

Innovation Charter High School

Independent Auditor's Reports and Financial Statements

June 30, 2022 and 2021

Innovation Charter High School

June 30, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Innovation Charter High School
New York, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Innovation Charter High School, which comprise the statements of financial position as of June 30, 2022 and 2021, 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 referred to above present fairly, in all material respects, the financial position of the Innovation Charter High School as of June 30, 2022 and 2021, 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 in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Innovation Charter High 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 Innovation 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

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 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 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 Innovation 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Innovation Charter High 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information within the statements of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, on our consideration of the Innovation Charter High 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 Innovation 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 the Innovation Charter High School's internal control over financial reporting and compliance.

FORVIS,LLP

New York, New York
October 26, 2022

Innovation Charter High School
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,529,683	\$ 1,921,092
Grants and contracts receivable	984,374	349,139
Prepaid expenses and other current assets	16,379	31,838
Total current assets	2,530,436	2,302,069
Cash reserves	71,053	71,018
Operating reserves – board-designated cash	2,550,077	2,306,043
Property and equipment, net	503,142	226,649
Total assets	\$ 5,654,708	\$ 4,905,779
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 134,218	\$ 182,336
Accrued salaries and related liabilities	607,116	513,046
Deferred revenue	2,181	2,418
Total current liabilities	743,515	697,800
Net Assets		
Without donor restrictions		
Operating	2,361,066	1,883,436
Designated by the board for operating reserve	2,550,077	2,306,043
Total net assets without donor restrictions	4,911,143	4,189,479
With donor restrictions	50	18,500
Total net assets	4,911,193	4,207,979
Total liabilities and net assets	\$ 5,654,708	\$ 4,905,779

Innovation Charter High School
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Per-pupil operating revenue – resident student enrollment	\$ 6,968,406	\$ -	\$ 6,968,406	\$ 6,360,601	\$ -	\$ 6,360,601
Per-pupil operating revenue – students with disabilities	2,163,657	-	2,163,657	2,260,594	-	2,260,594
Total state and local per-pupil operating revenues	9,132,063	-	9,132,063	8,621,195	-	8,621,195
Government grants and contracts – federal	1,479,214	-	1,479,214	553,934	-	553,934
Government grants and contracts – state	27,687	-	27,687	31,962	-	31,962
In-kind contributions	2,105,176	8,150	2,113,326	1,919,076	-	1,919,076
Interest	4,070	-	4,070	7,010	-	7,010
Contributions and other revenue	18,994	5,000	23,994	23	-	23
Net assets released from restrictions	31,600	(31,600)	-	-	-	-
Miscellaneous Income	6,203	-	6,203	-	-	-
Total revenues and other support	12,805,007	(18,450)	12,786,557	11,133,200	-	11,133,200
Expenses						
Program services						
General education	7,691,358	-	7,691,358	7,024,292	-	7,024,292
Special education	2,952,723	-	2,952,723	2,505,894	-	2,505,894
Total program services	10,644,081	-	10,644,081	9,530,186	-	9,530,186
Supporting services						
Management and general	1,430,945	-	1,430,945	1,413,112	-	1,413,112
Fundraising	8,317	-	8,317	8,737	-	8,737
Total supporting services	1,439,262	-	1,439,262	1,421,849	-	1,421,849
Total expenses	12,083,343	-	12,083,343	10,952,035	-	10,952,035
Change in Net Assets	721,664	(18,450)	703,214	181,165	-	181,165
Net Assets Without Donor Restrictions, Beginning of Year	4,189,479	18,500	4,207,979	4,008,314	18,500	4,026,814
Net Assets Without Donor Restrictions, End of Year	<u>\$ 4,911,143</u>	<u>\$ 50</u>	<u>\$ 4,911,193</u>	<u>\$ 4,189,479</u>	<u>\$ 18,500</u>	<u>\$ 4,207,979</u>

Innovation Charter High School
Statements of Functional Expenses
Years Ended June 30, 2022 and 2021

