

Financial Statements with Reports of
Independent Certified Public
Accountants

Icahn Charter School 1

June 30, 2019 and 2018

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GRANT THORNTON LLP

757 Third Avenue, 9th Floor
New York, NY 10017

D +1 212 599 0100

F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of the
Icahn Charter School 1

We have audited the accompanying financial statements of Icahn Charter School 1 (the "Charter School"), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2019, with comparative totals for 2018, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter School as of June 30, 2019 and 2018, 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.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 31, 2019, 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 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 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.



New York, New York
October 31, 2019

Icahn Charter School 1

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,451,249	\$ 1,336,446
Grants and contracts receivable	195,345	205,217
Due from school district	34,019	133,674
Prepaid expenses	49,533	50,245
Contributions and other receivables	753,132	662,964
Other assets	24,228	9,874
Capital assets, net	<u>10,572,666</u>	<u>10,761,377</u>
Total assets	<u>\$ 13,080,172</u>	<u>\$ 13,159,797</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 156,711	\$ 209,303
Accrued payroll and benefits	1,316,882	1,091,129
Due to school district	1,179	-
Deferred revenue	114,517	108,313
Obligations under capital leases	<u>165,117</u>	<u>40,464</u>
Total liabilities	<u>1,754,406</u>	<u>1,449,209</u>
Commitments and contingencies		
NET ASSETS		
Without donor restrictions	2,024,964	1,920,270
With donor restrictions	<u>9,300,802</u>	<u>9,790,318</u>
Total net assets	<u>11,325,766</u>	<u>11,710,588</u>
Total liabilities and net assets	<u>\$ 13,080,172</u>	<u>\$ 13,159,797</u>

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

Icahn Charter School 1

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Public School District:						
Resident student enrollment	\$ 5,219,900	\$ -	\$ 5,219,900	\$ 4,932,571	\$ -	\$ 4,932,571
Student with disabilities	31,450	-	31,450	21,473	-	21,473
Grants and contracts:						
State and local	24,692	-	24,692	25,227	-	25,227
Federal - Title and IDEA	250,318	-	250,318	310,720	-	310,720
Other grants	30,700	-	30,700	35,124	-	35,124
Net assets released from restrictions	489,516	(489,516)	-	489,516	(489,516)	-
Total revenues, gains and other support	6,046,576	(489,516)	5,557,060	5,814,631	(489,516)	5,325,115
Expenses						
Program services:						
Regular education	4,925,885	-	4,925,885	4,703,955	-	4,703,955
Special education	152,606	-	152,606	137,367	-	137,367
Total program services	5,078,491	-	5,078,491	4,841,322	-	4,841,322
Supporting services:						
Management and general	1,110,325	-	1,110,325	1,071,909	-	1,071,909
Total operating expenses	6,188,816	-	6,188,816	5,913,231	-	5,913,231
Deficit from school operations	(142,240)	(489,516)	(631,756)	(98,600)	(489,516)	(588,116)
Other revenue						
Other income	246,934	-	246,934	24,486	-	24,486
Change in net assets	104,694	(489,516)	(384,822)	(74,114)	(489,516)	(563,630)
Net assets, beginning of year	1,920,270	9,790,318	11,710,588	1,994,384	10,279,834	12,274,218
Net assets, end of year	\$ 2,024,964	\$ 9,300,802	\$ 11,325,766	\$ 1,920,270	\$ 9,790,318	\$ 11,710,588

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

Icahn Charter School 1

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019, with comparative totals for 2018

	Program services			Management and general	2019 Total	2018 Total
	Regular education	Special education	Total			
Personnel service costs						
Administrative staff personnel	\$ 248,526	\$ -	\$ 248,526	\$ 282,092	\$ 530,618	\$ 488,495
Instructional personnel	2,595,540	48,971	2,644,511	-	2,644,511	2,310,838
Non-instructional personnel	-	-	-	398,046	398,046	367,158
Total personnel service costs	2,844,066	48,971	2,893,037	680,138	3,573,175	3,166,491
Fringe benefits and payroll taxes	494,956	4,153	499,109	89,194	588,303	617,676
Retirement	54,414	2,449	56,863	20,221	77,084	76,294
Legal	190	-	190	54	244	3,252
Accounting/audit services	24,029	2,352	26,381	7,487	33,868	30,893
Other purchasing/professional consulting service	15,566	10,669	26,235	2,680	28,915	38,320
Building and land rent/lease	35,475	3,472	38,947	11,053	50,000	50,000
Repairs and maintenance	117,494	2,447	119,941	33,891	153,832	142,979
Insurance	33,397	-	33,397	9,478	42,875	39,378
Utilities	73,904	7,059	80,963	22,976	103,939	102,540
Supplies/material	156,169	10,511	166,680	-	166,680	181,371
Equipment/furnishing	1,339	-	1,339	2,270	3,609	5,047
Staff development	177,288	-	177,288	-	177,288	187,333
Marketing/recruitment	14,655	-	14,655	4,159	18,814	13,151
Technology	141,660	2,718	144,378	40,972	185,350	199,776
Telephone	24,711	2,419	27,130	7,699	34,829	40,674
Student service	121,047	2,639	123,686	-	123,686	169,218
Office expense	27,391	2,638	30,029	39,395	69,424	97,446
Depreciation	544,512	49,907	594,419	124,938	719,357	711,385
Other	23,622	202	23,824	13,720	37,544	40,007
Total expenses	<u>\$ 4,925,885</u>	<u>\$ 152,606</u>	<u>\$ 5,078,491</u>	<u>\$ 1,110,325</u>	<u>\$ 6,188,816</u>	<u>\$ 5,913,231</u>

