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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, 2020 and 2019, 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 _____, we have also issued our report, dated November 2, 2020, 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.

Icahn Charter School 2

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,736,522	\$ 1,540,383
Restricted Cash	75,000	75,000
Grants and contracts receivable	120,274	145,325
Due from school districts	91,580	10,707
Contribution receivable - contributed space	3,129,424	3,735,119
Prepaid expenses	40,589	36,039
Contributions and other receivables	10,399	15,018
Other assets	15,023	13,132
Capital assets, net	199,873	241,762
	<u>5,418,684</u>	<u>5,812,485</u>
Total assets	<u>\$ 5,418,684</u>	<u>\$ 5,812,485</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 98,548	\$ 242,971
Accrued payroll and benefits	791,038	762,870
Due to school districts	-	12,950
Deferred revenue	46,871	110,966
Obligations under capital leases	34,101	44,726
Total liabilities	<u>970,558</u>	<u>1,174,483</u>
Commitments and contingencies		
NET ASSETS		
Without donor restrictions	1,318,701	902,882
With donor restrictions	3,129,425	3,735,120
Total net assets	<u>4,448,126</u>	<u>4,638,002</u>
Total liabilities and net assets	<u>\$ 5,418,684</u>	<u>\$ 5,812,485</u>

	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	\$ 5,277,293	\$ -	\$ 5,277,293	\$ 5,046,138	\$ -	\$ 5,046,138
Students with disabilities	29,906	-	29,906	32,330	-	32,330
Grants and contracts:						
State and local	25,602	-	25,602	24,727	-	24,727
Federal - Title and IDEA	167,858	-	167,858	184,720	-	184,720
Other grants	15,109	-	15,109	13,430	-	13,430
Net assets released from restrictions	605,695	(605,695)	-	605,695	(605,695)	-
Total revenues, gains and other support	6,121,463	(605,695)	5,515,768	5,907,040	(605,695)	5,301,345
Expenses						
Program services:						
Regular education	4,680,083	-	4,680,083	4,910,923	-	4,910,923
Special education	139,434	-	139,434	211,041	-	211,041
Total program services	4,819,517	-	4,819,517	5,121,964	-	5,121,964
Supporting services:						
Management and general	912,355	-	912,355	892,960	-	892,960
Total operating expenses	5,731,872	-	5,731,872	6,014,924	-	6,014,924
Surplus (deficit) from school operations	389,591	(605,695)	(216,104)	(107,884)	(605,695)	(713,579)
Other revenue						
Other income						

Icahn Charter School 2

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program services			Management and General	2020 Total
	Regular Education	Special Education	Total		
Personnel service costs					
Administrative staff personnel	\$ 281,985	\$ -	\$ 281,985	\$ 293,305	\$ 575,290
Instructional personnel	2,472,021	8,912	2,480,933	-	2,480,933
Non-instructional personnel			-	287,242	287,242
Total personnel service costs	2,754,006	8,912	2,762,918	580,547	3,343,465
Fringe benefits and payroll taxes	490,686	812	491,498	75,949	567,447
Retirement	77,618	446	78,064	25,867	103,931
Legal	443	-	443	82	525
Accounting/audit services	25,310	3,510	28,820	5,307	34,127
Other purchasing/professional consulting	14,276	19,516	33,792	1,366	35,158
Building and land rent/lease	449,208	62,300	511,508	94,187	605,695
Repairs and maintenance	66,156	393	66,549	12,254	78,803
Insurance	75,625	-	75,625	13,925	89,550
Utilities	89,420	12,402	101,822	18,749	120,571
Supplies/material	151,875	14,489	166,364	-	166,364
Equipment/furnishings	-	-	-	133	133
Staff development	171,590	-	171,590	-	171,590
Marketing/recruitment	11,622	-	11,622	2,140	13,762
Technology	108,131	1,726	109,857	20,228	130,085
Telephone	12,909	1,790	14,699	2,707	17,406
Student services	64,855	-	64,855	-	64,855
Office expense	11,612	1,366	12,978	30,322	43,300
Depreciation	86,974	11,772	98,746	18,183	116,929
Other	17,767	-	17,767	10,409	28,176
Total expenses	\$ 4,680,083	\$ 139,434	\$ 4,819,517	\$ 912,355	\$ 5,731,872