	2022							
	No. of Positions*	Program Services			Supporting Services			Total
		General Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel Service Costs								
Instructional personnel	58	\$ 3,752,947	\$ 1,118,084	\$ 4,871,031	\$ 8,518	\$ -	\$ 8,518	\$ 4,879,549
Non-instructional personnel	4	38,352	8,376	46,728	109,917	-	109,917	156,645
Administrative personnel	17	706,304	569,640	1,275,944	652,788	5,106	657,894	1,933,838
Total salaries and staff	<u>79</u>	<u>4,497,603</u>	<u>1,696,100</u>	<u>6,193,703</u>	<u>771,223</u>	<u>5,106</u>	<u>776,329</u>	<u>6,970,032</u>
Payroll taxes and employee benefits		942,189	353,690	1,295,879	162,404	1,087	163,491	1,459,370
Retirement expense		151,566	56,897	208,463	26,125	175	26,300	234,763
Audit fees		-	-	-	48,869	-	48,869	48,869
Professional fees		167,092	92,074	259,166	129,147	25	129,172	388,338
Curriculum and classroom		125,761	60,593	186,354	-	-	-	186,354
Student services		121,520	58,549	180,069	-	-	-	180,069
Staff development		26,922	10,107	37,029	4,641	30	4,671	41,700
Office expense		31,110	11,678	42,788	11,109	36	11,145	53,933
Insurance		45,151	16,949	62,100	7,783	52	7,835	69,935
Marketing and recruiting		61,407	25,103	86,510	7,465	49	7,514	94,024
Information technology		64,741	24,303	89,044	11,159	75	11,234	100,278
Non-capitalized equipment and furnishings		8,339	3,131	11,470	1,437	10	1,447	12,917
Repairs and maintenance		13,461	5,052	18,513	2,320	16	2,336	20,849
In-kind rent		1,348,030	506,038	1,854,068	232,359	1,556	233,915	2,087,983
Depreciation and amortization		86,466	32,459	118,925	14,904	100	15,004	133,929
Total expenses		<u>\$ 7,691,358</u>	<u>\$ 2,952,723</u>	<u>\$ 10,644,081</u>	<u>\$ 1,430,945</u>	<u>\$ 8,317</u>	<u>\$ 1,439,262</u>	<u>\$ 12,083,343</u>

* Supplementary information

Innovation Charter High School
Statements of Functional Expenses (Continued)
Years Ended June 30, 2022 and 2021

	2021							Total
	No. of Positions*	Program Services			Supporting Services			
		General Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel Service Costs								
Instructional personnel	56	\$ 3,685,779	\$ 992,628	\$ 4,678,407	\$ -	\$ -	\$ -	\$ 4,678,407
Non-instructional personnel	2	-	-	-	103,006	-	103,006	103,006
Administrative personnel	17	628,191	527,276	1,155,467	680,263	5,458	685,721	1,841,188
Total salaries and staff	<u>75</u>	<u>4,313,970</u>	<u>1,519,904</u>	<u>5,833,874</u>	<u>783,269</u>	<u>5,458</u>	<u>788,727</u>	<u>6,622,601</u>
Payroll taxes and employee benefits		895,929	314,280	1,210,209	165,147	1,151	166,298	1,376,507
Retirement expense		148,745	52,178	200,923	27,418	191	27,609	228,532
Legal fees		-	-	-	500	-	500	500
Audit fees		-	-	-	32,700	-	32,700	32,700
Professional fees		102,703	60,471	163,174	99,060	28	99,088	262,262
Curriculum and classroom		31,919	15,751	47,670	-	-	-	47,670
Student services		32,098	15,839	47,937	-	-	-	47,937
Staff development		52,413	18,386	70,799	9,705	67	9,772	80,571
Office expense		6,339	2,224	8,563	17,694	8	17,702	26,265
Insurance		40,993	14,380	55,373	7,556	53	7,609	62,982
Marketing and recruiting		28,965	11,826	40,791	3,188	22	3,210	44,001
Information technology		61,067	21,421	82,488	11,257	78	11,335	93,823
Non-capitalized equipment and furnishings		10,881	3,817	14,698	2,006	14	2,020	16,718
Repairs and maintenance		9,577	3,359	12,936	16,066	12	16,078	29,014
In-kind rent		1,242,672	435,914	1,678,586	229,063	1,596	230,659	1,909,245
Depreciation and amortization		46,021	16,144	62,165	8,483	59	8,542	70,707
Total expenses		<u>\$ 7,024,292</u>	<u>\$ 2,505,894</u>	<u>\$ 9,530,186</u>	<u>\$ 1,413,112</u>	<u>\$ 8,737</u>	<u>\$ 1,421,849</u>	<u>\$ 10,952,035</u>

