

Financial Statements with Reports of
Independent Certified Public
Accountants

Icahn Charter School 5

June 30, 2019 and 2018

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of Financial Position as of June 30, 2019 and 2018	5
Statements of Activities for the years ended June 30, 2019 and 2018	6
Statement of Functional Expenses for the year ended June 30, 2019, with comparative Totals for 2018	7
Statements of Cash Flows for the years ended June 30, 2019 and 2018	8
Notes to the Financial Statements	9
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters as required by <i>Government Auditing Standards</i>	16

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of the
Icahn Charter School 5

We have audited the accompanying financial statements of Icahn Charter School 5 (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.

Grant Thornton LLP

New York, New York
October 31, 2019

Icahn Charter School 5

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 2,939,095	\$ 2,154,929
Grants and contracts receivable	149,663	146,470
Due from school district	38,319	111,090
Prepaid expenses	49,253	59,644
Contributions and other receivables	18,605	32,226
Other assets	25,813	17,799
Capital assets, net	<u>6,653,243</u>	<u>278,757</u>
Total assets	<u>\$ 9,873,991</u>	<u>\$ 2,800,915</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 377,170	\$ 331,031
Accrued payroll and benefits	522,234	426,000
Due to school districts	4,715	10,390
Deferred revenue	111,439	104,931
Obligations under capital leases	<u>20,372</u>	<u>26,250</u>
Total liabilities	<u>1,035,930</u>	<u>898,602</u>
Commitments and contingencies		
NET ASSETS		
Without donor restrictions	2,375,097	1,902,313
With donor restrictions	<u>6,462,964</u>	<u>-</u>
Total net assets	<u>8,838,061</u>	<u>1,902,313</u>
Total liabilities and net assets	<u>\$ 9,873,991</u>	<u>\$ 2,800,915</u>

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

Icahn Charter School 5

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	\$ 5,089,720	\$ -	\$ 5,089,720	\$ 4,734,278	\$ -	\$ 4,734,278
Students with disabilities	2,726	-	2,726	38,319	-	38,319
Grants and contracts:						
State and local	97,975	6,666,667	6,764,642	920,768	-	920,768
Federal - Title and IDEA	193,805	-	193,805	186,047	-	186,047
Other grants	7,357	-	7,357	8,379	-	8,379
Net assets released from restrictions	203,703	(203,703)	-	-	-	-
Total revenues, gains and other support	5,595,286	6,462,964	12,058,250	5,887,791	-	5,887,791
Expenses						
Program services:						
Regular education	4,355,951	-	4,355,951	4,327,797	-	4,327,797
Special education	68,253	-	68,253	149,519	-	149,519
Total program services	4,424,204	-	4,424,204	4,477,316	-	4,477,316
Supporting services:						
Management and general	764,825	-	764,825	820,582	-	820,582
Total operating services	5,189,029	-	5,189,029	5,297,898	-	5,297,898
Surplus from school operations	406,257	6,462,964	6,869,221	589,893	-	589,893
Other revenue						
Other income	66,527	-	66,527	30,252	-	30,252
Change in net assets	472,784	6,462,964	6,935,748	620,145	-	620,145
Net assets, beginning of year	1,902,313	-	1,902,313	1,282,168	-	1,282,168
Net assets, end of year	\$ 2,375,097	\$ 6,462,964	\$ 8,838,061	\$ 1,902,313	\$ -	\$ 1,902,313