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

Icahn Charter School 1

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash receipts from:		
Public school district	\$ 5,226,104	\$ 4,939,416
Grants and contracts	356,519	(118,546)
Other	246,934	24,486
Cash payments for:		
Vendors	(1,295,953)	(1,303,370)
Employee salaries and benefits	(4,012,808)	(3,646,274)
Net cash provided by (used in) operating activities	<u>520,796</u>	<u>(104,288)</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	<u>(382,508)</u>	<u>(156,980)</u>
Cash flows from financing activities:		
Capital lease payments	<u>(23,485)</u>	<u>(20,750)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	114,803	(282,018)
Cash and cash equivalents, beginning of year	<u>1,336,446</u>	<u>1,618,464</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,451,249</u></u>	<u><u>\$ 1,336,446</u></u>
Supplemental disclosures of cash flow information:		
Equipment acquired under capital leases	<u><u>\$ 143,028</u></u>	<u><u>\$ -</u></u>
Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ (384,822)	\$ (563,630)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	719,357	711,385
Change in assets and liabilities:		
Grants and contracts receivable	9,872	(72,197)
Due from school district	99,655	24,039
Prepaid expenses	712	4,519
Contributions and other receivables	(90,168)	(462,933)
Other assets	(14,354)	900
Accounts payable and accrued expenses	(52,592)	36,917
Accrued payroll and benefits	225,753	214,187
Due to school districts	1,179	(4,320)
Deferred revenue	6,204	6,845
Net cash provided by (used in) operating activities	<u><u>\$ 520,796</u></u>	<u><u>\$ (104,288)</u></u>

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

Icahn Charter School 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE A - NATURE OF OPERATIONS

The Icahn Charter School 1 (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 20, 2001, 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 2016 for a term up through and including July 31, 2021.

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 4, 2001.

The Charter School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code 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 ("US 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.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment Charter Schools and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

As required by the standard, the Charter School adopted ASU No. 2016-14 as of and for the year ended June 30, 2019 and has applied the amendments retrospectively as required by the standard.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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, 2019 or 2018.

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. Amounts received in advance are reported as deferred revenue.

Revenue from grants and contracts is recognized as the related expenses are incurred in accordance with the terms of the respective grant or contract agreement. Amounts received in advance are reported as deferred revenues.

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.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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, 2019 and 2018, there was no allowance for uncollectible receivables. Contributions and other receivables as of June 30, 2019 and 2018 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.

Cash and Cash Equivalents

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, 2019 and 2018 is a reserve fund of \$75,000 to cover debts in the event of the Charter School's dissolution, and a reserve fund of \$67,000 and \$61,000 for the years ended June 30, 2019 and 2018, respectively, for the maintenance of the building.

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 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:

	Useful lives
Furniture and fixtures	3 years
Renovations and improvements	10-20 years
Building	30 years
Equipment	3-5 years
Library, software and textbooks	3 years

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 consolidated 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.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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 was 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 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.

NOTE C - CAPITAL ASSETS, NET

At June 30, 2019 and 2018, capital assets consisted of the following:

	2019	2018
Library, software and textbooks	\$ 287,067	\$ 287,067
Renovations and improvements	1,136,572	792,628
Building	14,685,478	14,685,478
Equipment	1,377,307	1,203,789
Furniture and fixtures	236,065	227,991
	17,722,489	17,196,953
Less: Accumulated depreciation	(7,149,823)	(6,435,576)
	<u>\$ 10,572,666</u>	<u>\$ 10,761,377</u>

Included in equipment as of June 30, 2019 and 2018 are assets acquired under capital leases at a cost of approximately \$246,000 and \$103,000 with accumulated depreciation of approximately \$82,000 and \$63,000, respectively.

Depreciation expense totaled approximately \$719,000 and \$711,000 for the years ended June 30, 2019 and 2018, respectively.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE D - RELATED PARTY TRANSACTIONS

Administrative Support

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.

