

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2015  
(With Comparative Totals as of June 30, 2014)

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

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# KOCH GROUP & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
International Leadership Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of International Leadership Charter School, which comprises the statement of financial position as of June 30, 2015, and the related statements of activities, cash flow and functional expenses for year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial 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 International Leadership Charter School as of June 30, 2015, 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.

### **Report on Summarized Comparative Information**

The financial statements of International Leadership Charter School as of June 30, 2014 were audited by other auditors whose report dated October 22, 2014 expressed an unmodified opinion on those statements.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015, on our consideration of International Leadership 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering International Leadership Charter School's internal control over financial reporting and compliance.

*Koch Group + Company, LLP*  
Certified Public Accountants

New York, New York  
October 28, 2015

## INTERNATIONAL LEADERSHIP CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(With Comparative Totals as of June 30, 2014)

## ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 30,695	\$ 683,139
Construction cash held by trustee	4,505,782	9,601,955
Restricted cash	71,307	71,167
Grants and contracts receivable	40,224	92,406
Prepaid expenses	<u>64,034</u>	<u>934</u>
Total Current Assets	4,712,042	10,449,601
<b>PROPERTY AND EQUIPMENT,</b>		
at cost, less accumulated depreciation	13,614,269	7,614,455
<b>OTHER ASSETS</b>		
Deferred expenses, net of accumulated amortization	604,060	624,890
Debt service reserve	1,289,650	1,289,650
Security deposits	<u>142,737</u>	<u>142,737</u>
Total Assets	<u>\$ 20,362,758</u>	<u>\$ 20,121,333</u>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Bonds payable - current portion	\$ 265,000	\$ -
Accounts payable and accrued expenses	404,200	690,447
Construction costs payable	58,701	-
Accrued interest payable	511,200	227,200
Line of credit payable	80,263	100,000
Due to Victory Education Partners	125,000	-
Due to Charter School Institute	<u>100,000</u>	<u>100,000</u>
Total Current Liabilities	1,544,364	1,117,647
Bonds payable, less current portion	<u>17,485,000</u>	<u>17,750,000</u>
Total Liabilities	19,029,364	18,867,647
<b>NET ASSETS - UNRESTRICTED</b>	<u>1,333,394</u>	<u>1,253,686</u>
Total Liabilities and Net Assets	<u>\$ 20,362,758</u>	<u>\$ 20,121,333</u>

See notes to financial statements.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30,  
(With Comparative Totals for the year ended June 30, 2014)

UNRESTRICTED NET ASSETS	2015	2014
REVENUE, GAINS AND OTHER SUPPORT		
Public School District		
Resident student enrollment	\$ 4,446,419	\$ 4,135,551
Grants and Contracts		
Federal - Title and IDEA	176,878	171,084
Food Service and Child Nutrition Program	42,776	40,657
Interest and other income	34,670	42,549
Contribution - Foundation/Individual/Corporation	-	56,432
Total Public Support and Revenue	<u>4,700,743</u>	<u>4,446,273</u>
EXPENSES		
Program Expenses		
Regular education	2,551,035	3,319,193
Special education	374,271	368,799
Supporting Services	2,925,306	3,687,992
Management and general	1,663,406	1,002,119
Fundraising	32,323	-
Total Expenses	<u>4,621,035</u>	<u>4,690,111</u>
CHANGE IN NET ASSETS	79,708	(243,838)
Beginning of year	<u>1,253,686</u>	<u>1,497,524</u>
End of year	<u>\$ 1,333,394</u>	<u>\$ 1,253,686</u>

