

Financial Statements and Supplementary Schedule  
Together with Report of Independent  
Certified Public Accountants

**ICAHN CHARTER SCHOOL 7**

June 30, 2015 and 2014

# ICAHN CHARTER SCHOOL 7

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of the  
**Icahn Charter School 7**

### **Report on the financial statements**

We have audited the accompanying financial statements of Icahn Charter School 7 (the “Charter School”), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years 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 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, 2015 and 2014, 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 matters**

*Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 30, 2015, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



New York, New York  
October 30, 2015

**ICAHN CHARTER SCHOOL 7**  
**Statements of Financial Position**  
**As of June 30, 2015 and 2014**

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 385,818	\$ 153,885
Grants and contracts receivable	13,514	62,880
Prepaid expenses	41,974	35,828
Contributions and other receivables	3,401	-
Capital assets, net	<u>279,318</u>	<u>343,642</u>
Total assets	<u>\$ 724,025</u>	<u>\$ 596,235</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 15,097	\$ 85,225
Accrued payroll and benefits	205,400	159,639
Due to school districts	4,243	2,773
Deferred revenue	69,834	57,674
Obligation under capital lease	<u>14,232</u>	<u>18,344</u>
Total liabilities	<u>308,806</u>	<u>323,655</u>
Commitments and contingencies		
NET ASSETS - unrestricted	<u>415,219</u>	<u>272,580</u>
Total liabilities and net assets	<u>\$ 724,025</u>	<u>\$ 596,235</u>

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

**ICAHN CHARTER SCHOOL 7**  
**Statements of Activities**  
**For the years ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>		
Public School District:		
Resident student enrollment	\$ 1,951,917	\$ 1,384,169
Students with disabilities	4,705	3,060
Grants and contracts:		
State and local	156,336	159,107
Federal - Title and IDEA	78,918	58,277
Federal - other	169,280	331,017
Other grants	<u>9,689</u>	<u>10,211</u>
Total revenues, gains and other support	<u>2,370,845</u>	<u>1,945,841</u>
<b>EXPENSES</b>		
Program services:		
Regular education	1,956,992	1,519,589
Special education	<u>26,000</u>	<u>16,569</u>
Total program services	1,982,992	1,536,158
Supporting services:		
Management and general	<u>263,985</u>	<u>239,060</u>
Total operating expenses	<u>2,246,977</u>	<u>1,775,218</u>
Surplus from school operations	<u>123,868</u>	<u>170,623</u>
<b>OTHER REVENUE</b>		
Contributions		
Foundation	12,220	7,500
Corporation	5,586	26,621
Interest income	90	127
Miscellaneous income	<u>875</u>	<u>485</u>
Total other revenue	<u>18,771</u>	<u>34,733</u>
Change in net assets	142,639	205,356
Net assets, beginning of year	<u>272,580</u>	<u>67,224</u>
Net assets, end of year	<u>\$ 415,219</u>	<u>\$ 272,580</u>

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

**ICAHN CHARTER SCHOOL 7**  
**Statements of Cash Flows**  
**For the years ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from:		
Public school district	\$ 1,964,076	\$ 1,441,843
Grants and contracts	463,589	522,583
Contributions	19,112	37,181
Interest	90	127
Other	873	482
Cash payments for:		
Vendors	(686,050)	(533,534)
Employee salaries and benefits	<u>(1,407,281)</u>	<u>(956,453)</u>
Net cash provided by operating activities	<u>354,409</u>	<u>512,229</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of furniture, fixtures and equipment	<u>(118,364)</u>	<u>(355,085)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital lease payments	<u>(4,112)</u>	<u>(3,295)</u>
Net increase in cash and cash equivalents	231,933	153,849
Cash and cash equivalents, beginning of year	<u>153,885</u>	<u>36</u>
Cash and cash equivalents, end of year	<u>\$ 385,818</u>	<u>\$ 153,885</u>
Supplemental disclosure of cash flow information:		
Equipment acquired under capital leases	<u>\$ -</u>	<u>\$ 21,639</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 142,639	\$ 205,356
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	182,688	104,502
Change in assets and liabilities:		
Decrease (increase) in grants and contracts receivable	49,366	(36,029)
Increase in prepaid expenses	(6,144)	(32,989)
Increase in contributions and other receivables	(3,401)	-
(Decrease) increase in accounts payable and accrued expenses	(70,130)	55,578
Increase in accrued payroll and benefits	45,761	155,364
Increase in due to school districts	1,470	2,773
Increase in deferred revenue	<u>12,160</u>	<u>57,674</u>
Net cash provided by operating activities	<u>\$ 354,409</u>	<u>\$ 512,229</u>

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

# ICAHN CHARTER SCHOOL 7

## Notes to Financial Statements

June 30, 2015 and 2014

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### 1. NATURE OF OPERATIONS

The Icahn Charter School 7 (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 13, 2011, 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 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 9, 2013.

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).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The Charter School prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The financial statement presentation conforms with U.S. GAAP for non-profit organization, which requires the classification of activities and net assets based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations and, therefore, may be expended for any purpose in performing the primary objective of the Charter School.

