

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2022

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
JUNE 30, 2022**

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Independent Auditor's Report

Board of Trustees
International Leadership Charter High School

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of International Leadership Charter High School, a New York not-for-profit corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of International Leadership Charter High School as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of International Leadership Charter High School and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about International Leadership Charter High School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 International Leadership Charter High School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about International Leadership Charter High School's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 21, 2022, on my consideration of International Leadership Charter High School’s internal control over financial reporting and on my 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 my 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 International Leadership Charter High 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 International Leadership Charter High School’s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Jeffrey A. P. LLC". The signature is written in a cursive, flowing style.

New York, New York
October 21, 2022

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

ASSETS

Current Assets

Cash	\$ 1,080,155
Grants and other receivable	487,670
Investment - retirement plan	53,524
Prepaid expenses	<u>61,420</u>

Total Current Assets 1,682,769

Property and Equipment

Building	18,052,256
Land	2,530,000
Furniture and fixtures	319,230
Computers and equipment	<u>515,898</u>

21,417,384

Less accumulated depreciation (3,497,794)

Property and equipment, net 17,919,590

Other Assets

Restricted cash	2,974,833
Predevelopment costs	411,515
Cash in escrow	<u>75,289</u>

Total Other Assets 3,461,637

TOTAL ASSETS \$ 23,063,996

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 851,717
Accrued expenses	229,223
Accrued interest payable	548,106
Deferred compensation	53,524
Deferred revenue	411,515
Bonds payable - current	<u>425,000</u>

Total Current Liabilities 2,519,085

Long-Term Liabilities

Bonds payable, net of unamortized bond issuance costs	<u>17,289,372</u>
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Total Long-Term Liabilities 17,289,372

Total Liabilities 19,808,457

Net Assets

Net Assets without donor restrictions	<u>3,255,539</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 23,063,996

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

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Revenue and other support

Public school district:	
Resident Student Enrollment	\$ 5,899,745
Students with Disabilities	178,902
Government Grants and contracts:	
Federal - Title and IDEA	276,282
Federal - Other	491,925
Foundation Grants	139,000
Contributions	42,101
Interest income	<u>2,141</u>

Total Revenue and Other Support	<u>7,030,096</u>
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Expenses

Program services	
Regular education	4,907,535
Special education	<u>1,189,905</u>

Total Program Services	<u>6,097,440</u>
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Management and General	<u>844,984</u>
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Total expenses	<u>6,942,424</u>
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Change in Net Assets	87,672
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Net Assets without Donor Restrictions - Beginning of year	<u>3,167,867</u>
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Net Assets without Donor Restrictions - End of year	<u><u>\$ 3,255,539</u></u>
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The accompanying notes are an integral part of these financial statements.

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	No. Of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Sub- Total	Management & General	Sub- Total	
Administrative staff	11	\$ 616,077	\$ 154,019	\$ 770,096	\$ 256,699	\$256,699	\$1,026,795
Instructional personnel	20	<u>1,240,754</u>	<u>144,305</u>	<u>1,385,059</u>	-	-	<u>1,385,059</u>
	31						
Total Salaries		1,856,831	298,324	2,155,155	256,699	256,699	2,411,854
Payroll taxes and fringe benefits		266,835	43,343	310,178	38,257	38,257	348,435
Retirement		84,701	13,758	98,459	12,144	12,144	110,603
Legal services		-	-	-	115,529	115,529	115,529
Accounting / audit services		-	-	-	142,655	142,655	142,655
Other purchased / professional / consulting		268,617	130,158	398,775	22,353	22,353	421,128
Building and land rent / lease / facility interest		749,026	288,087	1,037,113	115,235	115,235	1,152,348
Repairs and maintenance		118,834	45,705	164,539	18,282	18,282	182,821
Insurance		106,427	40,933	147,360	16,373	16,373	163,733
Utilities		61,577	23,684	85,261	9,473	9,473	94,734
Supplies / materials		57,362	6,477	63,839	-	-	63,839
Equipment / furnishings		22,954	8,829	31,783	3,531	3,531	35,314
Staff development		228,097	29,038	257,135	15,799	15,799	272,934
Marketing / recruitment		158,534	17,902	176,436	-	-	176,436
Technology		57,151	21,981	79,132	8,792	8,792	87,924
Food service		141,405	15,968	157,373	-	-	157,373
Student services		275,082	31,063	306,145	-	-	306,145
Office expense		80,333	30,897	111,230	12,359	12,359	123,589
Depreciation		343,901	132,270	476,171	52,908	52,908	529,079
Miscellaneous expenses		<u>29,868</u>	<u>11,488</u>	<u>41,356</u>	<u>4,595</u>	<u>4,595</u>	<u>45,951</u>
TOTAL EXPENSES		<u>\$4,907,535</u>	<u>\$1,189,905</u>	<u>\$6,097,440</u>	<u>\$ 844,984</u>	<u>\$844,984</u>	<u>\$6,942,424</u>

