

Financial Statements with Reports of  
Independent Certified Public  
Accountants

**Icahn Charter School 2**

June 30, 2019 and 2018

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of the  
**Icahn Charter School 2**

We have audited the accompanying financial statements of Icahn Charter School 2 (the “Charter School”), which comprise the statements of financial position as of June 30, 2019 and 2018, and 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 2

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,615,383	\$ 1,434,124
Grants and contracts receivable	145,325	132,841
Due from school districts	10,707	118,157
Contribution receivable - contributed space	3,735,119	4,340,815
Prepaid expenses	36,039	49,080
Contributions and other receivables	15,018	25,401
Other assets	13,132	12,360
Capital assets, net	<u>241,762</u>	<u>281,052</u>
Total assets	<u>\$ 5,812,485</u>	<u>\$ 6,393,830</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 242,971	\$ 263,130
Accrued payroll and benefits	762,870	700,548
Due to school districts	12,950	-
Deferred revenue	110,966	106,521
Obligations under capital leases	<u>44,726</u>	<u>13,124</u>
Total liabilities	<u>1,174,483</u>	<u>1,083,323</u>
Commitments and contingencies		
<b>NET ASSETS</b>		
Without donor restrictions	902,882	969,692
With donor restrictions	<u>3,735,120</u>	<u>4,340,815</u>
Total net assets	<u>4,638,002</u>	<u>5,310,507</u>
Total liabilities and net assets	<u>\$ 5,812,485</u>	<u>\$ 6,393,830</u>

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

Icahn Charter School 2

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
<b>Revenues, gains and other support</b>						
Public School District:						
Resident student enrollment	\$ 5,046,138	\$ -	\$ 5,046,138	\$ 4,815,909	\$ -	\$ 4,815,909
Students with disabilities	32,330	-	32,330	49,017	-	49,017
Grants and contracts:						
State and local	24,727	-	24,727	25,242	-	25,242
Federal - Title and IDEA	184,720	-	184,720	205,390	-	205,390
Other grants	13,430	-	13,430	15,296	-	15,296
Net assets released from restrictions	605,695	(605,695)	-	605,695	(605,695)	-
Total revenues, gains and other support	5,907,040	(605,695)	5,301,345	5,716,549	(605,695)	5,110,854
<b>Expenses</b>						
Program services:						
Regular education	4,910,923	-	4,910,923	4,591,605	-	4,591,605
Special education	211,041	-	211,041	207,415	-	207,415
Total program services	5,121,964	-	5,121,964	4,799,020	-	4,799,020
Supporting services:						
Management and general	892,960	-	892,960	854,782	-	854,782
Total operating expenses	6,014,924	-	6,014,924	5,653,802	-	5,653,802
(Deficit) surplus from school operations	(107,884)	(605,695)	(713,579)	62,747	(605,695)	(542,948)
<b>Other revenue</b>						
Other income	41,074	-	41,074	23,551	-	23,551
Change in net assets	(66,810)	(605,695)	(672,505)	86,298	(605,695)	(519,397)
<b>Net assets, beginning of year</b>	969,692	4,340,815	5,310,507	883,394	4,946,510	5,829,904
<b>Net assets, end of year</b>	\$ 902,882	\$ 3,735,120	\$ 4,638,002	\$ 969,692	\$ 4,340,815	\$ 5,310,507

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

Icahn Charter School 2

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			
<b>Personnel service costs</b>						
Administrative staff personnel	\$ 267,863	\$ -	\$ 267,863	\$ 282,092	\$ 549,955	\$ 509,017
Instructional personnel	2,501,559	48,730	2,550,289	-	2,550,289	2,407,320
Non-instructional personnel	-	-	-	276,690	276,690	251,002
Total personnel service costs	2,769,422	48,730	2,818,152	558,782	3,376,934	3,167,339
Fringe benefits and payroll taxes	474,041	4,132	478,173	72,825	550,998	549,013
Retirement	88,717	2,437	91,154	25,965	117,119	116,123
Legal	206	-	206	38	244	1,878
Accounting/audit services	24,937	3,626	28,563	5,305	33,868	30,892
Other purchasing/professional consulting	14,652	21,940	36,592	1,584	38,176	65,015
Building and land rent/lease	445,975	64,853	510,828	94,868	605,696	605,695
Repairs and maintenance	64,485	551	65,036	12,078	77,114	102,275
Insurance	70,257	-	70,257	13,048	83,305	53,570
Utilities	105,022	15,272	120,294	22,340	142,634	128,461
Supplies/material	288,740	31,543	320,283	-	320,283	154,310
Equipment/furnishings	950	-	950	856	1,806	3,569
Staff development	190,501	-	190,501	-	190,501	187,216
Marketing/recruitment	5,272	-	5,272	979	6,251	3,566
Technology	93,985	1,879	95,864	17,803	113,667	115,836
Telephone	13,642	1,984	15,626	2,902	18,528	17,107
Student services	140,760	-	140,760	-	140,760	168,065
Office expense	8,302	1,148	9,450	33,988	43,438	45,678
Depreciation	91,119	12,946	104,065	19,326	123,391	106,189
Other	19,938	-	19,938	10,273	30,211	32,005
Total expenses	<u>\$ 4,910,923</u>	<u>\$ 211,041</u>	<u>\$ 5,121,964</u>	<u>\$ 892,960</u>	<u>\$ 6,014,924</u>	<u>\$ 5,653,802</u>