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

**Regular
Education**

**Special
Education**

Total

**Management
and General**

**2019
Total**

Personnel service costs

Icahn Charter School 2

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash receipts from:		
Public school district	\$ 5,213,197	\$ 5,050,583
Grants and contracts	792,967	966,252
Other	26,231	41,074
Cash payments for:		
Vendors	(1,763,916)	(1,841,422)
Employee salaries and benefits	(3,986,675)	(3,982,728)
Net cash provided by operating activities	281,804	233,759
Cash flows from investing activities		
Purchase of furniture, fixtures and equipment	(75,040)	(42,880)
Cash flows from financing activities		
Capital lease payments	(10,625)	(9,620)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	196,139	
Cash and cash equivalents and Restricted Cash, beginning of year	1,615,383	1,434,124
Cash and cash equivalents and Restricted Cash, end of year	\$ 1,811,522	\$ 1,615,383
Supplemental disclosure of cash flow information:		
Equipment acquired under capital leases	\$ -	\$ 38,741
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (189,876)	\$ (672,505)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	116,929	123,391
Change in assets and liabilities:		
Grants and contracts receivable	25,051	(12,484)
Due from school district	(80,873)	107,450
Building receivable	605,695	605,696
Prepaid expenses	(4,550)	13,041
Contributions and other receivables	4,619	10,383
Other assets	(1,891)	(772)
Accounts payable and accrued expenses	(144,423)	(20,158)
Accrued payroll and benefits	28,168	62,322
Due to school districts	(12,950)	12,950
Deferred revenue	(64,095)	4,445
Net cash provided by operating activities	\$ 281,804	\$ 233,759

Icahn Charter School 2

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

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).

In March of 2020 the World Health Organization officially declared COVID-

Icahn Charter School 2

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Icahn Charter School 2

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

that must be overcome before the Charter School is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

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 ulaniupporotni (r14.602 0

Icahn Charter School 2

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Capital Assets

Furniture, fixtures, equipment, library, software, 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

Icahn Charter School 2

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE C - CAPITAL ASSETS, NET

At June 30, 2020 and 2019, capital assets consisted of the following:

	<u>2020</u>	<u>2019</u>
Library, software and textbooks	\$ 211,483	\$ 211,483
Equipment	1,142,193	1,071,547
Furniture and fixtures	86,655	82,262
	<u>1,440,332</u>	<u>1,365,292</u>
Less: Accumulated depreciation	<u>(1,240,459)</u>	<u>(1,123,530)</u>
	<u>\$ 199,873</u>	<u>\$ 241,762</u>

Included in equipment as of June 30, 2020 and 2019 are assets acquired under capital leases at a cost of approximately \$84,000 with accumulated depreciation of approximately \$52,000 and \$40,000, respectively.

Depreciation expense totaled approximately \$117,000 and \$123,000 for the years ended June 30, 2020 and 2019, 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 a086 Tw 0 -1.157 TD[may]-8 ().6 (ent)-13.1 (i)3.1 (t)-1.1 (i)-8.9 (es)-yb03.1 (he)-11.9 (C)-2.9 (har)-6.4\$2.2 (g f)- (e

Icahn Charter School 2

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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.

Icahn Charter School 2

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE M - SUBSEQUENT EVENTS

The Charter School evaluated its June 30, 2020 financial statements for subsequent events through November 2, 2020, 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.

To the Board of Directors of:
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 _____ 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, 2020, 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 November 2, 2020.

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

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under

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 in considering the Charter School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



New York, New York
November 2, 2020