See notes to financial statements.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
YEAR ENDED JUNE 30,  
(With Comparative Totals for the year ended June 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 79,708	\$ (243,838)
ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	26,334	40,025
Amortization	20,830	-
Changes in Assets and Liabilities		
Grants and contracts receivable	52,182	(4,965)
Prepaid expenses	(63,100)	53,299
Accrued interest payable	284,000	227,200
Accounts payable and accrued expenses	(286,247)	358,357
Net cash provided by operating activities	113,707	430,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction cash held by trustee	5,096,173	-
Restricted cash	(140)	(71,167)
Acquisition of fixed assets	(6,026,148)	(3,468,624)
Withdrawals from restricted account held by trustee	-	3,071,175
Net cash used in investing activities	(930,115)	(468,616)
CASH FLOWS FROM FINANCING ACTIVITIES		
Construction costs payable	58,701	-
Line of credit payable	(19,737)	-
Due to Victory Education Partners	125,000	-
Net cash provided by financing activities	163,964	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(652,444)	(38,538)
CASH AND CASH EQUIVALENTS		
Beginning of year	683,139	721,677
End of year	\$ 30,695	\$ 683,139
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid - expensed	\$ 473,665	\$ 466,860
Interest paid - capitalized	\$ 551,999	\$ 332,340

See notes to financial statements.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

(With Comparative Totals for the year ended June 30, 2014)

	Regular Education	Special Education	Total Programs	Management & General	Fund- Raising	Total	Total 2014
<b>Personnel Expenses</b>							
Salaries and wages	\$ 846,601	\$ 132,342	\$ 978,943	\$ 347,418	\$ 13,329	\$ 1,339,690	\$ 1,191,398
Payroll taxes and fringe benefits	440,319	68,831	509,150	180,693	6,933	696,776	648,364
Total Personnel Expenses	1,286,920	201,173	1,488,093	528,111	20,262	2,036,466	1,839,762
<b>Operating Expenses</b>							
Contractual services	59,614	6,386	66,000	-	-	66,000	73,189
Professional services	-	-	-	135,837	-	135,837	235,855
Marketing and recruitment	35,168	3,767	38,935	-	-	38,935	105,630
Curricula and books	142,612	15,276	157,888	-	-	157,888	90,925
Instructional supplies and equipment	7,935	850	8,785	-	-	8,785	63,415
Student meals	131,074	14,040	145,114	-	-	145,114	141,483
Office supplies	37,839	4,053	41,892	-	-	41,892	49,977
Postage, printing and subscriptions	27,359	2,931	30,290	-	-	30,290	23,377
Rent	449,655	70,291	519,946	184,524	7,080	711,550	624,587
Utilities	102,196	15,975	118,171	41,938	1,609	161,718	118,782
Security	-	-	-	91,153	-	91,153	63,588
Facility maintenance and equipment	74,776	11,689	86,465	30,686	1,177	118,328	124,486
Insurance	52,189	8,158	60,347	21,417	822	82,586	97,992
Travel and conference	11,939	1,866	13,805	4,899	188	18,892	30,085
Professional development	75,242	11,762	87,004	30,877	1,185	119,066	170,524
Other expenses	56,517	6,054	62,571	73,135	-	135,706	102,369
Interest expense	-	-	-	473,665	-	473,665	694,060
Amortization	-	-	-	20,830	-	20,830	-
Depreciation	-	-	-	26,334	-	26,334	40,025
Total Operating Expenses	1,264,115	173,098	1,437,213	1,135,295	12,061	2,584,569	2,850,349
TOTAL EXPENSES	\$ 2,551,035	\$ 374,271	\$ 2,925,306	\$ 1,663,406	\$ 32,323	\$ 4,621,035	\$ 4,690,111

See notes to financial statements



INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. Organization

The International Leadership Charter School (“The School”), a 501 (c) (3) tax-exempt organization, is a public charter high school located in Bronx, New York. The School opened in January 2006 and currently operates classes for ninth to twelve grade. The School’s charter was renewed on June 16, 2015 for an additional five years. The mission of the school is to prepare the young men and women of the Bronx not only for the demands of higher education, but also for leading lives of meaning. Its teaching philosophy provides powerful learning experiences that stress engagement, discovery, and the active application of learning to the world around us.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America.

b) Cash and Cash Equivalents

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

For purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

c) Grants and Contracts Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as grants and contribution receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

2. Summary of Significant Accounting Policies (Continued)

c) Grants and Contracts Receivable (Continued)

The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

d) Financial Statement Presentation

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- i) Unrestricted net assets – Net assets that are not subject to grantor or donor-imposed stipulations.
- ii) Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There are no temporarily restricted net assets at June 30, 2015.
- iii) Permanently restricted net assets – Net assets subject to grantor or donor-imposed stipulations that they be maintained permanently by the School to use all or part of the assets for general or specific purposes. There are no permanently restricted net assets at June 30, 2015.

