

Financial Statements and Reports of
Independent Certified Public
Accountants

Icahn Charter School 3

June 30, 2024 and 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Icahn Charter School 3

Report on the financial statements**Opinion**

We have audited the financial statements of Icahn Charter School 3 (the "Charter School"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Charter School as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the Charter School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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 US GAAS 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 US GAAS and *Government Auditing Standards*, we:

- 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 the Charter 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2024 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter 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 the Charter School's internal control over financial reporting and compliance.



Iselin, New Jersey
November 1, 2024

Icahn Charter School 3

STATEMENTS OF FINANCIAL POSITION

Years ended June 30,

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 6,235,284	\$ 4,931,334
Restricted cash	75,000	75,000
Grants and contracts receivable	62,184	791,851
Due from school districts	311,513	134,885
Prepaid expenses	4,781	25,455
Contributions and other receivables	286,099	256,745
Other assets	2,930	-
Capital assets, net	<u>5,736,987</u>	<u>5,932,232</u>
Total assets	<u>\$ 12,714,778</u>	<u>\$ 12,147,502</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 574,677	\$ 381,298
Accrued payroll and benefits	1,100,570	1,008,871
Due to school districts	8,473	2,327
Deferred revenue	-	34,683
Finance lease liability	<u>15,193</u>	<u>20,269</u>
Total liabilities	<u>1,698,913</u>	<u>1,447,448</u>
Contingencies		
Net assets		
Without donor restrictions	5,664,010	5,125,978
With donor restrictions	<u>5,351,854</u>	<u>5,574,076</u>
Total net assets	<u>11,015,864</u>	<u>10,700,054</u>
Total liabilities and net assets	<u>\$ 12,714,778</u>	<u>\$ 12,147,502</u>

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

Icahn Charter School 3

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support						
Public school district:						
Resident student enrollment	\$ 6,091,146	\$ -	\$ 6,091,146	\$ 5,784,050	\$ -	\$ 5,784,050
Grants and contracts:						
State and local	26,038	-	26,038	5,410	-	5,410
Federal - Title and IDEA	181,280	-	181,280	189,962	-	189,962
Federal - other	327,297	-	327,297	454,526	-	454,526
Other grants	49,612	-	49,612	6,880	-	6,880
Net assets released from restrictions	222,222	(222,222)	-	222,222	(222,222)	-
Total revenue, gains and other support	6,897,594	(222,222)	6,675,372	6,663,050	(222,222)	6,440,828
Expenses						
Program services:						
Regular education	5,566,828	-	5,566,828	5,735,288	-	5,735,288
Special education	179,867	-	179,867	134,727	-	134,727
Total program services	5,746,695	-	5,746,695	5,870,015	-	5,870,015
Supporting services:						
Management and general	973,165	-	973,165	896,540	-	896,540
Total operating expenses	6,719,860	-	6,719,860	6,766,555	-	6,766,555
Surplus (deficit) from school operations	177,734	(222,222)	(44,488)	(103,505)	(222,222)	(325,727)
Other revenue						
Contribution revenue	70,007	-	70,007	53,547	-	53,547
Other income	290,292	-	290,292	180,799	-	180,799
Total other revenue	360,298	-	360,298	234,346	-	234,346
CHANGE IN NET ASSETS	538,032	(222,222)	315,810	130,841	(222,222)	(91,381)
Net assets, beginning of year	5,125,978	5,574,076	10,700,054	4,995,137	5,796,298	10,791,435
Net assets, end of year	\$ 5,664,010	\$ 5,351,854	\$ 11,015,864	\$ 5,125,978	\$ 5,574,076	\$ 10,700,054