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

Icahn Charter School 5

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	\$ 144,640	\$ -	\$ 144,640	\$ 282,092	\$ 426,732	\$ 402,067
Instructional personnel	2,232,205	16,618	2,248,823	-	2,248,823	2,005,317
Non-instructional personnel	-	-	-	225,235	225,235	188,132
Total personnel service costs	2,376,845	16,618	2,393,463	507,327	2,900,790	2,595,516
Fringe benefits and payroll taxes	508,261	1,501	509,762	71,189	580,951	445,015
Retirement	59,442	831	60,273	15,878	76,151	76,996
Legal	350	-	350	61	411	2,127
Accounting/audit services	29,409	2,303	31,712	5,516	37,228	30,893
Other purchasing/professional/consulting services	12,543	2,726	15,269	1,152	16,421	50,043
Building and land rent/lease	58,958	4,617	63,575	11,059	74,634	895,601
Repairs and maintenance	140,994	2,581	143,575	24,975	168,550	140,530
Insurance	67,737	-	67,737	11,783	79,520	73,259
Utilities	78,204	5,471	83,675	14,555	98,230	101,686
Supplies/materials	177,528	10,436	187,964	-	187,964	163,638
Equipment/furnishings	1,933	-	1,933	301	2,234	11,301
Staff development	179,374	-	179,374	-	179,374	171,100
Marketing/recruitment	4,934	-	4,934	858	5,792	3,354
Technology	98,680	616	99,296	17,273	116,569	102,124
Telephone	3,308	259	3,567	620	4,187	6,071
Student services	211,811	4,692	216,503	-	216,503	162,788
Office expense	20,498	1,543	22,041	39,041	61,082	65,709
Depreciation	300,385	13,997	314,382	31,957	346,339	165,151
Other	24,757	62	24,819	11,280	36,099	34,996
Total expenses	\$ 4,355,951	\$ 68,253	\$ 4,424,204	\$ 764,825	\$ 5,189,029	\$ 5,297,898

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

Icahn Charter School 5

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash receipts from:		
Public school district	\$ 5,096,228	\$ 4,749,024
Grants and contracts	385,062	1,127,160
Other	66,527	30,252
Cash payments for:		
Vendors	(1,241,957)	(1,916,592)
Employee salaries and benefits	(3,461,658)	(3,176,590)
Net cash provided by operating activities	<u>844,202</u>	<u>813,254</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	<u>(54,158)</u>	<u>(196,517)</u>
Cash flows from financing activities:		
Capital lease payments	<u>(5,878)</u>	<u>(4,042)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	784,166	612,695
Cash and cash equivalents, beginning of year	<u>2,154,929</u>	<u>1,542,234</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,939,095</u></u>	<u><u>\$ 2,154,929</u></u>
Supplemental disclosures of cash flow information:		
Equipment acquired under capital leases	<u>\$ -</u>	<u>\$ 15,438</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 6,935,748	\$ 620,145
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	346,339	165,151
Change in assets and liabilities:		
Grants and contracts receivable	(3,193)	(121,324)
Due from school district	72,771	15,663
Prepaid expenses	10,391	(1,826)
Contributions and other receivables	13,621	79,308
Other assets	(8,014)	(8,899)
Non-Cash Contribution- Building	(6,666,667)	-
Accounts payable and accrued expenses	46,139	98,962
Accrued payroll and benefits	96,234	(59,062)
Due to school districts	(5,675)	10,390
Deferred revenue	<u>6,508</u>	<u>14,746</u>
Net cash provided by operating activities	<u><u>\$ 844,202</u></u>	<u><u>\$ 813,254</u></u>

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

Icahn Charter School 5
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE A - NATURE OF OPERATIONS

The Icahn Charter School 5 (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 January 12, 2010, 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 12, 2011.

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 5

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 statements 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 5

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. Receivable 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.

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:

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

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 5

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	\$ 39,306	\$ 39,306
Building	6,666,667	-
Equipment	909,302	877,860
Furniture and fixtures	162,937	140,221
	<u>7,778,212</u>	<u>1,057,387</u>
Less: Accumulated depreciation	<u>(1,124,969)</u>	<u>(778,630)</u>
	<u><u>\$ 6,653,243</u></u>	<u><u>\$ 278,757</u></u>

Included in equipment as of June 30, 2019 and 2018 are assets acquired under capital leases at a cost of approximately \$31,000 with accumulated depreciation of approximately \$11,000 and \$5,200, respectively.