Facilities

During 2001, the Foundation for a Greater Opportunity (the "Foundation") (an affiliated entity) entered into a 99 year ground lease for land located at 1525 Brook Avenue, Bronx, New York with the Children's Rescue Fund (the "Fund"). Subsequent to entering into the ground lease, the Foundation constructed a building on this land and has an operating lease with the Charter School for its use which commenced in September 2001. The original lease expired on September 1, 2011. The lease was renewed through August 31, 2021 and provides for rental payments of \$50,000 for each year of occupancy. Total rent expense for the years ended June 30, 2019 and 2018 was approximately \$50,000.

During 2006, the Foundation entered into another 99 year ground lease for land located at 1520 Brook Avenue, Bronx, New York with the Fund. Subsequent to entering into the ground lease, the Foundation subleased the land to the New York City School Construction Authority ("SCA") in connection with the construction of a charter public middle school. On October 24, 2006, the Foundation then entered into an agreement with the SCA to construct a charter public middle school on the subleased land. Upon completion of construction and issuance of the certificate of occupancy, title to the middle school building was transferred to the New York City Department of Education and leased back to the Foundation. Although the lease is between the Foundation and the SCA, the lease agreement designates the Charter School as the initial user of the premises. The lease will have a 30-year term and the Foundation is obligated to pay rent of \$1 per year. In accordance with the lease agreement, the Foundation concurrently entered into a use agreement with the Charter School for the use of the leased land and building for a corresponding 30-year term.

The Foundation accounted for this arrangement as an agency transaction on behalf of the Charter School as the Charter School is the ultimate beneficiary of the imputed fair value of the 30 year lease agreement. During the year ended June 30, 2009, upon receiving the building to use, the Charter School has recorded the imputed fair value of the building of approximately \$14,700,000, within capital assets and recognized temporarily restricted contributions revenue which will be amortized over the 30-year term and released from the restrictions accordingly.

Other

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 the Charter School who serve in a management capacity at other Icahn Charter Schools. At June 30, 2019 and 2018, accounts payable and accrued expenses included approximately \$38,000 and \$117,000, respectively, and other receivables included approximately \$747,000 and \$658,000, respectively, pertaining to these related party transactions.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019 and 2018, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Restricted as to purpose:		
Middle School	<u>\$ 9,300,802</u>	<u>\$ 9,790,318</u>

During the years ended June 30, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the purpose, or by meeting the time restrictions as follows:

	<u>2019</u>	<u>2018</u>
Middle School	<u>\$ 489,516</u>	<u>\$ 489,516</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 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 New York City Department of Education totaled approximately \$5,251,000 and \$4,954,000 for the years ended June 30, 2019 and 2018, respectively. The Charter School is dependent upon this level of funding in order to continue its operations.

NOTE H - OBLIGATION UNDER CAPITAL LEASES

Certain long-term leases covering equipment are classified as capital leases. Accordingly, equipment is capitalized as leased property and amortized on a straight-line basis over the term of the lease. The corresponding obligation under the capital leases represents the present value of the rental payments discounted by interest rates implicit in the lease agreements.

Icahn Charter School 1
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2019 and 2018

Annual payments due subsequent to June 30, 2019 follow:

Year ending June 30,	
2020	\$ 43,119
2021	41,895
2022	39,947
2023	32,784
2024	<u>28,544</u>
Total	186,290
Less: interest	<u>(21,173)</u>
	<u>\$ 165,117</u>

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 \$77,000 and \$76,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE J - COMMITMENTS AND 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.

NOTE K - LIQUIDITY

The 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 school considers all expenditures related to its ongoing activities of teaching its public school students to be general operating expenditures.

Icahn Charter School 1

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

As of June 30, 2019, the following financial assets could be readily made available within one year of the statement of financial position date to meet general operating expenditures:

Cash and cash equivalents	\$ 1,451,249
Grants and contracts receivable	195,345
Due from school districts	34,019
Contributions and other receivables	<u>753,132</u>
Total financial assets available within one year	<u>\$ 2,433,745</u>

The school maintains a net assets with donor restrictions balance of \$9,300,802 as of June 30, 2019. The amount that is restricted is not excluded from the above calculation of available assets to meet general operating expenses as the entire restricted amount relates 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, 2019 financial statements for subsequent events through October 31, 2019, the date the financial statements were available to be issued. The Charter School is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

GRANT THORNTON LLP

757 Third Avenue, 9th Floor
New York, NY 10017

D +1 212 599 0100

F +1 212 370 4520

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 the **Icahn Charter School 1**

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 Icahn Charter School 1 (the "Charter School"), which comprise the statement of financial position as of June 30, 2019, 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 31, 2019.

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") to design 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 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 the Charter School's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. 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*.

Intended purpose

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.



New York, New York
October 31, 2019