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

Icahn Charter School 3

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2024

	Program Services			Management and General	Total
	Regular Education	Special Education	Total		
Personnel service costs					
Administrative staff personnel	\$ 267,991	\$ -	\$ 267,991	\$ 378,992	\$ 646,983
Instructional personnel	2,717,625	84,792	2,802,418	-	2,802,418
Non-instructional personnel	-	-	-	253,389	253,389
Total personnel service costs	2,985,617	84,792	3,070,409	632,381	3,702,790
Fringe benefits and payroll taxes	612,783	18,316	631,099	103,481	734,580
Retirement	83,738	4,240	87,978	22,384	110,363
Legal	2,564	-	2,564	439	3,003
Accounting/audit services	29,093	2,202	31,294	5,352	36,646
Other purchased/professional/consulting services	66,892	-	66,892	1,586	68,478
Repairs and maintenance	245,538	8,151	253,689	43,384	297,073
Insurance	74,714	-	74,714	12,777	87,491
Utilities	99,065	7,186	106,251	18,170	124,422
Supplies/materials	242,612	14,906	257,518	-	257,518
Equipment/furnishings	6,772	-	6,772	1,766	8,539
Staff development	216,138	-	216,138	-	216,138
Marketing/recruitment	16,083	-	16,083	2,750	18,833
Technology	166,175	517	166,692	28,506	195,198
Telephone	11,811	894	12,704	2,173	14,877
Student services	340,409	15,197	355,606	-	355,606
Office expense	12,409	841	13,250	43,946	57,196
Depreciation	317,949	22,577	340,526	39,405	379,931
Other	36,466	49	36,515	14,664	51,178
Total expenses	<u>\$ 5,566,828</u>	<u>\$ 179,867</u>	<u>\$ 5,746,695</u>	<u>\$ 973,165</u>	<u>\$ 6,719,860</u>

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

Icahn Charter School 3

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	Program Services			Management and General	Total
	Regular Education	Special Education	Total		
Personnel service costs					
Administrative staff personnel	\$ 249,078	\$ -	\$ 249,078	\$ 345,017	\$ 594,095
Instructional personnel	2,749,683	61,923	2,811,606	-	2,811,606
Non-instructional personnel	-	-	-	228,132	228,132
Total personnel service costs	2,998,761	61,923	3,060,684	573,149	3,633,833
Fringe benefits and payroll taxes	603,895	16,409	620,304	105,464	725,768
Retirement	114,339	3,096	117,435	21,138	138,573
Legal	3,086	-	3,086	439	3,525
Accounting/audit services	40,118	2,228	42,346	6,018	48,364
Other purchased/professional/consulting services	58,783	-	58,783	1,105	59,888
Repairs and maintenance	281,316	7,164	288,480	40,997	329,477
Insurance	109,797	-	109,797	15,604	125,401
Utilities	84,187	4,515	88,702	12,606	101,308
Supplies/materials	167,590	7,821	175,411	-	175,411
Equipment/furnishings	80,950	-	80,950	6,556	87,506
Staff development	230,290	-	230,290	-	230,290
Marketing/recruitment	14,669	-	14,669	2,084	16,753
Technology	169,112	396	169,508	24,089	193,597
Telephone	12,154	675	12,829	1,823	14,652
Student services	403,919	12,909	416,828	-	416,828
Office expense	13,734	600	14,334	41,382	55,716
Depreciation	321,527	16,944	338,471	31,495	369,966
Other	27,061	47	27,108	12,591	39,699
Total expenses	\$ 5,735,288	\$ 134,727	\$ 5,870,015	\$ 896,540	\$ 6,766,555

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

Icahn Charter School 3
STATEMENTS OF CASH FLOWS
Years ended June 30,

	2024	2023
Cash flows from operating activities:		
Cash receipts from:		
Public school district	\$ 6,056,464	\$ 5,763,974
Grants and contracts	1,177,917	670,173
Other income	290,292	180,799
Cash payments for:		
Vendors	(1,574,927)	(2,068,660)
Employee salaries and benefits	(4,456,034)	(4,425,725)
	1,493,712	120,561
Cash flows from investing activities:		
Purchase of equipment	(184,686)	(144,986)
Cash flows from financing activities:		
Finance lease payments	(5,076)	(4,852)
	1,303,950	(29,277)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,303,950	(29,277)
Cash and cash equivalents and restricted cash, beginning of year	5,006,334	5,035,611
Cash and cash equivalents and restricted cash, end of year	\$ 6,310,284	\$ 5,006,334
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 315,810	\$ (91,381)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	379,931	369,966
Change in assets and liabilities:		
Grants and contracts receivable	729,666	(46,613)
Due from school districts	(37,480)	156,056
Prepaid expenses	20,674	(7,087)
Contributions and other receivables	(168,502)	(149,596)
Accounts payable and accrued expenses	193,379	(165,484)
Accrued payroll and benefits	91,699	72,449
Due to school districts	6,147	2,327
Increase in other assets	(2,930)	-
Deferred revenue	(34,683)	(20,076)
	\$ 1,493,712	\$ 120,561

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

Icahn Charter School 3

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE A - NATURE OF OPERATIONS

The Icahn Charter School 3 (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 March 11, 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 2021 for a term up through and including July 31, 2026.

