

Financial Statements with Reports of
Independent Certified Public
Accountants

June 30, 2020 and 2019

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To the Board of Directors of:



Opinion

2020

2019

ASSETS

	Without Donor Restricted	With Donor Restricted	Total	Without Donor Restricted	With Donor Restricted	Total
Revenues, gains and other support						
Public School District:						
Resident student enrollment	\$ 5,256,758	\$ -	\$ 5,256,758	\$ 5,047,184	\$ -	\$ 5,047,184
Students with disabilities	30,857	0	30,857	30,857	0	30,857

**Regular
Education**

**Special
Education**

Total

**Management
and General**

**2019
Total**

Icahn Charter School 4

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A - NATURE OF OPERATIONS

The Icahn Charter School 4 (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 December 5, 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 2014 for a term up through and including July 31, 2024.

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, 2009.

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

Icahn Charter School 4

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Icahn Charter School 4

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 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.

Icahn Charter School 4

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Restricted as to purpose:		
Middle School	<u>\$ 6,240,742</u>	<u>\$ 6,462,964</u>

During the years ended June 30, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the purpose, or by meeting the time restrictions as follows:

	<u>2020</u>	<u>2019</u>
Middle School	<u>\$ 222,222</u>	<u>\$ 203,703</u>

NOTE F - CONTRIBUTED SERVICES

Icahn Charter School 4

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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	\$ 2,022,005	\$ 1,948,417
Grants and contracts receivable	100,834	159,177
Due from school districts	70,073	7,728
Contributions and other receivables	<u>21,475</u>	<u>34,038</u>
Total financial assets available within one year	<u>\$ 2,214,387</u>	<u>\$ 2,149,360</u>

The school maintained a net assets with donor restrictions balance of \$6,240,742 and \$6,462,964 as of June 30, 2020 and 2019, 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, 2020 financial statements for subsequent events through November 2, 2020

To the Board of Directors of:
Icahn Charter School 4

We have audited, in accordance with auditing standards generally accepted in the

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
No