

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2016

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, 2016, 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, 2016, 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

We have previously audited International Leadership Charter School's June 30, 2015 financial statements, and our report dated October 28, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016, 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 18, 2016

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(With Comparative Totals as of June 30, 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,021	\$ 30,695
Construction cash held by trustee	-	4,505,782
Grants and contracts receivable	85,491	40,224
Prepaid expenses	2,414	64,034
	<hr/>	<hr/>
Total Current Assets	104,926	4,640,735
PROPERTY AND EQUIPMENT, net	20,317,255	13,614,269
OTHER ASSETS		
Deferred expenses, net	583,230	604,060
Restricted cash and escrow reserves	2,082,804	1,360,957
Security deposits	142,737	142,737
	<hr/>	<hr/>
Total Assets	<u>\$ 23,230,952</u>	<u>\$ 20,362,758</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Bonds payable - current portion	\$ 280,000	\$ 265,000
Accounts payable and accrued expenses	830,427	504,200
Construction costs payable	2,422,545	58,701
Accrued interest payable	504,575	511,200
Line of credit payable	99,400	80,263
Due to Victory Education Partners	-	125,000
Loan from Fund for the City of New York	221,250	-
	<hr/>	<hr/>
Total Current Liabilities	4,358,197	1,544,364
Bonds payable, less current portion	17,205,000	17,485,000
	<hr/>	<hr/>
Total Liabilities	21,563,197	19,029,364
NET ASSETS - UNRESTRICTED	1,667,755	1,333,394
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 23,230,952</u>	<u>\$ 20,362,758</u>

See notes to financial statements.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30,

(With Summarized Totals for the year ended June 30, 2015)

UNRESTRICTED NET ASSETS

	2016	2015
REVENUE, GAINS AND OTHER SUPPORT		
Public School District		
Resident student enrollment	\$ 5,155,272	\$ 4,446,419
Grants and Contracts		
Federal - Title and IDEA	195,319	176,878
Federal - Other	38,377	-
Food Service and Child Nutrition Program	49,427	42,776
Contribution - Foundation/Individual/Corporation	13,634	8,000
Interest and other income	1,367	9,220
	5,453,396	4,683,293
EXPENSES		
Program Expenses		
Regular education	3,942,382	2,535,273
Special education	546,262	372,583
	4,488,644	2,907,856
Supporting Services		
Management and general	602,788	1,663,406
Fundraising	27,603	32,323
	5,119,035	4,603,585
CHANGE IN NET ASSETS	334,361	79,708
Beginning of year	1,333,394	1,253,686
End of year	\$ 1,667,755	\$ 1,333,394

See notes to financial statements.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

(With Summarized Totals for the year ended June 30, 2015)

	Regular Education	Special Education	Total Programs	Management & General	Fund- Raising	Total	Total 2015
Personnel Expenses							
Administrative Staff	\$387,801	\$73,169	\$460,970	\$181,139	-	\$642,109	\$491,990
Instructional Personnel	978,112	125,359	1,103,471	-	-	1,103,471	897,183
Non-instructional Personnel	123,317	15,805	139,122	-	-	139,122	133,696
Total Personnel Expenses	\$1,489,230	\$214,333	\$1,703,563	\$181,139	-	\$1,884,702	\$1,522,869
Operating Expenses							
Fringe benefits and payroll	224,186	32,265	256,451	27,268	-	283,719	183,186
Professional development	70,023	25	70,048	-	-	70,048	119,066
Financial management	-	-	-	106,953	-	106,953	68,538
Professional fees	66,553	9,515	76,068	81,133	-	157,201	223,692
Student and staff recruitment	32,884	-	32,884	-	-	32,884	59,765
Curriculum and classroom	97,957	12,555	110,512	-	-	110,512	287,568
Office supplies and materials	24,706	3,166	27,872	-	-	27,872	129,497
Food service	192,698	24,697	217,395	-	-	217,395	145,115
Travel and conferences	8,258	1,188	9,446	1,004	-	10,450	18,893
Postage, printing, and copying	22,855	2,929	25,784	-	-	25,784	13,727
Insurance	56,278	8,100	64,378	6,845	-	71,223	82,585
Information technology	64,157	8,223	72,380	-	-	72,380	48,530
Leased equipment	12,774	1,838	14,612	1,554	-	16,166	-
Security	115,838	16,560	132,398	14,587	-	146,985	100,320
Non-capitalized equipment and furnishings	3,285	473	3,758	400	-	4,158	22,830
Repairs and maintenance	59,310	8,536	67,846	7,214	-	75,060	27,097
Depreciation and amortization	213,054	30,458	243,512	26,830	-	270,342	23,796
Rent	575,271	82,241	657,512	72,443	-	729,955	711,549
Utilities	144,256	20,623	164,879	18,166	-	183,045	161,719
Bond interest	397,651	56,848	454,499	50,076	-	504,575	473,665
Bad debt	14,166	3,542	17,708	-	-	17,708	-
Other expenses	56,992	8,148	65,139	7,176	27,603	99,918	179,578
Total Operating Expenses	2,453,152	331,929	2,785,081	421,649	27,603	3,234,333	3,080,716
TOTAL EXPENSES	\$3,942,382	\$546,262	\$4,488,644	\$602,788	\$27,603	\$5,119,035	\$4,603,585

