
INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

INDEX
YEAR ENDED JUNE 30, 2017

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
STATEMENT OF FINANCIAL POSITION - JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR 2016)	EXHIBIT A 3
STATEMENT OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS FOR THE YEAR ENDED JUNE 30, 2017 (WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)	EXHIBIT B 4
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017 (WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)	EXHIBIT C 5
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017 (WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)	EXHIBIT D 6
NOTES TO FINANCIAL STATEMENTS	7 - 14
INDEPENDENT AUDITORS' 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	15 - 16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017	17 - 21

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
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, 2017, and the related statements of activities and changes in unrestricted 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 statement 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 statement that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statement 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 statement are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement 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 statement.

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, 2017, and the changes in its unrestricted net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of International Leadership Charter High School, as of and for the year ended June 30, 2016, were audited by other auditors whose report dated October 18, 2016 expressed an unmodified opinion on those statements. The summarized comparative information presented herein, as of and for the year ended June 30, 2016, was derived from those audited financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017 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 the 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.

Berdon LLP
Certified Public Accountants

New York, New York
November 20, 2017

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

EXHIBIT A

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 40,312	\$ 17,021
Accounts and grants receivables	249,127	85,491
Prepaid expenses	-	2,414
TOTAL CURRENT ASSETS	289,439	104,926
PROPERTY, PLANT AND EQUIPMENT - NET	19,637,622	20,317,255
OTHER ASSETS:		
Restricted cash and escrow reserves	2,875,315	2,082,804
Other assets	130,599	142,737
TOTAL ASSETS	\$ 22,932,975	\$ 22,647,722
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 184,081	\$ 739,779
Accrued expenses	96,937	90,648
Refundable advances	275,207	-
Accrued interest payable	598,231	504,575
Construction costs payables	-	2,422,545
Line of credit	98,818	99,400
Bonds payable - current portion	290,000	280,000
Due to officer	4,250	-
Loan from Fund for the City of New York	-	221,250
TOTAL CURRENT LIABILITIES	1,547,524	4,358,197
BONDS PAYABLE - NET OF CURRENT PORTION	19,260,537	16,621,770
TOTAL LIABILITIES	20,808,061	20,979,967
COMMITMENT AND CONTINGENCIES		
NET ASSETS - UNRESTRICTED:		
Undesignated	2,054,864	1,667,699
Reserve - contingency	70,050	56
TOTAL NET ASSETS - UNRESTRICTED	2,124,914	1,667,755
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 22,932,975	\$ 22,647,722

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

EXHIBIT B

STATEMENT OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2017
 (WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u> (SUMMARIZED)
OPERATING REVENUE AND OTHER SUPPORT:		
State and local per pupil operating revenue:		
General education	\$ 5,130,023	\$ 4,775,517
Special education	<u>402,810</u>	<u>379,755</u>
Total state and local per pupil operating revenue	<u>5,532,833</u>	<u>5,155,272</u>
Grants, contracts and other support:		
Federal grants	239,445	233,696
Contributions	-	13,634
Food service	-	49,427
Other income	<u>30,456</u>	<u>1,367</u>
Total grants, contracts and other support	<u>269,901</u>	<u>298,124</u>
TOTAL OPERATING REVENUE AND OTHER SUPPORT	<u>5,802,734</u>	<u>5,453,396</u>
EXPENSES:		
Program expenses:		
Regular education	3,581,412	3,942,382
Special education	<u>446,702</u>	<u>546,262</u>
Total program expenses	<u>4,028,114</u>	<u>4,488,644</u>
Supporting services:		
Management and general	<u>1,317,461</u>	<u>630,391</u>
Total supporting services	<u>1,317,461</u>	<u>630,391</u>
TOTAL EXPENSES	<u>5,345,575</u>	<u>5,119,035</u>
INCREASE IN UNRESTRICTED NET ASSETS	457,159	334,361
NET ASSETS - UNRESTRICTED - BEGINNING OF YEAR	<u>1,667,755</u>	<u>1,333,394</u>
NET ASSETS - UNRESTRICTED - END OF YEAR	<u>\$ 2,124,914</u>	<u>\$ 1,667,755</u>