Furthermore, information is required to segregate program service expenses from support expenses.

e) Donated Services

The Charter School follows U.S. GAAP guidance on accounting for contributions received and contributions made. Accordingly, contributed services are recognized as revenue and assets or expenses at fair value if those services (a) create or enhance nonfinancial assets, (b) would typically need to be purchased by the Charter School if they had not been provided by contribution; or (c) require specialized skills and are provided by individuals with those skills.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

2. Summary of Significant Accounting Policies (Continued)

e) Donated Services (Continued)

The School receives donated services from unpaid volunteers. No amounts have been recognized in the statement of activities since the services do not meet the specialized skill criteria for recognition under generally accepted accounting principles.

f) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

g) Property and Equipment

Purchase of property and equipment are capitalized at cost. Donated assets are capitalized at the estimated fair value at date of receipt. The cost of maintenance and repairs is charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$500. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 7 years.

h) Construction in Progress

All applicable direct and indirect costs are capitalized as property costs during the construction period. No provision for depreciation is made on construction in progress until the assets are placed in service. Costs incurred after the property is substantially complete and ready for its intended use will be charged to operations.

i) Revenue Recognition

Revenue from the state and local government resulting from its charter school status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

2. Summary of Significant Accounting Policies (Continued)

j) Income Taxes

In January 2006 The School filed and received approval of its application for tax exempt status from the Internal Revenue Service under section 501(c)(3) of the Internal Revenue code and has been classified as a publicly supported organization as described in Internal Revenue Code section 509 (A)(1) and 170 (B)(1)(A)(II).

Management believes that the organization has no uncertain tax positions that would require financial statement recognition. The School is no longer subject to income tax examination by federal, state or local tax authorities for years before 2011, which is the standard statute of limitations look-back period.

k) Comparative Financial Information

The June 30, 2015 financial statements includes certain prior year summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for June 30, 2014 are presented. As a result, the June 30, 2014 comparative information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such June 30, 2014 information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

l) Estimates

The preparation of financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

m) Deferred Expenses

Closing costs are amortized on the straight-line method over the life of the related bonds as indicated in note 9.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

3. Restricted Cash

Under the provisions of its charter, the School established a bank account to pay for any legal and audit expenses that would be associated with dissolution, should it occur.

4. Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. These reclassifications have no effect on changes in unrestricted net assets as previously reported.

5. Property and Equipment

At June 30, 2015 and 2014, property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Life</u>
Land	\$ 2,530,000	\$ 2,530,000	
Computers and equipment	145,121	145,121	5 years
Furniture and fixtures	69,087	57,642	5 years
Leasehold improvements	836,030	836,030	39 years
Construction in progress	<u>11,022,454</u>	<u>5,007,753</u>	
	\$14,602,694	\$8,576,546	
Accumulated depreciation	<u>(988,425)</u>	<u>(962,091)</u>	
	<u>\$13,614,269</u>	<u>\$7,614,455</u>	

Depreciation expense for the years ended June 30, 2015 and 2014 was \$26,334 and \$40,025, respectively.

6. Accrued Expenses

Accrued expenses consist primarily of amounts due to staff for payroll earned during the school year but paid out over the summer months.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

7. Pupil Enrollment and Other Revenues From Government Agencies

Under the Charter School Agreement and the Charter Schools Act, the School is entitled to receive funding from governmental sources that are available to public schools. The calculation of the amounts to be paid to the School under these programs is determined by the State, and is based on complex laws and regulations, enrollment levels, and economic information related to the home school districts of the children enrolled in the School.

If these regulations, some of which are relatively new in the State of New York, were to change, or other factors included in the calculations were to change, the level of funding that the School receives could vary significantly.

The amounts are based upon actual amounts received as well as estimates by the management based upon the best information available at the time. However, actual amounts received, as determined by the funding source, could vary based on changes in the factors used to calculate the amounts owed.

8. Defined Contribution Plan

The School maintains a deferred 401K plan for all qualified employees. The School elects to make contributions to the plan on a discretionary basis. For the year ended June 30, 2015 and 2014, The School had not contributed to the plan.