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, 2008.

The Charter School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code ("IRC") and is classified as an organization described in Section 501(c)(3).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Charter School's policy is to prepare its financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") using the accrual basis of accounting. Consequently, certain revenue and related assets are recognized when pledged or earned and certain expenses are recognized when the obligation is incurred.

Net Asset Classification

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

Net Assets without Donor Restriction

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

Net Assets with Donor Restriction

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. The Charter School's net assets with donor restrictions are all subject to donor-imposed restrictions that require the Charter School to use or expend the gifts as specified, based on purpose or passage of time.

Net assets with donor restrictions may also include amounts with donor stipulations that the corpus of the gifts be maintained in perpetuity, but allows for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes. The Charter School did not have any such amounts as of June 30, 2024 or 2023.

Icahn Charter School 3

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Revenue

Revenue is recorded on the accrual basis of accounting. The Charter School derives its revenue primarily from state and local capitation from the public school districts based on student enrollment, contributions and grants.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by explicit donor-imposed restrictions. Public school district revenues (state and local capitation) received from the New York City Department of Education Office of Charter Schools are recognized over the period earned. Revenue from grants and contracts is recognized as the related expenses are incurred, or services performed, in accordance with the terms of the respective grant or contract agreement. Amounts received in advance are reported as deferred revenue.

The Charter School records contributions of cash and other assets when an unconditional promise to give such assets is received from a donor. Contributions are recorded at the fair market value of the assets received and are classified as either with or without donor restrictions, depending on whether the donor has imposed a restriction on the use of such assets.

The Charter School reports gifts of cash or other assets within net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Contributions not expected to be received within one year are recognized as support with donor restrictions and are discounted using a credit adjusted discount rate assigned in the year the pledge originates. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same fiscal year are reported as revenues without donor restrictions.

The Charter School follows guidance requiring evaluation of whether a transfer of assets is: (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred; or (2) a contribution. If the transfer of assets is determined to be a contribution, the Charter School evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Charter School is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Receivables

Receivables contain some level of uncertainty surrounding timing and amount of collection. As such, the carrying value of the related receivables is reduced by an appropriate allowance for uncollectible accounts. The Charter School determines its allowance by considering a number of factors, including the length of time receivables are past due, the Charter School's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Receivables outstanding longer than the payment terms are considered past due. As of June 30, 2024 and 2023, there was no allowance for uncollectible receivables. Grants and contracts receivable and contributions and other receivables as of June 30, 2024 and 2023 are expected to be collected within one year.

The Charter School writes off receivables when they are deemed to be uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Icahn Charter School 3

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents are recorded at fair value, and are comprised of highly liquid financial instruments with original maturities of three months or less at the time of purchase. Included in cash and cash equivalents at June 30, 2024 and 2023 is a reserve fund of \$225,000 and \$205,000, respectively, for the maintenance of the Charter School facilities. Furthermore, a reserve fund of \$75,000 to cover debts in the event of the Charter School's dissolution is included as restricted cash within the accompanying statements of financial position.

Concentration of Credit Risk

Certain financial instruments potentially subject the Charter School to concentration of credit risk. These financial instruments consist primarily of cash and cash equivalents. The Charter School maintains its cash in various bank accounts, which may exceed federally insured limits at times. The Charter School has not experienced, nor does it anticipate, any losses with respect to these bank accounts.

Capital Assets

Furniture, fixtures, equipment, library, software, and textbooks are stated at cost net of depreciation, or fair value at date of contribution, if donated. The Charter School capitalizes all property and equipment with a cost of at least \$1,000 and an estimated useful life of more than one year. Depreciation of furniture, fixtures, equipment, library, software and textbooks is computed in the month in which the assets are acquired, utilizing the straight-line basis, over their estimated useful lives, as follows:

	<u>Useful Lives</u>
Furniture and fixtures	3 years
Renovations and improvements	10-20 years
Building	30 years
Equipment	3-5 years
Library, software and textbooks	3 years

Classification of Expenses

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

Taxes

The Charter School follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more-likely-than-not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Charter School is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Charter School has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Charter School has determined that there are no material uncertain tax positions that require recognition or

Icahn Charter School 3

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

disclosure in the financial statements. In addition, the Charter School has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Current Expected Credit Losses

On July 1, 2023, the Charter School adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“CECL”), or ASU No. 2016-13, using the modified retrospective approach. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including government grants and contracts receivable. Following the adoption of the new standard, the School’s process of estimating expected credit losses remains materially consistent with its historical practice. Therefore, the adoption did not have a material effect on reported assets, liabilities, or net assets in the accompanying financial statements.

