

**INTERNATIONAL LEADERSHIP
CHARTER HIGH SCHOOL**

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2021

(With Comparative Totals For 2020)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
International Leadership Charter High School

Report on the Financial Statements

We have audited the accompanying financial statements of International Leadership Charter High School, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our 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. Those standards require that we plan and perform the audit 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 entity'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 entity'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 International Leadership Charter High School as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited International Leadership Charter High School's June 30, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021 on our consideration of International Leadership Charter High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 22, 2021

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative Totals For 2020)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,134,685	\$ 741,447
Grants and other receivables	120,461	173,583
Prepaid expenses	<u>55,977</u>	<u>19,639</u>
TOTAL CURRENT ASSETS	1,311,123	934,669
 <u>PROPERTY AND EQUIPMENT</u>		
Building	18,019,751	18,012,956
Land	2,530,000	2,530,000
Furniture and fixtures	298,804	292,309
Computers and equipment	<u>396,481</u>	<u>188,017</u>
	21,245,036	21,023,282
Less accumulated depreciation and amortization	<u>2,968,715</u>	<u>2,448,160</u>
	18,276,321	18,575,122
 <u>OTHER ASSETS</u>		
Restricted cash	3,084,311	3,182,178
Cash in escrow	<u>75,408</u>	<u>75,449</u>
	3,159,719	3,257,627
TOTAL ASSETS	<u>\$ 22,747,163</u>	<u>\$ 22,767,418</u>

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

<u>LIABILITIES AND NET ASSETS</u>	June 30,	
	<u>2021</u>	<u>2020</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 663,253	\$ 484,502
Accrued expenses	197,417	283,729
Accrued interest payable	559,981	571,231
Deferred revenue	3,040	-
Note payable - current portion	-	141,518
Bonds payable - current portion	475,000	450,000
TOTAL CURRENT LIABILITIES	<u>1,898,691</u>	<u>1,930,980</u>
<u>OTHER LIABILITIES</u>		
Note payable	-	226,982
Bonds payable, net of unamortized bond issuance costs	17,680,605	18,121,838
	<u>17,680,605</u>	<u>18,348,820</u>
TOTAL LIABILITIES	<u>19,579,296</u>	<u>20,279,800</u>
<u>NET ASSETS</u> , without donor restrictions	3,167,867	2,487,618
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,747,163</u>	<u>\$ 22,767,418</u>

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2021
(With Comparative Totals For 2020)

	<u>Without donor restrictions</u>	
	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue, gains, and other support:		
Public school district:		
Resident student enrollment	\$ 5,242,163	\$ 5,665,786
Students with disabilities	323,127	564,153
Grants and contracts:		
Federal - Title and IDEA	284,470	285,951
Federal - Other	152,440	-
	<u>6,002,200</u>	<u>6,515,890</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT		
Expenses:		
Program services:		
Regular education	3,838,671	4,080,216
Special education	1,018,115	1,146,613
	<u>4,856,786</u>	<u>5,226,829</u>
TOTAL PROGRAM SERVICES		
Management and general	866,365	878,345
	<u>5,723,151</u>	<u>6,105,174</u>
TOTAL OPERATING EXPENSES		
	279,049	410,716
SURPLUS FROM SCHOOL OPERATIONS		
Support and other revenue:		
Contributions	29,823	34,502
Interest income	2,877	29,145
Paycheck Protection Program loan forgiveness	368,500	-
	<u>401,200</u>	<u>63,647</u>
TOTAL SUPPORT AND OTHER REVENUE		
	680,249	474,363
CHANGE IN NET ASSETS		
Net assets at beginning of year	2,487,618	2,013,255
	<u>\$ 3,167,867</u>	<u>\$ 2,487,618</u>
NET ASSETS AT END OF YEAR		

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021
(With Comparative Totals For 2020)