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

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

Cash flows from operating activities:

Changes in Net Assets	\$ 87,672
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	529,079
Amortization of bond issuance costs	33,767
(Increase) Decrease in operating assets	
Grants and other receivable	(367,209)
Prepaid expense	(5,443)
Increase (Decrease) in operating liabilities	
Accounts payable	188,464
Accrued expenses	31,806
Deferred revenue	408,475
Accrued interest payable	<u>(11,875)</u>
Net cash provided by operating activities	894,736

Cash flows from investing activities:

Payments of predevelopment costs	(411,515)
Purchase of property and equipment	<u>(172,348)</u>
Net cash used in investing activities	(583,863)

Cash flows from financing activities:

Repayment of bonds payable	<u>(475,000)</u>
Net cash used in Financing activities	<u>(475,000)</u>
Net decrease in Cash and Restricted Cash	(164,127)

Cash and Restricted Cash - Beginning of Year	<u>4,294,404</u>
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Cash and Restricted Cash - End of Year	<u><u>\$ 4,130,277</u></u>
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Supplemental information

Interest paid during the year	<u><u>\$ 1,108,088</u></u>
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The accompanying notes are an integral part of these financial statements.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - ORGANIZATION

International Leadership Charter High School (the "Charter School") is an education corporation operating as a charter school in Bronx, New York. The Charter School opened in 2006 with a charter granted by the New York City Department of Education. On June 10, 2015, the New York City Department of Education granted the Charter School a provisional charter valid for a term of five years through June 30, 2020, and renewable upon expiration. In October 2017, the Charter School's charter was transferred to the Board of Regents of the University of the State of New York. The Charter School's provisional charter under the Board of Regents of the University of the State of New York was valid through June 30, 2020. On March 10, 2020, the charter was renewed for a five-year term through June 30, 2025.

The Charter School's mission is to prepare the young men and women of the Bronx for not only the demands of higher education but also for leading lives of meaning. This teaching philosophy provides powerful learning experiences that stress engagement, discovery, and the active application of learning to the world around us.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Charter School are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purposes. Accordingly, all financial transactions have been recorded and reported by net asset group.

Net assets of the Charter School are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustee has discretionary control to use these in carrying on operations in accordance with guidelines established by International Leadership Charter High School.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School has no net assets with donor restriction at June 30, 2022.

Revenue and support recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by New York State Education Department (NYSED) in accordance with NYS Education Law. Amounts are billed in advance every other

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public school district revenue (Continued)

month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED. As of June 30, 2022, the Charter School owed NYSED in the amount of \$52,286, which is included in accounts payable on the accompanying financial statements.

Contributions

The Charter School recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with a specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by their funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position.

Cash

Cash balances are maintained at a financial institution located in New York and are insured by the FDIC up to \$250,000 at that institution. At June 30, 2022, the Charter School's cash accounts exceeded federally insured limits by \$830,155.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$75,289 at June 30, 2022. The escrow funds are restricted to fund legal and other costs related to the dissolution of the Charter School, should this become necessary.

Grants and other receivable

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2022.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives which range from five to thirty-nine years. Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

Bonds issuance costs

Bond issuance costs, which consist of deferred financing charges, are stated at cost and are amortized over the term of the bonds which vary from 5 to 30 years through various dates up to July 2046. The bond issuance costs have been offset against bonds payable. The amortization of bonds insurance costs is included in interest expense.

Deferred revenue

The Charter School records grant revenue as deferred revenue until either the funds are expended for the purpose of the grant or all requirements to earn the grant are met. As of June 30, 2022, the total deferred revenue is \$411,515. The Charter School expects to meet all requirements of the grant in the year ending June 30, 2023.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2019, through June 30, 2022, are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Marketing and recruiting costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs were \$176,436 for the year ended June 30, 2022.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Long-Lived Asset Impairment

The Charter School evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2022.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management, and general and fundraising categories based on estimates of time and effort and other methods.

Fair Values of Financial Instruments

The Charter School's financial instruments consist primarily of cash, accounts receivable, accounts payable, and debt instruments. The carrying values of cash,

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Values of Financial Instruments (Continued)

accounts receivable, and accounts payable are considered to be representative of their respective fair values. The carrying values of the Charter School's debt instruments are approximately their fair values as of June 30, 2022, based on current incremental borrowing rates for similar types of borrowing arrangements.

New accounting pronouncements

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors the liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of education and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Charter School also has available a \$100,000 line of credit, with the entire amount available at June 30, 2022, to use if necessary.