Leases

The Charter School determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration.

The Charter School analyzes each lease agreement to determine whether it should be classified as a finance lease or an operating lease. ROU assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments over the lease term. As most of the Charter School’s leases do not provide an implicit interest rate, the Charter School uses the estimated risk-free rate that is comparable with the lease term in effect at the commencement date of the respective lease agreement in determining the present value of lease payments. ROU assets and lease liabilities for operating and finance leases are included in the statements of financial position and presented separately based on the classification of the underlying lease arrangement. The Charter School elected the short-term lease practical expedient, and accordingly, does not record ROU lease assets or lease liabilities with terms less than 12 months, and also elected the practical expedient eliminating the need to separately assess lease and non-lease components. In addition, the Charter School utilizes the portfolio approach to group leases with similar characteristics.

The portion of payments on operating lease liabilities related to interest, along with the amortization of the related ROU, is recognized as rent expense. This rent expense is recognized on a straight-line basis over the term of the lease. The portion of payments on finance lease liabilities related to interest is recognized as interest expense. The amortization of the ROU assets under finance leases is recognized as part of depreciation expense.

Icahn Charter School 3

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE C - CAPITAL ASSETS, NET

At June 30, 2024 and 2023, capital assets consisted of the following:

	<u>2024</u>	<u>2023</u>
Library, software and textbooks	\$ 121,624	\$ 121,624
Building	6,666,667	6,666,667
Equipment	1,809,006	1,692,863
Furniture and fixtures	526,676	458,134
	<u>9,123,974</u>	<u>8,939,288</u>
Less: accumulated depreciation	<u>(3,386,987)</u>	<u>(3,007,056)</u>
	<u>\$ 5,736,987</u>	<u>\$ 5,932,232</u>

Included in equipment as of June 30, 2024 and 2023 are assets acquired under finance leases at a cost of approximately \$26,000 with accumulated depreciation of approximately \$11,000 and \$6,000, respectively.

Depreciation expense totaled approximately \$380,000 and \$370,000 for the years ended June 30, 2024 and 2023, respectively.

NOTE D - RELATED PARTY TRANSACTIONS

Legal services are provided by the Inwood Opportunity LLC (the "Company"), a foundation for which Carl C. Icahn serves as a trustee, at no cost to the Charter School. These amounts have not been reflected as in-kind contributions in the accompanying financial statements, as neither the Charter School nor the Company has a readily measurable or objective basis for determining such amounts.

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 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 public charter schools as the initial users of the premises. The lease has 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 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 is being amortized over a 30-year term, the estimated useful life of the building, and the net assets are released from the restrictions accordingly.

Icahn Charter School 3

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Certain expenses are shared amongst the seven Icahn Charter Schools (affiliated entities) and amounts may also be received on behalf of another Icahn Charter School. Shared expenses primarily related to prorated salaries, based on student enrollment, for administrators at Icahn Charter School 1 who serve in a management capacity at the Charter School. Icahn Charter School 3 is also located in a building shared with Icahn Charter School 4 and Icahn Charter School 5. The three schools share certain resources that generate expenses that are prorated between the schools. At June 30, 2024 and 2023, accounts payable and accrued expenses included approximately \$126,000 and \$54,000, respectively, and other receivables included approximately \$270,000 and \$86,000, respectively, pertaining to these related party transactions.

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2024 and 2023, net assets with donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
Restricted as to purpose		
Middle school	<u>\$ 5,351,854</u>	<u>\$ 5,574,076</u>

During the years ended June 30, 2024 and 2023, net assets were released from donor restrictions by incurring expenses satisfying the purpose, or by meeting the time restrictions as follows:

	<u>2024</u>	<u>2023</u>
Middle School	<u>\$ 222,222</u>	<u>\$ 222,222</u>

NOTE F - CONTRIBUTED SERVICES

The Charter School utilizes certain transportation and food services provided by the New York City public school system at no cost. The Charter School is unable to determine the fair value for these services, and as such, this is not reflected on the accompanying financial statements.