	Number of positions	Year ended June 30,						Total	Total
		2021			2020				
		Program Services			Supporting Services				
	Regular Education	Special Education	Sub-total	Management and general	Sub-Total	Total	Total		
Personnel services costs:									
Administrative staff personnel	10	\$ 542,264	\$ 135,566	\$ 677,830	\$ 225,943	\$ 225,943	\$ 903,773	\$ 840,911	
Instructional personnel	20	927,931	147,230	1,075,161	-	-	1,075,161	1,206,238	
TOTAL SALARIES AND STAFF	30	1,470,195	282,796	1,752,991	225,943	225,943	1,978,934	2,047,149	
Fringe benefits & payroll taxes		246,196	47,357	293,553	37,836	37,836	331,389	349,643	
Retirement		8,159	1,569	9,728	1,254	1,254	10,982	14,421	
Legal Service		-	-	-	74,892	74,892	74,892	74,679	
Accounting / audit services		-	-	-	141,351	141,351	141,351	146,043	
Other purchased / professional / consulting services		175,377	72,731	248,108	22,178	22,178	270,286	365,652	
Building and land rent / lease / facility finance interest		726,952	269,676	996,628	175,876	175,876	1,172,504	1,189,247	
Repairs & maintenance		113,080	41,949	155,029	27,358	27,358	182,387	118,495	
Insurance		97,977	36,346	134,323	23,704	23,704	158,027	135,739	
Utilities		50,442	18,712	69,154	12,204	12,204	81,358	93,734	
Supplies / materials		45,490	6,299	51,789	-	-	51,789	117,636	
Equipment / furnishings		33,548	12,445	45,993	8,116	8,116	54,109	10,245	
Staff development		101,647	15,892	117,539	5,580	5,580	123,119	71,740	
Marketing / recruitment		141,447	19,585	161,032	-	-	161,032	111,803	
Technology		61,963	22,986	84,949	14,991	14,991	99,940	94,103	
Food service		46,769	6,476	53,245	-	-	53,245	181,086	
Student services		126,422	17,504	143,926	-	-	143,926	233,315	
Office expense		47,706	17,697	65,403	11,542	11,542	76,945	73,269	
Depreciation		322,744	119,728	442,472	78,083	78,083	520,555	525,587	
Other		22,557	8,367	30,924	5,457	5,457	36,381	151,588	
		\$ 3,838,671	\$ 1,018,115	\$ 4,856,786	\$ 866,365	\$ 866,365	\$ 5,723,151	\$ 6,105,174	

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021
(With Comparative Totals For 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 680,249	\$ 474,363
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	520,555	525,587
Forgiveness of Paycheck Protection Program loan	(368,500)	-
Amortization of bond issuance costs included in interest expense	33,767	33,767
Write-off of security deposit	-	130,599
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	53,122	(173,583)
Prepaid expenses	(36,338)	14,362
Accounts payable	178,751	(330,448)
Accrued expenses	(86,312)	(12,705)
Accrued interest payable	(11,250)	(10,971)
Deferred revenue	3,040	-
NET CASH PROVIDED FROM OPERATING ACTIVITIES	967,084	650,971
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(221,754)	(111,350)
NET CASH USED FOR INVESTING ACTIVITIES	(221,754)	(111,350)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments on line of credit	-	(43,513)
Repayment of bonds payable	(450,000)	(425,000)
Borrowings on note payable	-	368,500
NET CASH USED FOR FINANCING ACTIVITIES	(450,000)	(100,013)
NET INCREASE IN CASH AND RESTRICTED CASH	295,330	439,608
Cash and restricted cash at beginning of year	3,999,074	3,559,466
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 4,294,404</u>	<u>\$ 3,999,074</u>

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2021
(With Comparative Totals For 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash	\$ 1,134,685	\$ 741,447
Restricted cash	3,084,311	3,182,178
Cash in escrow	75,408	75,449
	<u>\$ 4,294,404</u>	<u>\$ 3,999,074</u>
 Cash paid for interest	 <u>\$ 1,131,213</u>	 <u>\$ 1,153,087</u>

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

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.

Classification of net assets

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 purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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 Trustees has discretionary control to use these in carrying on operations in accordance with the 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 had no net assets with donor restrictions at June 30, 2021 or 2020.

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.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

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 NYSED in accordance with NYS Education Law. Amounts are billed in advance every other 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 are 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.

The following table summarizes contract balances at their respective statement of financial position dates:

	<u>June 30,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Grants and other receivables	\$ 3,410	\$ 68,858	\$ -

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, 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, Cont'd

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

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 specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its 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. Amounts received prior to incurring qualifying expenditures, which are reported as deferred revenue in the accompanying statement of financial position at June 30, 2021, totaled \$3,040. There was no related deferred revenue at June 30, 2020. The Charter School received cost-reimbursement grants of \$53,171 and \$45,312 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

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. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

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 \$75,408 and \$75,449 at June 30, 2021 and 2020, respectively. 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 receivables

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, 2021 or 2020.

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.

Security deposits

The Charter School was party to a lease agreement that expired in August 2016. As part of the lease agreement, the Charter School remitted \$142,737 to the landlord as a security deposit. At the conclusion of the lease in August 2016, \$16,338 was applied to various expenses charged by the landlord. The remaining balance of \$126,399 was due from the landlord. The Charter School was unsuccessful in its attempt to recoup the security deposit and in 2020 wrote off this amount.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Bond 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.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant at which time it is recognized as revenue.

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, 2018 through June 30, 2021 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.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. In addition, the Charter School received transportation services that were provided for the students by the local district. The Charter School was unable to determine a value for these services.

Marketing and recruiting costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs were \$161,032 and \$111,803 for the years ended June 30, 2021 and 2020, respectively.

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.

Comparatives for year ended June 30, 2020

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

New accounting pronouncements

Leases

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 consolidated 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.

Gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School is currently evaluating the provisions of this update to determine the impact it will have on the Charter School’s financial statements.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 22, 2021, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors 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, 2021 and 2020, to use if necessary.

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, 2021 and 2020:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 1,134,685	\$ 741,447
Grants and other receivables	<u>120,461</u>	<u>173,583</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,255,146</u>	<u>\$ 915,030</u>

A portion of the bond fund detailed in Note D will be used to pay the bond payment due in July 2021 as described in Note F.