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	PROGRAMS		SUPPORTING SERVICES		
	REGULAR EDUCATION	SPECIAL EDUCATION	TOTAL PROGRAMS	MANAGEMENT AND GENERAL	TOTAL - 2017
					TOTAL - 2016
					(SUMMARIZED)
PERSONNEL EXPENSES:					
Administrative staff	\$ -	\$ -	\$ -	\$ 657,351	\$ 657,351
Instructional personnel	981,087	109,010	1,090,097	-	1,090,097
Noninstructional personnel	122,602	13,622	136,224	-	136,224
TOTAL PERSONNEL EXPENSES	1,103,689	122,632	1,226,321	657,351	1,883,672
OPERATING EXPENSES:					
Fringe benefits and payroll taxes	177,757	19,751	197,508	105,870	303,378
Professional development	66,624	7,403	74,027	-	74,027
Financial management services	-	-	-	62,089	62,089
Professional fees	91,776	13,111	104,887	26,222	131,109
Student and staff recruitment	53,254	-	53,254	-	53,254
Curriculum/classroom expenses	143,762	15,973	159,735	-	159,735
Office supplies/materials	43,403	4,823	48,226	-	48,226
Food service fees	178,248	19,805	198,053	-	198,053
Travel/conferences	6,687	955	7,642	-	7,642
Postage, printing, and copying	24,156	2,684	26,840	1,910	28,750
Insurance	85,513	12,216	97,729	-	97,729
Information technology	67,982	7,554	75,536	24,432	100,000
Leased equipment	6,001	857	6,858	-	6,858
Security	65,681	9,383	75,064	1,715	76,779
Non-capitalized equipment/ furnishings	2,690	384	3,074	18,766	20,830
Repairs and maintenance	35,645	5,092	40,737	768	41,505
Depreciation	356,808	50,973	407,781	10,184	417,965
Rent	68,122	9,732	77,854	101,945	179,799
Utilities	76,997	11,000	87,997	19,463	107,460
Interest	855,680	122,240	977,920	21,999	1,000,000
Bad debt	-	-	-	244,480	244,480
Other expenses	70,937	10,134	81,071	-	81,071
TOTAL OPERATING EXPENSES	2,477,723	324,070	2,801,793	660,110	3,461,903
TOTAL EXPENSES	3,581,412	446,702	4,028,114	1,317,461	5,345,575
					\$ 5,119,035

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u> (SUMMARIZED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in unrestricted net assets	\$ 457,159	\$ 334,361
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	509,726	249,512
Amortization of deferred financing costs	33,767	20,830
Changes in operating assets and liabilities:		
(Increases) decreases in:		
Accounts and grants receivable	(163,636)	(45,267)
Prepaid expenses	2,414	61,620
Other assets	(4,200)	-
(Decreases) increases in:		
Accounts payable	(539,360)	-
Accrued expenses	6,289	326,227
Refundable advances	275,207	-
Accrued interest payable	93,656	(6,625)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>671,022</u>	<u>940,658</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted cash and escrow reserves	(792,511)	3,783,935
Acquisition of property, plant and equipment	(62,093)	(6,720,498)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(854,604)</u>	<u>(2,936,563)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit	(582)	19,137
Loan from Fund for the City of New York	(221,250)	221,250
Proceeds from bond payable	3,300,000	-
Repayment of bond payable	(280,000)	(497,000)
Deferred financing costs	(173,000)	-
Construction costs payable	(2,422,545)	2,363,844
Due to officer	4,250	-
Due to Victory Education Partners	-	(125,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>206,873</u>	<u>1,982,231</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,291	(13,674)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>17,021</u>	<u>30,695</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 40,312</u>	<u>\$ 17,021</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 1,094,977</u>	<u>\$ 1,009,150</u>

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

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

International Leadership Charter High School (the "School") is a public charter high school located in Bronx, New York. The School opened in January 2006 and currently operates classes for ninth grade to twelfth grade. The School's charter was renewed through June 30, 2020. The mission of the School is to prepare the young men and women of the Bronx for not only the demands of higher education, but also for leading lives of meaning. This teaching philosophy provides powerful learning experiences that stress engagement, discovery, and the active application of learning to the world around us.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require 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.