* Supplementary information

Innovation Charter High School
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 703,214	\$ 181,165
Items not requiring operating cash flows		
Depreciation and amortization	133,929	70,707
Loss on disposal of property and equipment	-	14,301
Changes in		
Grants and contracts receivable	(635,235)	(63,875)
Prepaid expenses and other current assets	15,459	(11,956)
Accounts payable and accrued expenses	(48,118)	85,632
Accrued salaries and related liabilities	94,070	32,676
Deferred revenue	(237)	2,418
Net cash provided by operating activities	263,082	311,068
Investing Activities		
Purchase of property and equipment	(410,422)	(178,233)
Net cash used in investing activities	(410,422)	(178,233)
Change in Cash and Cash Equivalents and Restricted Cash	(147,340)	132,835
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	4,298,153	4,165,318
Cash and Cash Equivalents and Restricted Cash, End of Year	\$ 4,150,813	\$ 4,298,153
Cash and Cash Equivalents and Restricted Cash Consist of:		
Cash and cash equivalents	\$ 1,529,683	\$ 1,921,092
Cash reserves	71,053	71,018
Operating reserves – board-designated cash	2,550,077	2,306,043
	\$ 4,150,813	\$ 4,298,153

Innovation Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Innovation Charter High School (previously known as Renaissance Charter High School for Innovation) (the School) is an educational corporation that operates as a charter school in the Borough of Manhattan, New York City. On December 15, 2009, the Board of Regents and the Board of Trustees of the University of the State of New York, for and on behalf of the State Education Department, granted the School a charter to operate grades 9-12. On March 4, 2021, the School's charter was renewed by the New York State Board of Regents through June 30, 2026. The School's mission is to develop leadership through innovation. Student innovators achieve academic excellence by setting self-created goals within a three-tiered educational model of core classroom instruction, portfolio-based annual individual projects, and hands-on, experimental learning. During fiscal years 2022 and 2021, the School operated classes for 413 and 395 full-time equivalent general instruction students, of which 134 and 130 were special education students, respectively. The School is supported primarily by state and local per-pupil revenues.

In the spring of 2022, the School returned to a fully in-person learning model. Students with COVID-19 were given learning packets and access to School instructors and counselors via videoconference and chat technology. Notwithstanding the challenges posed by COVID-19, the School's operations, attendance, enrollment, and graduation levels were maintained at or near the same levels that existed prior to the pandemic.

Use of Estimates

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 revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents and Restricted Cash

The School considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022 and 2021, cash equivalents consisted primarily of money market accounts.

Board-designated operating reserves and deposit accounts restricted externally by regulators are considered to be restricted cash.

At June 30, 2022, the School's cash accounts exceeded federally insured limits by approximately \$3,900,000.

Cash Reserves

The School maintains cash in an escrow account, pursuant to its Charter Agreement, to pay off expenses in the event of dissolution of the School.

Innovation Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Grants and Contracts Receivable

Revenues from government grants and contracts to which the School is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors, which are not based on student enrollment, and are recorded when related expenditures are incurred by the School. Receivables are recorded when the revenue is earned. Bad debt is charged if the receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year-end. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2022 and 2021, the School had no allowance for doubtful accounts.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation, and amortization. Property and equipment acquisitions with a cost of \$1,000 and an estimated useful life of more than one year are capitalized. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and fixtures	5 - 10 years
Equipment	3 - 5 years
Leasehold improvements	10 years
Website development	5 years

Long-Lived Asset Impairment

The 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 years ended June 30, 2022 and 2021.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor or grantor restrictions, net assets for an operating reserve.

Innovation Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

State and Local Per-Pupil Revenue

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled are recorded when services are performed in accordance with the charter agreement.

Contributions

Contributions are provided to the School either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the School overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-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 statements of activities as net assets released from restrictions.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Innovation Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Government Grants

Support funded by grants is recognized as the School meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Changes in Accounting Principle

In 2022, the School adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the statements of activities and disclosures within the notes to the financial statements about the valuation method for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets (see *Note 4*). Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

Income Taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the School is subject to federal income tax on any unrelated business taxable income.

The School files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program services, management and general and fundraising categories based on actual expenditures as well as cost allocations based on time spent by personnel in the functional areas.