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 - LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2022:

Cash	\$ 1,080,155
Grants and contract receivable	<u>487,670</u>
Total financial assets available	<u><u>\$ 1,567,825</u></u>

A portion of the bond fund detailed in Note 5 will be used to pay the bond payment due in July 2022 as described in Note 7.

NOTE 4 - NET ASSETS

Net assets without donor restrictions are as follows:

Undesignated	\$ 3,050,321
Invested in property and equipment, net of related debt	<u>205,218</u>
	<u><u>\$ 3,255,539</u></u>

NOTE 5 - RESTRICTED CASH

In accordance with the loan agreements for the 2013 and 2016 Bonds described at Note 7, the Charter School is required to maintain certain reserves. The following is a summary of the fund reserves held at June 30, 2022:

Bond fund	\$ 994,357
Earnings fund	15,157
Project fund	307,629
Reserve fund	1,559,184
Repair and replacement fund	<u>98,506</u>
	<u><u>\$ 2,974,833</u></u>

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - LINE OF CREDIT

The Charter has a \$100,000 line of credit agreement with a bank. The annual interest on this line of credit as of June 30, 2022, is 4.75%. There were no amounts outstanding on the line of credit at June 30, 2022.

NOTE 7 - BONDS PAYABLE

On March 21, 2013, Build NYC Resource Corporation provided construction and permanent financing through the issuance of \$17,750,000 in Tax-Exempt Revenue Bonds (the "Series 2013 Bonds"). Principal is due at varying amounts annually through maturity on July 1, 2043. The proceeds from the sale of the bonds, together with other available funds were used to: (i) refinance or reimburse the Charter School for certain costs of acquiring, constructing, renovating, equipping, and furnishing its future educational facility; (ii) fund the service reserve fund established under the indenture in an amount equal to the debt service reserve fund requirement of the bonds; (iii) cover interest on the bonds during construction, for a period of 16 months; and (iv) pay certain of issuing the Series 2013 Bonds. Interest on the bonds is payable semiannually, computed on the basis of a 360-day year of twelve 30-day months.

On July 15, 2016, Build NYC Resource Corporation provided \$2,905,000 in Tax-Exempt Revenue Bonds (the "Series 2016A Bonds"), with interest calculated at 6.25% per annum, and \$395,000 in Taxable Revenue Bonds (the "Series 2016B Bonds"), with interest calculated at 5%, for a total of \$3,300,000 (collectively, the "2016 Series Bonds"), for renovations and equipment purchases, establishing reserve accounts, and for costs related to the issuance of the bonds. Provisions of the debt provide for payments of interest only on the Series 2016A Bonds through June 2022, then principal and interest payments through maturity (July 1, 2046), payments of interest only on the Series 2016B Bonds through July 2018, and then principal and interest payments through maturity (July 1, 2021). A final payment of \$120,000 was made on July 1, 2021, to retire the Series 2016B Bonds.

Interest payments are due semi-annually on January 1 and July 1 of each year. These bonds are secured by the pledge and assignment to the Trustee of the Trust Estate for the benefit of the holders of the Bonds. The obligations of the Charter School under the loan agreement are secured by the mortgages assigned to the Trustee for the benefit of the holders of the Bonds.

**INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 - BONDS PAYABLE (CONTINUED)

Bonds payable are summarized as follows:

2013 tax exempt bonds at 5.00% per annum, interest paid semiannually, principal paid annually. Bonds mature July 1, 2023.	\$ 765,000
2013 tax exempt bonds at 5.75% per annum, interest only payments through July 2023, then interest and principal payments through maturity in July 2033.	5,360,000
2013 tax exempt bonds at 6.00% per annum, interest only payments through July 2023, then interest and principal payments through maturity in July 2043.	9,470,000
2016 tax exempt bonds at 6.25% per annum, interest only payments through June 2022, then interest and principal payments through maturity in July 2046.	<u>2,905,000</u>
	18,500,000
Less unamortized bond issuance costs	<u>(785,628)</u>
	17,714,372
Less current portion of bonds payable	<u>(425,000)</u>
	<u><u>\$17,289,372</u></u>

Future maturities of bonds payable are as follows:

Year	Amount
2023	\$ 425,000
2024	445,000
2025	465,000
2026	495,000
2027	525,000
Thereafter	<u>16,145,000</u>
	<u><u>\$18,500,000</u></u>

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - BONDS PAYABLE (CONTINUED)

Under the terms of the bonds payable, the Charter School is required, among other things, to maintain certain financial covenants and operating ratios. As of June 30, 2022, the Charter School was in compliance with certain of these covenants.