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

Icahn Charter School 2

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from:		
Public school district	\$ 5,050,583	\$ 4,821,457
Grants and contracts	966,252	897,274
Other	41,074	23,551
Cash payments for:		
Vendors	(1,841,422)	(1,614,779)
Employee salaries and benefits	(3,982,728)	(3,752,947)
	<u>233,759</u>	<u>374,556</u>
<b>Net cash provided by operating activities</b>		
	<u>233,759</u>	<u>374,556</u>
<b>Cash flows from investing activities</b>		
Purchase of furniture, fixtures and equipment	(42,880)	(236,179)
	<u>(42,880)</u>	<u>(236,179)</u>
<b>Cash flows from financing activities</b>		
Capital lease payments	(9,619)	(9,222)
	<u>(9,619)</u>	<u>(9,222)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	181,260	129,155
<b>Cash and cash equivalents, beginning of year</b>	<u>1,434,124</u>	<u>1,304,969</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,615,384</u></u>	<u><u>\$ 1,434,124</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Equipment acquired under capital leases	<u><u>\$ 38,741</u></u>	<u><u>\$ -</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (672,505)	\$ (519,397)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	123,391	106,189
Change in assets and liabilities:		
Grants and contracts receivable	(12,484)	(11,014)
Due from school district	107,450	21,647
Building receivable	605,696	605,695
Prepaid expenses	13,041	5,202
Contributions and other receivables	10,383	(13,997)
Other assets	(772)	-
Accounts payable and accrued expenses	(20,158)	98,395
Accrued payroll and benefits	62,322	79,528
Due to school districts	12,950	(3,240)
Deferred revenue	4,445	5,548
	<u>4,445</u>	<u>5,548</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 233,759</u></u>	<u><u>\$ 374,556</u></u>

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



**Icahn Charter School 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE A - NATURE OF OPERATIONS**

The Icahn Charter School 2 (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 September 12, 2006, 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 2017 for a term up through and including July 31, 2022.

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 10, 2007.

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 2**

**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 2

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 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.

**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
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 2

### 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	\$ 211,483	\$ 211,483
Equipment	1,071,547	1,013,701
Furniture and fixtures	82,262	58,487
	<u>1,365,292</u>	<u>1,283,671</u>
Less: Accumulated depreciation	<u>(1,123,530)</u>	<u>(1,002,619)</u>
	<u>\$ 241,762</u>	<u>\$ 281,052</u>

Included in equipment as of June 30, 2019 and 2018 are assets acquired under capital leases at a cost of approximately \$84,000 and \$45,000, with accumulated depreciation of approximately \$40,000 and \$33,000, respectively.

Depreciation expense totaled approximately \$123,000 and \$106,000 for the years ended June 30, 2019 and 2018, respectively.

#### **NOTE D - RELATED PARTY TRANSACTIONS**

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

Certain expenses are shared amongst the seven Icahn Charter Schools (affiliated entities) and amounts may also be received on behalf of another Icahn Charter School. Shared expenses primarily related to prorated salaries, based on student enrollment, for administrators at Icahn Charter School 1 who serve in a management capacity at the Charter School. At June 30, 2019 and 2018, accounts payable and accrued expenses included approximately \$123,000 and \$118,000, respectively, and other receivables included approximately \$10,000 and \$18,000, respectively, pertaining to these related party transactions.

Icahn Charter School 2

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

**NOTE E - CONTRIBUTION RECEIVABLE – CONTRIBUTED SPACE**

During fiscal 2012, the Charter School entered into a lease for space located in the Bronx, New York that is owned by the New York City Department of Education (“DOE”). This lease will expire in September 2025 and under the terms of the lease the Charter School is required to pay \$1 per annum. Additionally the Charter School is required to pay a \$0.25 per square foot annual contribution to a reserve fund to be used for maintenance or improvements to the Charter School. Upon execution of the lease agreement during fiscal 2012, the Charter School recorded approximately \$8,581,000 as a contribution receivable – contributed space, and recognized temporarily restricted contribution revenue, which represents the imputed fair value of the space under the lease. The receivable is amortized to rent expense, and the related temporarily restricted net assets are released from restrictions, over the term of the lease.

**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 DOE provides general operating support to the Charter School based upon the location and the number of students enrolled. Operating support provided to the Charter School by the DOE totaled approximately \$5,078,000 and \$4,865,000 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 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	2019	2018
Restricted as to purpose:		
School building	\$ 3,735,120	\$ 4,340,815

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

	2019	2018
School building	\$ 605,695	\$ 605,695

**NOTE I - 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 2**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2019 and 2018**

Annual payments due subsequent to June 30, 2018 follow:

<b>Year ending June 30,</b>	
2020	\$ 12,750
2021	12,428
2022	8,880
2023	8,880
2024	<u>7,400</u>
Total	50,338
Less: interest	<u>(5,612)</u>
	<u>\$ 44,726</u>

**NOTE J - 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 \$117,000 and \$116,000 for the years ended June 30, 2019 and 2018, respectively.

**NOTE K - 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 L - 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- 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 2**

**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	\$ 1,615,383
Grants and contracts receivable	145,325
Due from school districts	10,707
Contributions and other receivables	<u>15,018</u>
Total financial assets available within one year	<u>\$ 1,786,433</u>

The school maintains a net assets with donor restrictions balance of \$3,735,120 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 M - 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.

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

To the Board of Directors of the **Icahn Charter School 2**

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 2 (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