NOTE C: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Undesignated	\$ 3,047,151	\$ 2,484,334
Invested in property and equipment, net of related debt	<u>120,716</u>	<u>3,284</u>
	<u>\$ 3,167,867</u>	<u>\$ 2,487,618</u>

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE D: RESTRICTED CASH

In accordance with the loan agreements for the 2013 and 2016 Bonds described at Note F, the Charter School is required to maintain certain reserves. The following is a summary of the fund reserves held at June 30, 2021 and 2020:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Bond fund	\$ 1,057,457	\$ 1,043,550
Earnings fund	21,815	21,744
Project fund	307,629	307,629
Reserve fund	1,598,945	1,598,591
Repair and replacement fund	98,465	210,664
	<u>\$ 3,084,311</u>	<u>\$ 3,182,178</u>

NOTE E: LINE OF CREDIT

The Charter School has a \$100,000 line of credit agreement with a bank. The line of credit calls for an annual interest rate equal to the Wall Street Journal Prime Rate plus .75% for an effective rate of 4.00% at June 30, 2021. There were no amounts outstanding on the line of credit at June 30, 2021 or 2020.

NOTE F: 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 costs 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.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE F: BONDS PAYABLE, Cont'd

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).

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.

Bonds payable are summarized as follows:

	June 30,	
	<u>2021</u>	<u>2020</u>
2013 tax exempt bonds at 5.00% per annum, interest paid semiannually, principal paid annually. Bonds mature July 1, 2023.	\$ 1,120,000	\$ 1,460,000
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	5,360,000
2013 tax exempt bonds at 6.00% per annum, interest only payments through July 2033, then interest and principal payments through maturity in July 2043.	9,470,000	9,470,000
2016 taxable revenue bonds at 5.00% per annum, interest only payments through July 2018, then interest and principal payments through maturity in July 2021.	120,000	230,000
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>	<u>2,905,000</u>
	18,975,000	19,425,000
Less unamortized bond issuance costs	<u>(819,395)</u>	<u>(853,162)</u>
	18,155,605	18,571,838
Less current portion of bonds payable	<u>(475,000)</u>	<u>(450,000)</u>
	<u>\$ 17,680,605</u>	<u>\$ 18,121,838</u>

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE F: BONDS PAYABLE, Cont'd

Future maturities of bonds payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 475,000
2023	425,000
2024	445,000
2025	465,000
2026	495,000
Thereafter	<u>16,670,000</u>
	<u>\$ 18,975,000</u>

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, 2021, the Charter School was in compliance with certain of these covenants.

Total bond issuance costs of \$1,029,890 are being amortized over the life of the bonds. Interest expense, inclusive of bond issuance cost amortization of \$33,767, was \$1,153,730 and \$1,175,883 for the years ended June 30, 2021 and 2020, respectively.

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 403(b) 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 \$11,000 and \$14,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE H: 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.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE I: CONCENTRATIONS

At June 30, 2021, approximately 65% of grants and other receivables are due from New York State relating to certain grants. As of June 30, 2020, approximately 100% of grants or other receivables are due from New York State relating to certain grants.

For the years ended June 30, 2021 and 2020, 93% and 96%, respectively, 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 J: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function (including salaries, benefits, purchased services, occupancy costs, and depreciation) are allocated on the basis of estimates of time, effort and usage.

NOTE K: NOTE PAYABLE

In response to the COVID-19 outbreak, in May 2020, the Charter School applied for and was approved by a bank for a loan of \$368,500 through the Paycheck Protection Program established by the Small Business Administration. The loan had a maturity of 2 years and an interest rate of 1%. The loan had the potential for forgiveness provided certain requirements were met by the Charter School. The loan was funded on May 13, 2020. In March 2021, the Small Business Administration approved the forgiveness of the loan and all accrued interest, which is reported in support and other revenue on the accompanying statement of activities and changes in net assets.

NOTE L: 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 School has recognized \$145,428 of revenue relative to ESSER grants during the year ended June 30, 2021.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals For 2020)

NOTE M: FOUNDATION AWARD

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. These funds are restricted for the Charter School's expansion, and no amounts have been received or recognized as of June 30, 2021. Amounts will be recognized as these milestones are achieved.

NOTE N: CHARTER AGREEMENT AMENDMENT

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, in June 2021, the Charter School signed a letter of intent to pursue a build-out project and lease agreement for a location to serve the middle school program. The letter of intent includes a proposed payment schedule comprised of four deposits of \$25,000 each to be made by the Charter School as certain milestones are achieved. The letter of intent represents only an expression of intent to conduct negotiations for the proposed facility and is not a binding agreement. The first \$25,000 payment was made in July 2021.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL
REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

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 International Leadership Charter High School, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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 October 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered International Leadership Charter High School's internal control over financial reporting (internal control) as a basis for designing 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 International Leadership Charter High School's internal control. Accordingly, we 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 International Leadership Charter High 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*.

Purpose of This Report

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 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.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 22, 2021