NOTE 8 - BONDS ISSUANCE COSTS

Total bond issuance costs are being amortized over the life of the bonds. Bonds issuance costs consist of the following:

Bonds issuance costs	\$ 1,029,890
Accumulated Amortization	<u>(244,262)</u>
Net balance	<u>\$ 785,628</u>

The bonds issuance costs have been offset against bonds payable (Note 7). Interest expense, inclusive of bond issuance cost amortization of \$33,767, was \$1,129,980 for the year ended June 30, 2022. The estimated amortization for each of the ensuing years through June 30, 2027, is \$33,767.

NOTE 9 - RETIREMENT PLAN

Employee Retirement Plan

The Charter School sponsors a 401(k) retirement plan covering all regular employees. All employees are immediately eligible to begin making voluntary contributions. The Plan allows for the Charter School to make a discretionary contribution to the plan. The Charter School contributed approximately \$32,515 for the year ended June 30, 2022. Included in the 2022 financial statements are additional payments owed on a previous plan in the amount of \$21,436.

Deferred Compensation Plan

The Charter School established a deferred compensation plan for the Chief Executive Officer effective January 1, 2021. Contributions are made into the plan on an annual basis up to the IRS maximum and will be vested upon the retirement, death, or disability of the Chief Executive Officer. The total contribution to the plan for the year ended June 30, 2022, was \$53,000.

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NOTE 10 - CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 11 - CONCENTRATIONS

At June 30, 2022, approximately 87% of grants and other receivables are due from one foundation relating to a certain grant.

For the year ended June 30, 2022, 86% of total operating revenue and support came from per-pupil funding. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE 12 - FINANCIAL IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
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NOTE 13 - FINANCIAL IMPACT OF COVID-19 OUTBREAK (CONTINUED)

The School has recognized \$413,605 of revenue relative to ESSER grants during the year ended June 30, 2022. The Charter School has also recognized \$49,950 of revenue for the CSP Response to COVID-19 Grant during the year ended June 30, 2022.

NOTE 14 - FOUNDATION AWARD AND DEFERRED REVENUE

In September 2020, the Charter School was notified it was a recipient of an award in the amount of \$975,000 from a Foundation to assist in the potential growth and replication of the Charter School. The grant requires compliance with certain matching grant requirements and specific operational objectives to receive the funds, which are restricted for the Charter School's expansion.

During the year ended June 30, 2022, the Charter School incurred \$411,515 of costs in connection with the middle school expansion. These costs are recorded as pre-development costs. These costs will be reimbursed when the Charter School meets certain matching grant requirements. The accompanying financial statements include \$411,515 in grants receivable and deferred revenue. Under this same award, the Charter School did earn \$139,000 which is recorded as grant revenue.

NOTE 15 - CHARTER AGREEMENT AMENDMENT AND PREDEVELOPMENT COSTS

In June 2021, the Charter School received approval from the Board of Regents of the University of the State of New York to expand to operate a middle school program commencing with 6th grade in the 2022-2023 school year. The Charter School's charter agreement has been revised to serve students in grades 6 through 12 by the 2024-25 school year. In connection with this expansion, the charter School signed a lease agreement for a location to serve the middle school program in May 2022.

In connection with this expansion, the Charter School incurred predevelopment costs in the amount of \$411,515 during the year ended June 30, 2022.

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NOTE 16 - COMMITMENTS

In May 2022, the Charter School entered into a 35 year lease agreement for a facility to house the middle school. The lease includes two renewal options, the first for a nine year renewal term and the second for a five year renewal term. The lease commencement date will be later of July 1, 2024, or the date of substantial completion of the facility. The future minimum payments required under the 35 year lease are as follows:

Year ended <u>June 30</u>	<u>Rent</u>
2025	\$ 1,420,579
2026	1,448,991
2027	1,477,970
2028	1,507,530
2029	1,537,680
Thereafter	<u>63,628,359</u>
	<u>\$ 71,021,109</u>

NOTE 17 - CASH AND RESTRICTED CASH

The balances in cash and restricted cash as reflected in the statement of cash flows consist of the following:

Cash	\$ 1,080,155
Restricted cash	2,974,833
Cash in escrow	<u>75,289</u>
	<u>\$ 4,130,277</u>

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through October 21, 2022, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
International Leadership Charter High School

I 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 International Leadership Charter High School, which comprise the statement of financial position as of June 30, 2022, 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 my report thereon dated October 21, 2022.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered International Leadership Charter High School's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of International Leadership Charter High School's internal control. Accordingly, I do not express an opinion on the effectiveness of International Leadership Charter High 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 entity'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.

My 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether International Leadership Charter High School's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Jeffrey Alan ABC". The signature is written in a cursive style with large, sweeping letters.

New York, New York
October 21, 2022