(b) Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. The reclassifications have no effect on 2016 unrestricted net assets and changes in unrestricted net assets.

(c) Net Asset Presentation

The classification of the School's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities and changes in unrestricted net assets. These classes are defined as follows:

- Permanently restricted - Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School has no permanently restricted net assets at June 30, 2017.
- Temporarily restricted - Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in unrestricted net assets. The School has no temporarily restricted net assets at June 30, 2017.

(continued)

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(d) Cash and Cash Equivalents

The School considers all short-term, highly liquid investments with an original maturity of three months or less, such as money market funds, to be cash equivalents.

(e) Accounts and Grants Receivable

Accounts and grants receivable are recorded at net realizable value. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectibility. Accounts and grants receivable are \$249,127 at June 30, 2017. No allowance was recorded at June 30, 2017, as management believes all amounts are collectible.

(f) Donated Goods and Services

The School receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statements of activities and changes in unrestricted net assets, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

(g) Restricted Cash and Escrow Reserves

Restricted cash and escrow reserves relate to reserve and escrow accounts that are required to be maintained by the School in accordance with the bond indenture and charter requirements.

(h) Revenue Recognition

The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year during which it is earned.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance, or any unspent funds for which qualifying expenditures have not been incurred, are recorded as refundable advances. Any unspent amounts usually are returned to the granting agency. However, the granting agency can approve that those amounts be applied to a future grant period.

(continued)

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on an individual basis in the accompanying statement of activities and changes in unrestricted net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expense includes expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

(j) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$500. Items with an acquisition cost of less than \$500, or a useful life of less than one year, are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets of five years for furniture and fixtures and equipment and 39 years for building.

(k) Refundable Advances

Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

(l) Income Taxes

In January 2006, the School filed and received approval of its application for tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(a)(1) and 170(b)(1)(a)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The School has not incurred any unrelated business income.

The School is no longer subject to income tax examination by federal, state, or local tax authorities for years before June 30, 2013.

(m) Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2016 is presented for comparative purposes only. The notes to the financial statements and certain activity by net asset classification are not included in this report. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements as of and for the years ended June 30, 2016 from which the summarized comparative information was derived.

(continued)

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Subsequent Events

Management has evaluated subsequent events occurring after June 30, 2017 through November 20, 2017, which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

(o) Recently Adopted Accounting Policies

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within fiscal years beginning after December 15, 2016, and shall be applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period specific effects of applying the new guidance. On July 1, 2016, the School adopted ASU 2015-03 and applied the guidance to its bonds payable for the period presented. Unamortized deferred financing costs, which were previously included in deferred expenses, totaling \$954,463, are included in bonds payable as of June 30, 2017. The adoption of this guidance did not have a material impact on the School's financial statements, as the update relates only to changes in financial statement presentation.

(p) Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements for Not-for-Profit Entities." Under the new guidance, the existing three-category classification of net assets will be collapsed into two categories: with donor restrictions and without donor restrictions. Endowments that have a current fair value that is less than the original gift amount (underwater) will be classified in net assets with donor restrictions and expanded disclosures will be required. Additional requirements include disclosure of board-designated net assets, expanded reporting to present expenses by function and natural classification, and eliminating the disclosure of investment expenses that are netted against investment returns. ASU 2016-14 is effective for the fiscal years beginning after December 15, 2017 and early adoption is permitted. The School has not yet evaluated the impact this adoption will have on the financial statements.

NOTE 3 - RESTRICTED CASH AND ESCROW RESERVES

Restricted cash and escrow reserve accounts at June 30, 2017 consists of:

Restricted cash - held by trustee	\$ 1,310,176
Restricted cash - contingency	70,050
Other reserve	1,220,576
Debt service	<u>274,513</u>
	<u>\$ 2,875,315</u>

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - DEFINED CONTRIBUTION PLAN

Effective January 1, 2009, the School adopted a 403(b) profit sharing plan, which covers most employees. The plan is a defined contribution plan. All employees are immediately eligible to begin making voluntary salary reduction contributions. Additionally, the School can make employer-based discretionary contributions to the plan. During the year ended June 30, 2017, the School contributed \$37,612 to the plan which is included in fringe benefits and payroll taxes in the accompanying statement of functional expenses.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

At June 30, 2017, property, plant and equipment consisted of the following:

Land	\$ 2,530,000
Building	17,584,933
Furniture and fixtures	<u>434,322</u>
	20,549,255
Less, accumulated depreciation	<u>(911,633)</u>
	<u>\$ 19,637,622</u>

Depreciation expense for the year ended June 30, 2017 was \$509,726.

