

Cesar Chavez Public Charter Schools for Public Policy

Financial Report
June 30, 2015

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Independent Auditor's Report

To the Board of Trustees
Cesar Chavez Public Charter Schools for Public Policy
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Cesar Chavez Public Charter Schools for Public Policy (the School) which comprise the balance sheets 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 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 the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 1, 2015 and October 31, 2014, on our consideration of the School's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
December 1, 2015

Cesar Chavez Public Charter Schools for Public Policy

Balance Sheets

June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,028,829	\$ 4,301,758
Cash deposits	-	100,000
Restricted cash and cash equivalents (Notes 2 and 4)	328,431	310,867
Accounts receivable, net	546,468	7,264
Grants receivable, net (Note 3)	745,181	1,172,294
Prepaid expenses	137,617	182,379
Total current assets	6,786,526	6,074,562
Restricted Cash and Cash Equivalents (Notes 2 and 4)	3,006,447	2,844,818
Property and Equipment, Net (Notes 5 and 7)	28,594,701	29,729,487
Deferred Loan Costs, Net	562,777	596,627
Deposits	197,157	197,157
Total assets	\$ 39,147,608	\$ 39,442,651
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,541,713	\$ 1,431,360
Deferred revenue	-	403,410
Current portion of capital lease obligation (Note 6)	38,541	38,253
Current portion of long-term debt (Note 7)	550,000	515,000
Current portion of deferred rent	21,929	32,896
Total current liabilities	2,152,183	2,420,919
Long-Term Debt, Net of Unamortized Discount (Note 7)	24,458,728	24,996,211
Capital Lease Obligation (Note 6)	3,251	41,793
Deferred Rent	383,922	339,853
Total liabilities	26,998,084	27,798,776
Commitments and Contingencies (Notes 9 and 12)		
Net Assets		
Unrestricted		
Operating	10,686,837	10,288,875
Board designated	1,350,000	1,350,000
	12,036,837	11,638,875
Temporarily restricted (Note 11)	112,687	5,000
Total net assets	12,149,524	11,643,875
Total liabilities and net assets	\$ 39,147,608	\$ 39,442,651

See Notes to Financial Statements.

Cesar Chavez Public Charter Schools for Public Policy

Statement of Activities

Year Ended June 30, 2015

(With Comparative Totals for 2014)

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
Revenue and Support				
Pupil allocation (Note 8)	\$ 24,742,252	\$ -	\$ 24,742,252	22,158,903
Federal grants and entitlements	2,505,658	-	2,505,658	2,760,768
Contributions	186,523	107,901	294,424	407,378
Non-federal grants	284,674	-	284,674	200,293
In-kind contributions	353,637	-	353,637	118,440
Interest income	41,833	-	41,833	42,424
Other	43,373	-	43,373	62,656
Net assets released from restrictions	214	(214)	-	-
Total revenue and support	28,158,164	107,687	28,265,851	25,750,862
Expenses				
Program	20,973,668	-	20,973,668	20,417,299
General and administrative	6,525,556	-	6,525,556	6,080,532
Fundraising	260,978	-	260,978	276,361
Total expenses	27,760,202	-	27,760,202	26,774,192
Change in net assets	397,962	107,687	505,649	(1,023,330)
Net Assets, Beginning of Year	11,638,875	5,000	11,643,875	12,667,205
Net Assets, End of Year	\$ 12,036,837	\$ 112,687	\$ 12,149,524	\$ 11,643,875

See Notes to Financial Statements.

Cesar Chavez Public Charter Schools for Public Policy

**Statement of Activities
Year Ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Pupil allocation (Note 8)	\$ 22,158,903	\$ -	\$ 22,158,903
Federal grants and entitlements	2,760,768	-	2,760,768
Contributions	402,378	5,000	407,378
Non-federal grants	200,293	-	200,293
In-kind contributions	118,440	-	118,440
Interest income	42,424	-	42,424
Other	62,656	-	62,656
Net assets released from restrictions	286,790	(286,790)	-
Total revenue and support	26,032,652	(281,790)	25,750,862
Expenses			
Program	20,417,299	-	20,417,299
General and administrative	6,080,532	-	6,080,532
Fundraising	276,361	-	276,361
Total expenses	26,774,192	-	26,774,192
Change in net assets	(741,540)	(281,790)	(1,023,330)
Net Assets, Beginning of Year	12,380,415	286,790	12,667,205
Net Assets, End of Year	<u>\$ 11,638,875</u>	<u>\$ 5,000</u>	<u>\$ 11,643,875</u>

See Notes to Financial Statements.