Innovation Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Note 2: Property and Equipment

Property and equipment at June 30, 2022 and 2021 consists of:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 151,159	\$ 120,644
Equipment	873,256	511,025
Leasehold improvements	169,022	151,346
Website development	<u>114,525</u>	<u>114,525</u>
	1,307,962	897,540
Less accumulated depreciation and amortization	<u>(804,820)</u>	<u>(670,891)</u>
	<u>\$ 503,142</u>	<u>\$ 226,649</u>

Note 3: Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose		
Student and staff support	\$ 50	\$ 3,500
Earthwatch program	<u>-</u>	<u>15,000</u>
	<u>\$ 50</u>	<u>\$ 18,500</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
COVID 19 - needs	\$ 3,500	\$ -
Earthwatch program	23,150	-
Prize money for students	<u>4,950</u>	<u>-</u>
	<u>\$ 31,600</u>	<u>\$ -</u>

Innovation Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Note 4: Contributed Nonfinancial Assets

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2022</u>	<u>2021</u>
Use of building	\$ 2,087,982	\$ 1,909,245
Clothing	17,194	-
Student Field Trip	8,150	-
Other	-	9,831
	<u>\$ 2,113,326</u>	<u>\$ 1,919,076</u>

Use of Building

The School has been provided space in a building owned by the New York City Department of Education (NYCDOE) at no charge to the School. The space is provided to the School in a building utilization plan provided by NYCDOE. The plan provides approximately 19,755 square feet or 49% of the building's educational space to the School. An additional allocation of approximately 4,400 square feet of the facility's shared auditorium and cafeteria space has been calculated based on the School's share of the facility enrollment target. For schools that rent outside space, NYCDOE reimburses them up to 30% of their general education funding to cover rental expenses. The contributed building was used for the general education and special education programs, as well as general and administrative and fundraising activities.

Other Contributed Items

The fair value of contributed clothing and student field trip are estimated on the basis of estimates of wholesale values that would be received for purchasing similar items in the United States and are used for the general education and special education programs.

Note 5: Contingencies and Concentrations

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost 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.

Substantially all of the School's operating revenue is paid by New York State Education Department.

In addition, substantially all grants and contracts receivable due at year-end were all due from the New York State Education Department.

Innovation Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Note 6: Defined Contribution Pension Plan

The School has a 401(k) defined contribution retirement plan covering substantially all employees. The School provides a matching contribution of up to 5% of employee contributions. Pension expense was \$234,763 and \$228,532 for the years ended June 30, 2022 and 2021, respectively.

Note 7: Liquidity and Availability

The School's financial assets available within one year of the date of the statements of financial position expenditures as of June 30, 2022 and 2021 are:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 1,529,683	\$ 1,921,092
Grants and contracts receivable	984,374	349,139
Operating reserves – board-designated cash	<u>2,550,077</u>	<u>2,306,043</u>
Total financial assets	5,064,134	4,576,274
Less		
Donor-imposed restrictions		
Donor-restricted funds	50	18,500
Internal designations		
Operating reserves – board-designated cash	<u>2,550,077</u>	<u>2,306,043</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,514,007</u>	<u>\$ 2,251,731</u>

The financial assets of the School without donor restrictions or restricted by state laws are available for general expenditures. As part of liquidity management, the School invests cash in excess of daily requirements in cash and cash equivalents. Although the School does not intend to spend from its net assets other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation, amounts could be made available if necessary. During the years ended June 30, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

Innovation Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Note 8: Grant Reimbursements Receivable and Future Commitments

Government grants received are conditional upon incurring allowable expenditures as specified in the contract. The School receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the School are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2022, have been recorded as receivables. The following are the grant commitments that extend beyond June 30, 2022:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Earned Through 2022</u>	<u>Funding Available</u>
Government grants	Various through 2024	\$ 1,647,901	\$ 965,081	\$ 682,820

Note 9: Subsequent Events

Subsequent events have been evaluated through October 26, 2022, which is the date the financial statements were available to be issued.

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*

Independent Auditor's Report

Board of Trustees
Innovation Charter High School
New York, New York

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 the Innovation 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 our report thereon dated October 26, 2022.

Report on Internal Control over Financial Reporting

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

FORVIS,LLP

New York, New York
October 26, 2022

Innovation Charter High School
Schedule of Findings and Responses
Year Ended June 30, 2022

Findings Required to be Reported by *Government Auditing Standards*

No matters are reportable.

Innovation Charter High School
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
No matters are reportable.		