Temporarily Restricted - Net assets subject to donor-imposed restrictions that will be satisfied either by actions of the Charter School or the passage of time. At June 30, 2015 and 2014, the Charter School did not have any temporarily restricted net assets.

Permanently Restricted - Net assets subject to donor-imposed restrictions stipulating that the corpus be maintained in perpetuity by the Charter School, but permit the Charter School to expend all or part of the income derived there from. At June 30, 2015 and 2014, the Charter School did not have any permanently restricted net assets.

#### 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 unrestricted net assets 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.

**ICAHN CHARTER SCHOOL 7**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

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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 unrestricted, temporarily restricted or permanently restricted, 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 as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted revenues.

**Receivables**

Receivables outstanding longer than the payment terms are considered past due. 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. As of June 30, 2015 and 2014, there were no allowance for uncollectible receivables. Contributions and other receivables as of June 30, 2015 and 2014 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, 2015 and 2014 is a reserve fund of \$50,000 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.

# ICAHN CHARTER SCHOOL 7

## Notes to Financial Statements

June 30, 2015 and 2014

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### 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
Equipment	3-5 years
Library, software and textbooks	3 years

### Taxes

The Charter School recognizes or derecognizes a tax position based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The Charter School evaluated its tax positions and concluded that there are no uncertain tax positions within its financial statements. The tax years ended 2012, 2013, 2014, and 2015 are still open to audit for both federal and state purposes.

### 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.

### Change in Method of Presenting the Statement of Cash Flows

For the year ended June 30, 2015 the Charter School elected to change the presentation of its statement of cash flows from the indirect to the direct method. Although both methods are acceptable under US GAAP, the direct method will now show the cash inflows and outflows related to receipts and payments, as opposed to just a reconciliation from the change in net assets to the cash provided by/(used in) operating activities. As a result of this change, there is no difference in the cash flows reported in the investing or financing activities sections of the statement, and a reconciliation from the change in net assets to the cash provided by/ (used in) operating activities is still provided. The prior year statement of cash flows has been adjusted to apply the new method retrospectively.

**ICAHN CHARTER SCHOOL 7**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

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**3. CAPITAL ASSETS, NET**

At June 30, 2015 and 2014, capital assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Library, software and textbooks	\$ 28,972	\$ 28,972
Equipment	444,204	351,389
Furniture and fixtures	<u>93,332</u>	<u>67,783</u>
	566,508	448,144
Less: Accumulated depreciation	<u>(287,190)</u>	<u>(104,502)</u>
	<u>\$ 279,318</u>	<u>\$ 343,642</u>

Included in equipment as of June 30, 2015 and 2014 are assets acquired under capital leases at a cost of approximately \$22,000 with accumulated depreciation of approximately \$8,000 and \$4,000, respectively.

Depreciation expense totaled approximately \$183,000 and \$105,000 for the years ended June 30, 2015 and 2014, respectively.

**4. RELATED PARTY TRANSACTIONS**

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

Certain expenses are shared amongst the seven Icahn Charter Schools (affiliated entities) and amounts may also be received on behalf of another Icahn Charter School. Shared expenses primarily related to prorated salaries, based on student enrollment, for administrators at Icahn Charter School 1 who serve in a management capacity at the Charter School and for one student counselor at the Icahn Charter School 6 who served in an educational capacity at the Charter School. At June 30, 2015 and 2014, accounts payable and accrued expenses included approximately \$8,300 and \$8,000, respectively, and other receivables included approximately \$3,000 and \$0, respectively, pertaining to these related party transactions.

**5. CONTRIBUTED SERVICES AND SPACE**

The Charter School utilizes certain facilities provided by the New York City public school system at no cost. The fair value of the cost savings associated with such arrangement which totaled approximately \$145,000 and \$58,000 for the years ended June 30, 2015 and 2014, respectively, is recognized as revenue within state and local grants, and also included within expenses in the statement of activities. The Charter School also 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.

# ICAHN CHARTER SCHOOL 7

## Notes to Financial Statements

June 30, 2015 and 2014

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### 6. 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 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 New York City Department of Education totaled approximately \$1,957,000 and \$1,387,000 for the years ended June 30, 2015 and 2014, respectively. The Charter School is dependent upon this level of funding in order to continue its operations.

### 7. OBLIGATION UNDER CAPITAL LEASE

A long-term lease covering equipment is classified as a capital lease. 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 lease represents the present value of the rental payments discounted by interest rates implicit in the lease agreement.

Annual payments due subsequent to June 30, 2015 follow:

<b>Year Ending June 30,</b>	
2016	\$ 4,812
2017	4,812
2018	4,812
2019	<u>802</u>
Total	15,238
Less: interest	<u>(1,006)</u>
	<u>\$ 14,232</u>

### 8. 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 \$34,000 and \$21,000 for the years ended June 30, 2015 and 2014, respectively.

### 9. 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

**ICAHN CHARTER SCHOOL 7**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

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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.

**10. SUBSEQUENT EVENTS**

The Charter School evaluated its June 30, 2015 financial statements for subsequent events through October 30, 2015, 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.

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

To the Board of Directors of the  
**Icahn Charter School 7**

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 7 (the “Charter School”), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2015.