9. Deferred Expenses

At June 30, 2015, deferred expenses consisted of the following:

		<u>Amortization Period</u>
Bond issuance costs	\$624,890	30 years
Less: Accumulated amortization	<u>(20,830)</u>	
	<u>\$ 604,060</u>	

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

10. Bonds Payable

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

<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Due Dates</u>
\$ 2,920,000	5.00%	July 1, 2023
5,360,000	5.75%	July 1, 2033
<u>9,470,000</u>	6.00%	July 1, 2043
<u>\$17,750,000</u>		

The proceeds from the sale of the Bonds, together with other available funds, were used to (1) refinance or reimburse the School for certain costs of acquiring, constructing, renovating, equipping and furnishing its future educational facility; (2) fund the Service Reserve Fund established under the indenture in an amount equal to the Debt Service Reserve Fund Requirement of the Bonds; (3) cover interest on the Bonds during construction for a period of sixteen months; and (4) pay certain costs of issuing the Series 2013 Bonds.

The Bonds are secured by the pledge and assignment to the Trustee of the Trust Estate for the benefit of the holders of the Bonds. The obligations of the School under the loan agreement are secured by the mortgages assigned to the Trustee for the benefit of the holders of the Bonds.

Interest on the Bonds is payable initially on July 1, 2013 and semiannually thereafter on each January 1<sup>st</sup> and July 1<sup>st</sup> computed on the basis of a 360-day year of twelve 30-day months. The amount of the interest that was capitalized as it related to the financing of the School's facility was \$551,999 for the year ended June 30, 2015.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

10. Bonds Payable (Continued)

Principal and interest payments due on the Bonds by fiscal year are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 265,000	\$ 1,015,775	\$ 1,280,775
2017	280,000	1,002,150	1,282,150
2018	290,000	987,900	1,277,900
2019	305,000	973,025	1,278,025
2020	320,000	957,400	1,277,400
2021 and thereafter	<u>16,290,000</u>	<u>14,133,663</u>	<u>30,423,663</u>
	<u>\$17,750,000</u>	<u>\$19,069,913</u>	<u>\$36,819,913</u>

For the years ended June 30, 2015, the interest expense was \$470,401.

Debt Service Escrow

The bond indenture agreements provide for the creation of debt service reserve. The balance being held by the trustee at June 30, 2015 was \$1,289,650.

11. School Facility

The School occupies a commercial facility for its classroom space and administrative office on a monthly basis. The monthly rent payment is \$52,049.

12. Contingency

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies.

While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.



INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

13. Due to Charter School Institute

The amount due to the Charter School Institute (“CSI”) arose regarding a grant that the School received from CSI in 2008. In 2013, after the statute of limitations had passed, CSI pursued the repayment of this grant. The School has settled with CSI and has agreed to pay \$100,000 in five installments every other month, with the first payment due by November 15, 2015.

14. Due to Victory Education Partners

Advances from Victory Education Partners bear interest at 3% and are due on demand. Subsequent payment of \$75,000 has been made in September 2015.

15. Line of Credit

The School has borrowings on an outstanding line of credit with the bank for the original amount of \$100,000 at 4% per annum. For the year ended June 30, 2015, the balance was \$80,263.

16. Construction Contract

The School entered into a Construction Contract Agreement in the amount of \$11,658,546, including changes orders, to construct, renovate and equip of the acquired building for classroom expansions. At June 30, 2015, \$7,057,249 of costs has been incurred.

17. Subsequent Events

Management has evaluated subsequent events through October 28, 2015, the date that financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment or disclosure in the accompanying financial statements.



# KOCH GROUP & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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New York, NY 10001

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of  
International Leadership Charter School

We have audited, in accordance with the 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 International Leadership Charter School, which comprise the statement of financial position as of June 30, 2015, 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 28, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered International Leadership Charter School's internal control over financial reporting (internal control) to determine the 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 International Leadership Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of International Leadership 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 entity'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 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 International Leadership Charter School's financial statements are free of 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 audits, 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*.

## **Purpose of this Report**

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Koch Group & Company, LLP*  
Certified Public Accountants

New York, New York  
October 28, 2015