NOTE 6 - ACCRUED EXPENSES

Accrued expenses consist primarily of amounts due to professional service providers and 403(b) employer contribution.

NOTE 7 - BONDS PAYABLE

On March 21, 2013, Build NYC Resource Corporation provided construction and permanent financing through the issuance of \$17,750,000 in Tax-Exempt Revenue Bonds (the "Series 2013 Bonds"), with current principal amounts as of June 30, 2017, interest rates and maturity dates as follows:

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 2,375,000	5.00%	July 1, 2023
5,360,000	5.75%	July 1, 2033
<u>9,470,000</u>	6.00%	July 1, 2043
<u>\$ 17,205,000</u>		

(continued)

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (Continued)

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 to reimburse the 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.

On July 15, 2016, Building 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).

Future minimum principal payments for the next five years in the aggregate and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 290,000
2019	365,000
2020	425,000
2021	450,000
2022	475,000
Thereafter	<u>18,500,000</u>
Total principal payments	20,505,000
Less, unamortized deferred financing costs (Note 2(o))	<u>954,463</u>
	<u>\$ 19,550,537</u>

Interest expense, inclusive of deferred financing cost amortization of \$33,767, was \$1,122,400 for the year ended June 30, 2017.

Debt Service Coverage Ratio

Pursuant to the loan agreement, the School is required to maintain ongoing debt service coverage ratio greater than 1.1.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - CONCENTRATIONS OF RISK

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to significant credit risk on cash and cash equivalents.

The School received approximately 85% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the year ended June 30, 2017. Additionally the School's grants receivable consists of approximately 97% from the New York State Department of Education and the Federal Title I grants.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and grant 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 and contracts by government agencies is presently not determinable, it should not, in the opinion of management, have a material effect on the School's financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

The School has an employment agreement with a key member of management, which generally provide for minimum annual base compensation and other benefits. The agreement calls for an annual 5% increase and continues until June 30, 2019.

NOTE 10 - SUPPORTING SERVICES

The School entered into an agreement (the "Agreement") with a third party to provide assistance with accounting and bookkeeping, financial reporting and budgeting, and grant financial management. The Agreement was terminated as of January 2017. For fiscal year ended June 30, 2017, the School incurred fees of \$62,089 which are included in the accompanying statement of functional expenses. At June 30, 2017, approximately \$30,000 was due to the management company.

NOTE 11 - LINE OF CREDIT

The School has an unsecured line of credit in the amount of \$100,000 at 5% per annum. At June 30, 2017, the balance was \$98,818.

NOTE 12 - LOAN FROM FUND FOR THE CITY OF NEW YORK

The School received an unsecured, noninterest bearing, short-term bridge loan of \$250,000 from the Fund for the City of New York. The loan was paid in full in August 2016.

INTERNATIONAL LEADERSHIP CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - RELATED PARTY TRANSACTION

While the School was experiencing cash flow difficulties, the chief executive officer advanced the School \$8,000 during the year ended June 30, 2017. The advance is noninterest bearing and has no set repayment terms. At June 30, 2017, \$4,250 was due to the chief executive officer.

NOTE 14 - OTHER ASSETS

The School was party to a lease agreement that expired in August 2016. As part of the lease agreement, the 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 is due from the landlord and is included in other assets on the statement of financial position. The School will pursue legal action for return of the security deposit and, therefore, no allowance has been recorded.

NOTE 15 - SUBSEQUENT EVENTS

In October 2017, the School's authorizer changed from New York City Department of Education to State University of New York Charter State Institute. The School does not believe that this will have an impact on the School's statement of financial position or statement of activities and changes in unrestricted net assets.