**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.

The image shows a handwritten signature in cursive script that reads "Grant Thornton LLP". The signature is written in black ink and is positioned above the printed name and date.

New York, New York  
October 30, 2015

**SUPPLEMENTARY INFORMATION**

# ICAHN CHARTER SCHOOL 7

## Schedule of Functional Expenses

For the year ended June 30, 2015, with comparative totals for 2014

	Program Services			Management and General	2015 Total	2014 Total
	Regular Education	Special Education	Total			
PERSONNEL SERVICE COSTS						
Administrative staff personnel	\$ 144,528	\$ -	\$ 144,528	\$ 119,194	\$ 263,722	\$ 296,115
Instructional personnel	903,338	840	904,178	-	904,178	577,179
Non-instructional personnel	-	-	-	56,654	56,654	64,693
Total personnel service costs	1,047,866	840	1,048,706	175,848	1,224,554	937,987
Fringe benefits and payroll taxes	168,354	446	168,800	25,902	194,702	152,690
Retirement	28,564	-	28,564	5,222	33,786	21,137
Legal service	-	-	-	-	-	256
Accounting/audit services	27,056	1,331	28,387	3,244	31,631	9,940
Other Purchasing/professional/consulting services	9,490	4,705	14,195	595	14,790	13,697
Building and land rent/lease	124,245	6,113	130,358	14,898	145,256	57,545
Repairs and maintenance	3,392	12	3,404	389	3,793	7,402
Insurance	23,109	-	23,109	2,641	25,750	20,012
Supplies/materials	93,410	3,383	96,793	-	96,793	191,813
Equipment/furnishings	12,571	-	12,571	466	13,037	26,300
Staff development	102,627	-	102,627	-	102,627	98,671
Marketing/recruitment	2,399	-	2,399	274	2,673	1,102
Technology	60,901	248	61,149	6,988	68,137	52,811
Telephone	4,480	220	4,700	537	5,237	8,448
Food service	2,405	-	2,405	-	2,405	-
Student services	46,194	310	46,504	-	46,504	24,428
Office expense	28,533	795	29,328	3,349	32,677	33,217
Depreciation	156,524	7,569	164,093	18,595	182,688	104,502
Other	14,872	28	14,900	5,037	19,937	13,260
Total expenses	\$ 1,956,992	\$ 26,000	\$ 1,982,992	\$ 263,985	\$ 2,246,977	\$ 1,775,218

*This schedule should be read in conjunction with the report of independent certified public accountants.*



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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of the  
**Icahn Charter School 7**

We have performed the procedures identified below, which were agreed to by management of the Icahn Charter School 7 (the “Charter School”) and the New York State Education Department (“NYSED”) (together “specified parties”), solely to assist the specified parties in evaluating management’s assertion to NYSED that the Charter School has maintained compliance with the requirements of the Charter School Program (“CSP”) grant and Federal and NYSED guidelines in managing the CSP grant during the year ended June 30, 2015. The Charter School’s management is responsible for compliance with the requirements of the CSP grant and Federal and NYSED guidelines in managing the CSP grant.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our results are as follows:

**Procedure #1:** We obtained the detail of expenditures incurred for the year ended June 30, 2015 relating to the CSP grant from the Charter School’s accounting software and agreed it to the grant revenue recorded by the Charter School.

**Result:** No exceptions noted.

**Procedure #2:** We obtained the NYSED approved CSP grant award information, including the budget and any amendments. We compared budgeted amounts for the grant period, by code sub-total, to the actual expenses incurred for the grant period, which include the expenditures obtained in procedure #1, and noted whether any variances exceeded 10%.

**Result:** No variances exceeding 10% were noted.

**Procedure #3:** We selected a sample of expenditures from the detail obtained in Procedure #1.

- a. Payroll - We noted there were no payroll expense charged to this grant.
- b. Other expenses - We selected 5 items charged to the grant.
- c. Using the above selected items, we:
  - i. Determined if the expenditure was in accordance with the purpose of the grant by comparing to NYSED guidance on acceptable use of CSP grant funds and that pre-opening expenditures were charged to pre-opening periods.
  - ii. Determined if the expenditure was included in an approved budget category.
  - iii. Determined if the expenditure was charged to the appropriate fiscal period.

**Result:** No exceptions noted.

**Procedures #4:** We obtained FS 25 form(s) submitted to NYSED during the year ended June 30, 2015 and performed the following:

- a. Compared expenditures selected in Procedure #3 to requests for reimbursement. Determined that items requested for reimbursement had previously been expended.
- b. If FS 25 forms included amounts on Line 4 (Cash Expenditures Anticipated During Next Month), we selected one FS 25 and determined that funds were expended within 1 month following the date of the request.

**Result:** No exceptions noted.

We were not engaged to and did not conduct an examination, the objective of which is the expression of an opinion on the Charter School's compliance with the requirements of the CSP grant and Federal and NYSED guidelines in managing the CSP grant. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Icahn Charter School 7 and the New York State Education Department, and it is not intended to be and should not be used by anyone other than the specified parties.

*Grant Thornton LLP*

October 30, 2015