3,761,275)
Net cash provided by operating activities	<u>161,552</u>	<u>1,105,017</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	<u>(103,605)</u>	<u>(213,263)</u>
<b>Cash flows from financing activities:</b>		
Capital lease payments	<u>(9,403)</u>	<u>(9,143)</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	48,544	882,611
<b>Cash and cash equivalents and Restricted Cash, beginning of year</b>	<u>2,748,648</u>	<u>1,866,037</u>
<b>Cash and cash equivalents and Restricted Cash, end of year</b>	<u>\$ 2,797,192</u>	<u>\$ 2,748,648</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 243,371	\$ 458,317
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	218,513	251,529
Change in assets and liabilities:		
Grants and contracts receivable	22,743	(4,985)
Due from school district	(63,127)	117,813
Prepaid expenses	(115,221)	77,877
Contributions and other receivables	10,523	17,936
Accounts payable and accrued expenses	(184,512)	200,961
Accrued payroll and benefits	154,353	15,302
Deferred rent	(52,294)	(36,953)
Due to school districts	-	(6,510)
Deferred revenue	(72,797)	13,730
Net cash provided by operating activities	<u>\$ 161,552</u>	<u>\$ 1,105,017</u>

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

## Icahn Charter School 6

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

#### NOTE A - NATURE OF OPERATIONS

The Icahn Charter School 6 (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 September 13, 2011, 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 2017 for a term up through and including July 31, 2022.

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 10, 2012.

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.

As a result of the pandemic, the School closed its facility beginning in mid-March 2020 and taught the remainder of the school year on-line. A robust remote learning plan was adapted and implemented for the Charter School students. In keeping with best practices and core principles, K-8 students will receive both synchronous and asynchronous instruction to support a learning experience that is purposeful, positive, and productive. 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. The Icahn Charter School students began instruction for the 2020-2021 academic year remotely. In October 2020, the school introduced the second tier, hybrid model of its re-entry plan allowing an estimated 6 students in each classroom on set days. The third tier will increase the number of in-house instructional days, and the last tier has no-remote instruction.

The re-entry models have had little or no effect on student enrollment. Management expects this to be the case for the remainder of the 2020-2021 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.

Icahn Charter School 6

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Charter School's policy is to prepare its financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") using the accrual basis of accounting.

Consequently, certain revenue and related assets are recognized when pledged or earned and certain expenses are recognized when the obligation is incurred.

***Net Asset Classification***

The Charter School reports information regarding their financial position and changes in net assets according to the existence or absence of donor-imposed restrictions, as follows:

***Net Assets without Donor Restriction***

Represent net assets which are not restricted by donors. Net assets without donor restrictions are net assets of the Charter School that are fully available, at the discretion of the Board of Directors and management, for the Charter School to utilize in any of its programs or supporting services.

***Net Assets with Donor Restriction***

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. The Charter School's net assets with donor restrictions are all subject to donor-imposed restrictions that require the Charter School to use or expend the gifts as specified, based on purpose or passage of time. The Charter School did not have any such amounts as of June 30, 2020 or 2019.

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 the period earned. Amounts received in advance are reported as deferred revenue.

During the year ended June 30, 2020, the Charter School adopted Accounting Standards Update ("ASU") 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made in regards to its revenue recognition for grants and contracts. In accordance with ASU 2018-08, the Charter School evaluates 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 an exchange transaction, revenue is recognized as the related expenses are incurred in accordance with the terms of the respective grant or contract agreement. Amounts received in advance are reported as deferred revenues. If the transfer of assets is determined to be a contribution, the Charter School evaluates whether

Icahn Charter School 6

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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.

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.

**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, 2020 and 2019, there was no allowance for uncollectible receivables. Grant and contributions receivables and contributions and other receivables as of June 30, 2020 and 2019 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. 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.