See notes to financial statements

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

(With Summarized Totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net asset	\$ 334,361	\$ 79,708
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Depreciation	249,512	26,334
Amortization	20,830	20,830
Changes in Operating Assets and Liabilities		
Grants and contracts receivable	(45,267)	52,182
Prepaid expenses	61,620	(63,100)
Accrued interest payable	(6,625)	284,000
Accounts payable and accrued expenses	<u>326,227</u>	<u>(286,247)</u>
Net cash from operating activities	<u>940,658</u>	<u>113,707</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction cash held by trustee	4,505,782	5,096,173
Restricted cash and escrow reserves	(721,847)	(140)
Acquisition of fixed assets	<u>(6,952,498)</u>	<u>(6,026,148)</u>
Net cash from investing activities	<u>(3,168,563)</u>	<u>(930,115)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Construction costs payable	2,363,844	58,701
Line of credit payable	19,137	(19,737)
Bonds payable	(265,000)	-
Due to Victory Education Partners	(125,000)	125,000
Loan from Fund for the City of New York	<u>221,250</u>	<u>-</u>
Net cash from financing activities	<u>2,214,231</u>	<u>163,964</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(13,674)	(652,444)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>30,695</u>	<u>683,139</u>
End of year	<u>\$ 17,021</u>	<u>\$ 30,695</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid - expensed	<u>\$ 504,575</u>	<u>\$ 473,665</u>
Interest paid - capitalized	<u>\$ 504,575</u>	<u>\$ 551,999</u>

See notes to financial statements.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 twelfth 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**

Basis of Presentation and Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Net Asset Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted amounts are those currently available at the discretion of the board for use in the operations of the School. Temporarily restricted amounts are restricted by donor imposed restrictions as to use or time restricted. When a restriction expires, temporarily restricted net assets are re-classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted amounts contain donor imposed restrictions to be maintained permanently by the School.

There are no temporarily or permanently restricted net assets at June 30, 2016.

Cash and Cash Equivalents

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

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Tuition revenue is from state and local government sources for student tuition and other school-related income. The School recognizes tuition and other school-related income as revenue during the applicable school year in which the revenue is earned.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

Grants Receivable

Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. At June 30, 2016, there are no allowances recorded, as management believes all amounts are collectible.

Donated Goods and Services

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 U.S. GAAP.

Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2. Summary of Significant Accounting Policies (Continued)

Restricted Cash and Escrow Reserves

Restricted cash and escrow reserves relate to required reserve and escrow accounts that are required to be maintained by the School in accordance with the bond indenture and charter requirements.

Property and Equipment

Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are 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 the respective asset; 5 years for furniture and equipment and 3 years for software.

Functional Allocation of Expenses

Expenses have been charged to program and supporting services, either directly when identifiable to a specific program, or indirectly based on management's estimate of the functional area benefited.

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 June 30, 2012.