NOTE G - CONCENTRATION OF REVENUES

The Charter School receives a majority of its revenues from the New York State Education Department through the New York City Department of Education Office of Charter Schools. The New York City Department of Education ("DOE") provides general operating support to the Charter School based upon the location and the number of students enrolled. Operating support provided to the Charter School by the DOE totaled approximately \$6,091,000 and \$5,784,000 for the years ended June 30, 2024 and 2023, respectively. The Charter School is dependent upon this level of funding in order to continue its operations.

NOTE H - LEASES

The Charter School assesses contracts at inception to determine if an arrangement includes a lease, which conveys the Charter School's right to control the use of an identified asset for a period of time in exchange for consideration.

The Charter School has entered into agreements for computer hardware and software, furniture, and equipment under finance leases. Monthly payments on these leases range from \$280 to \$600 with remaining terms of 45 months as of June 30, 2024. The Charter School had outstanding balances on finance leases totaling \$15,193 and \$20,269 as of June 30, 2024 and 2023, respectively. The Charter

Icahn Charter School 3

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

School uses the discount rate implicit in the lease in calculating the ROU lease liability value for finance leases.

The ROU assets and accumulated amortization, lease cost, and other required information, for the year ended June 30, 2024 are:

ROU assets and accumulated amortization:

	<u>Finance</u>
ROU assets	\$ 26,301
Accumulated amortization	<u>(11,108)</u>
ROU assets, net	<u>\$ 15,193</u>

Lease costs:

Finance lease cost	
Amortization of finance lease ROU asset	\$ 5,076
Interest expense on lease liabilities	<u>988</u>
Total lease cost	<u>\$ 6,064</u>

Other information:

Weighted-average remaining lease term	
Finance leases	2.75 years
Weighted-average discount rate	
Finance leases	4.50%

The ROU assets and accumulated amortization, lease cost, and other required information, for the year ended June 30, 2023 are:

ROU assets and accumulated amortization:

	<u>Finance</u>
ROU assets	\$ 26,301
Accumulated amortization	<u>(6,032)</u>
ROU assets, net	<u>\$ 20,269</u>

Lease costs:

Finance lease cost	
Amortization of finance lease ROU asset	\$ 6,032
Interest expense on lease liabilities	<u>1,796</u>
Total lease cost	<u>\$ 7,828</u>

Icahn Charter School 3
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

Other information:

Weighted-average remaining lease term	
Finance leases	3.75 years
Weighted-average discount rate	
Finance leases	4.50%

Future annual lease payments due under the lease noted above are as follows for years subsequent to June 30, 2024:

<u>Fiscal Year Ending:</u>	<u>Finance</u>
2025	\$ 5,884
2026	5,884
2027	4,413
Total minimum lease payments	16,181
Less: amounts representing interest	(988)
	\$ 15,193

NOTE I - PENSION PLAN

The Charter School has a defined contribution plan (the “Plan”), administered by T. Rowe Price, for all full-time personnel. Contributions by the Charter School to the Plan totaled approximately \$110,000 and \$139,000 for the years ended June 30, 2024 and 2023, respectively.

NOTE J - CONTINGENCIES

Government Agency Audits

The Charter School participates in a number of federal and state programs. These programs require that the Charter School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government contracts by government agencies is presently not determinable, it should not, in the opinion of management, have a material effect on the Charter School’s financial position or change in net assets. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

Litigation

The Charter School may be involved in various legal actions from time to time arising in the normal course of business. In the opinion of management, there are no matters outstanding that would have a material adverse effect on the financial statements of the Charter School.

Icahn Charter School 3

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE K - LIQUIDITY

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

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 6,235,284	\$ 4,931,334
Grants and contracts receivable	62,184	791,851
Due from school districts	311,513	134,885
Contributions and other receivables	<u>286,099</u>	<u>256,745</u>
Total financial assets available within one year	<u>\$ 6,895,080</u>	<u>\$ 6,114,815</u>

The School maintained a net assets with donor restrictions balance of approximately \$5,352,000 and \$5,574,000 as of June 30, 2024 and 2023, 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, 2024 financial statements for subsequent events through November 1, 2024, the date the financial statements were available to be issued. The Charter School is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Icahn Charter School 3

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 (*Government Auditing Standards*), the financial statements of Icahn Charter School 3 (the "Charter School"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2024.

Report on internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting ("internal control") 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 the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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*.

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 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.

Grant Thornton LLP

Iselin, New Jersey
November 1, 2024