Icahn Charter School 6

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

**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
Equipment	3-5 years
Library, software and textbooks	3 years

**Classification of Expenses**

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

Icahn Charter School 6

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

**NOTE C - CAPITAL ASSETS, NET**

At June 30, 2020 and 2019, capital assets consisted of the following:

	<u>2020</u>	<u>2019</u>
Library, software and textbooks	\$ 30,288	\$ 30,288
Renovations and improvements	99,040	99,040
Equipment	1,293,530	1,243,128
Furniture and fixtures	390,879	337,676
	<u>1,813,737</u>	<u>1,710,132</u>
Less: Accumulated depreciation	<u>(1,616,512)</u>	<u>(1,397,999)</u>
	<u>\$ 197,225</u>	<u>\$ 312,133</u>

Included in equipment as of June 30, 2020 and 2019 are assets acquired under capital leases at a cost of approximately \$48,000 with accumulated depreciation of approximately \$29,600 and \$20,000, respectively.

Depreciation expense totaled approximately \$219,000 and \$252,000 for the years ended June 30, 2020 and 2019, respectively.

**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.

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 and for one student counselor at the Charter School who served in an educational capacity at Icahn Charter School 6. At June 30, 2020 and 2019, accounts payable and accrued expenses included approximately \$33,000 and \$135,000, respectively, and other receivables included approximately \$9,500 and \$8,000, respectively, pertaining to these related party transactions.

**NOTE E - CONTRIBUTED SERVICES AND SPACE**

The Charter School utilizes certain facilities provided by the New York City public school system at no cost. The estimated fair value of the cost savings associated with such arrangement totaled approximately \$229,000 and \$287,000 for the years ended June 30, 2020 and 2019, respectively, and is recognized as revenue within state and local grants, and also included within expenses in the statement of activities. The Charter School also 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.

Icahn Charter School 6

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

**NOTE F - 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 \$5,354,000 and \$5,479,000 for the years ended June 30, 2020 and 2019, respectively. The Charter School is dependent upon this level of funding in order to continue its operations.

**NOTE G - OBLIGATION UNDER CAPITAL LEASE**

Certain long-term leases covering equipment are classified as capital leases. 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 leases represents the present value of the rental payments discounted by interest rates implicit in the lease agreements.

Annual payments due subsequent to June 30, 2020 follow:

Year ending June 30,

2021	\$	10,697
2022		6,495
2023		<u>3,439</u>
Total		20,631
Less: interest		<u>(926)</u>
	\$	<u><u>19,705</u></u>

**NOTE H - 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 \$89,000 and \$91,000 for the years ended June 30, 2020 and 2019, respectively.

**NOTE I - COMMITMENTS AND CONTINGENCIES**

The Charter School entered into a 5-year lease agreement with the Church of St. Anthony located in the Bronx to house the middle school grades commencing on August 1, 2016. The minimum future annual commitments under the operating lease at June 30, 2020 are as follows:

**Year ending June 30,**

2021	\$	644,826
2022		<u>53,845</u>
Total	\$	<u><u>698,671</u></u>

Icahn Charter School 6

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The School's lease agreement includes rent escalation clauses. Since the payments are not equal over the term of the lease, the total rental payments are accounted for on a straight-line basis over the life of the lease. Accordingly, a deferred rent liability of \$74,000 and \$126,000 existed as of June 30, 2020 and June 30, 2019, respectively.

**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 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.

As of June 30, 2020, the following financial assets could be readily made available within one year of the statement of financial position date to meet general operating expenditures:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,722,192	\$ 2,673,648
Grants and contracts receivable	162,870	185,613
Due from school district	63,127	-
Contributions and other receivables	<u>9,684</u>	<u>20,207</u>
Total financial assets available within one year	<u>\$ 2,957,873</u>	<u>\$ 2,879,468</u>

**NOTE K - SUBSEQUENT EVENTS**

The Charter School evaluated its June 30, 2020 financial statements for subsequent events through November 2, 2020, the date the financial statements were available to be issued. The Charter School is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

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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 6**

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 6 (the "Charter 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 Charter School's internal control over financial reporting ("internal control") to design 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.



New York, New York  
November 2, 2020