Deferred Expenses

Closing costs consist of professional fees and other costs incurred for securing financing and are amortized on the interest method over the life of the related bonds.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2. Summary of Significant Accounting Policies (Continued)

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2015 is presented for comparative purposes only. The notes to the financial statements and certain activity by net asset classification are not included in this report. Accordingly, such 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 information should be read in conjunction with the School's financial statements as of and for the year ended June 30, 2015, from which the summarized comparative information was derived.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 18, 2016. Based on this evaluation, management has determined that the following subsequent events require disclosure regarding additional financing of \$3,300,000 on July 1, 2016 (see Note 7).

3. Restricted Cash and Escrow Reserves

Restricted cash and escrow reserve accounts at June 30, 2016 consist of:

Restricted cash – held by trustee	\$ 793,154
Debt service	<u>1,289,650</u>
	<u>\$2,082,804</u>

4. Property and Equipment

At June 30, 2016, property and equipment consisted of the following:

Land	\$ 2,530,000
Building	17,796,129
Computer and equipment	128,358
Furniture and fixtures	<u>264,675</u>
	20,719,162
Less Accumulated depreciation	<u>(401,907)</u>
Total	<u>\$20,317,255</u>

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

5. Retirement Plan

The School maintains a deferred 401K plan (the “Plan”) for all qualified employees. The School elects to make contributions to the Plan on a discretionary basis. For the year ended June 30, 2016, the School had not contributed to the Plan.

6. Deferred Expenses

At June 30, 2016, deferred expenses consisted of the following:

Bond issuance costs	\$ 624,890
Less: Accumulated amortization	<u>(41,660)</u>
	<u>\$ 583,230</u>

7. 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>
\$ 2,655,000	5.00%	July 1, 2023
5,360,000	5.75%	July 1, 2033
<u>9,470,000</u>	6.00%	July 1, 2043
<u>\$17,485,000</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.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

7. Bonds Payable (Continued)

Interest on the Bonds is payable initially on July 1, 2013 and semiannually thereafter on each January 1st and July 1st 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 \$504,575 for the year ended June 30, 2016.

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>
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	340,000	949,900	1,280,900
2021 and thereafter	<u>15,950,000</u>	<u>13,192,763</u>	<u>29,142,763</u>
	<u>\$17,485,000</u>	<u>\$18,054,138</u>	<u>\$35,539,138</u>

For the years ended June 30, 2016, the interest expense was \$504,575.

On July 1, 2016, Building NYC Resource Corporation provided \$2,905,000 in Tax-Exempt Revenue Bonds (the "Series 2016A Bonds"), with interest calculated at 6.25% per annum, and \$395,000 in Taxable Revenue Bonds (the "Series 2016B Bonds"), with interest calculated at 5%, for a total of \$3,300,000 (collectively, the "2016 Series Bonds") for renovations and equipment purchases, establishing reserve accounts and costs related to the issuance of the Bonds. Provision of the debt provide for payments of interest only on the Series 2016A Bonds through June 2023, then principal and interest payments through maturity (July 2046), payments of interest only on the Series 2016B Bonds through July 2018, then principal and interest payments through maturity (July 2046). The debt is secured by the property.

8. Commitment

In August 2011, the School had entered into a non-cancelable lease agreement for classroom and administrative space. Terms of the lease provide for monthly payments of approximately \$52,000 per month, expiring in August 2016. In January 2016, the School had relocated to a newly constructed facility and is liable for rent payments under the lease. From January 1 to June 30, 2016, the School paid approximately \$312,000 under the lease and will owe approximately \$65,000 through August 2016.

INTERNATIONAL LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

9. Line of Credit

The School obtained an unsecured line of credit with the bank in the amount of \$100,000 at 4.25% per annum. At June 30, 2016, the balance was \$99,400.

10. Concentration of Risk

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.

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues the School's finances could be materially adversely affected.

11. 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.

12. Loan from Fund for the City of New York

The School received an unsecured, non-interest bearing, short-term bridge loan of \$250,000 from the Fund for the City of New York. As of June 30, 2016, the remaining loan balance was \$221,250, which was subsequently paid in August 2016.



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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, 2016, 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 18, 2016.

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 18, 2016