Depreciation expense totaled approximately \$346,000 and \$165,000 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.

Icahn Charter School 5

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The Charter School utilizes certain facilities provided by Inwood Opportunity, an organization affiliated with the Company, at no cost. The estimated fair value of cost savings associated with such arrangement totaled approximately \$75,000 and \$896,000 for the years ended June 30, 2019 and 2018, respectively, and is recognized as revenue within state and local grants, and also included within expenses in the statement of activities.

During 2012, Inwood Opportunity LLC and The New York City School Construction Authority entered into a funding agreement in order to provide a permanent location for the operation of three (3) public charter schools for grades K-8, one of which is the Charter School. On March 30, 2014, Inwood Opportunity LLC entered into a prime lease for the land and building located at 1500 Pelham Parkway South, Bronx, New York that is to expire on August 31, 2113, with The New York City School Construction Authority. Although the lease is between Inwood Opportunity and the SCA, the lease agreement designates the three (3) public charter schools as the initial user of the premises. The lease will have a 99-year term and Inwood is obligated to pay rent of \$1 per year. In accordance with the lease agreement, Inwood Opportunity LLC concurrently entered into a use agreement with the three (3) public charter schools for the use of the leased land and building for a corresponding term.

Inwood Opportunity LLC accounted for this arrangement as an agency transaction on behalf of the three (3) public charter schools as the three (3) public charter schools are the ultimate beneficiary of the imputed fair value of the 99-year lease agreement. In August 2018, upon completion of construction and issuance of the certificate of occupancy, the fair value of the land and building was determined to be approximately \$20,000,000. During the year ended June 30, 2019, each of the three (3) public charter schools recorded one-third of the imputed fair value, or \$6,666,000, of the building and land, as each school shares the land and building evenly, within net assets with donor restrictions and capital assets. The building will be amortized over a 30-year term, the estimated useful life of the building, and the net assets will be released from the restrictions accordingly.

Certain expenses are shared amongst the seven Icahn Charter Schools (affiliated entities) and amounts may also be received on behalf of another Icahn Charter School. Shared expenses primarily related to prorated salaries, based on student enrollment, for administrators at Icahn Charter School 1 who serve in a management capacity at the Charter School. Icahn Charter School 5 is also located in a building shared with Icahn Charter School 3 and Icahn Charter School 4. The three schools share certain resources that generate expenses that are prorated between the schools. At June 30, 2019 and 2018, accounts payable and accrued expenses included approximately \$256,000 and \$259,000, respectively, and other receivables included approximately \$13,000 and \$29,000, respectively, pertaining to these related party transactions.

NOTE E - 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 F - CONCENTRATION OF REVENUES

The Charter School receives a majority of its revenues from the New York State Education Department through the New York City Department of Education Office of Charter Schools. The New York City Department of Education ("DOE") provides general operating support to the Charter School based upon the location and the number of students enrolled. Operating support provided to the Charter School by the DOE totaled approximately \$5,092,000 and \$4,773,000 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.

Icahn Charter School 5

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE G - OBLIGATION UNDER CAPITAL LEASE

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.

Annual payments due subsequent to June 30, 2018 follow:

Year ending June 30,

2020	\$	6,913
2021		6,913
2022		6,047
2023		<u>2,014</u>
Total		21,887
Less: interest		<u>(1,515)</u>
	\$	<u>20,372</u>

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

NOTE I - 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.

Icahn Charter School 5

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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.

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	\$ 2,939,095
Grants and contracts receivable	149,663
Due from school districts	38,319
Contributions and other receivables	<u>18,605</u>
Total financial assets available within one year	<u>\$ 3,145,682</u>

The school maintains a net assets with donor restrictions balance of \$6,462,964 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. Other than the following, the Charter School is not aware of any subsequent events that 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 5**

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 5 (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