Cesar Chavez Public Charter Schools for Public Policy

**Statements of Cash Flows
Years Ended June 30, 2015 and 2014**

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 505,649	\$ (1,023,330)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,604,943	1,412,962
Amortization of bond discount	12,517	12,517
Amortization of deferred loan costs	33,850	34,448
Bad debt expense	19,667	90,287
Increase (decrease) in allowance for doubtful accounts	118,682	(50,000)
Deferred rent	33,102	44,055
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	288,764	180,720
Accounts receivable	(539,204)	24,624
Prepaid expenses	44,762	(1,531)
Deposits	-	(59,342)
Increase (decrease) in:		
Accounts payable and accrued expenses	110,353	(242,165)
Deferred revenue	(403,410)	18,359
Net cash provided by operating activities	1,829,675	441,604
Cash Flows From Investing Activities		
Purchases of property and equipment	(470,157)	(2,391,368)
Maturity of certificate of deposit	100,000	1,000,000
Increase in restricted cash	(179,193)	(176,743)
Net cash used in investing activities	(549,350)	(1,568,111)
Cash Flows From Financing Activities		
Principal payments on long-term debt	(515,000)	(485,000)
Principal payments in capital lease obligations	(38,254)	(34,794)
Net cash used in financing activities	(553,254)	(519,794)
Net increase (decrease) in cash and cash equivalents	727,071	(1,646,301)
Cash and Cash Equivalents		
Beginning	4,301,758	5,948,059
Ending	\$ 5,028,829	\$ 4,301,758
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 2,001,420	\$ 1,958,708

See Notes to Financial Statements.

Cesar Chavez Public Charter Schools for Public Policy

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Cesar Chavez Public Charter Schools for Public Policy (the School) is a corporation organized to provide public education, foster educational innovation and reform, inspire young people to become involved in public policy and develop and improve the quality of schools and curricula.

On September 2, 1998, the School entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board. Under the terms of this agreement, the School will operate a school for students in grades 9 through 12 in accordance with the mission established in the School's by-laws. On July 1, 2013, the District of Columbia Public Charter School Board renewed the School's charter for an additional 15 years.

During the Spring of 2004, the District of Columbia Public Charter School Board approved the School to operate a school for students in grades 6 through 12.

In December 2006, the District of Columbia Public Charter School Board approved the School's request to open a third campus that will grow to serve 420 students in grades 6 through 12.

A summary of the School's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, 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.

Unrestricted net assets: Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Operating – Represents those resources available for the support of School operations.

Board designated – The Board of Trustees has designated a portion of the funds for improvements to the School and general operations. As of June 30, 2015 and 2014, the board-designated fund was \$1,350,000.

Temporarily restricted net assets: Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets: Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the School's actions. The School had no permanently restricted net assets as of June 30, 2015 and 2014.

Cesar Chavez Public Charter Schools for Public Policy

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Cash and cash equivalents: The School considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held by the bond trustee are considered restricted and are not included in cash and cash equivalents for purposes of reporting cash flows.

Financial risk: The School maintains 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 any significant credit risk on cash.

Accounts and grants receivable: Accounts receivable are carried at the original billed amount. Grants receivable consist of invoiced amounts due based on completion of award requirements. An estimate is made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. The allowance for doubtful accounts was \$117,147 as of June 30, 2015. There was no allowance for doubtful accounts as of June 30, 2014. Recoveries of accounts receivable previously written off are recorded as revenue when received.

Property and equipment: Property and equipment are recorded at cost or, in case of donated items, at the estimated fair value at the time of the donation. Depreciation is provided using the straight-line method over the estimated useful lives, which range from 3 to 30 years. Leasehold improvements are being amortized over the shorter of the asset life or the lease term. The School capitalizes all property and equipment purchased with a cost of \$1,000 or more and all textbooks.

Valuation of long-lived assets: The School reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Deferred loan costs: Legal, accounting, printing and other expenses associated with the bond issuance totaling \$726,946 are being amortized using the effective interest method over the 30-year term of the bond. As of June 30, 2015 and 2014, the unamortized bond issuance costs were \$562,777 and \$596,627, respectively.

Deferred rent: Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the balance sheets.

Per-pupil allocation and federal funding: The School receives a per-pupil allocation from the District of Columbia, as well as federal entitlement funding, to cover the cost of academic expenses. The student allocation is on a per-pupil basis and includes academic year funding, special education funding and a facilities allotment. The School recognizes this funding as revenue and support in the year in which the School term is conducted. Funding for the summer that is received in advance is recorded as deferred revenue.

Cesar Chavez Public Charter Schools for Public Policy

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Federal grant entitlements are recognized as revenue and support based on allowable costs incurred. Many of the federal grant entitlements flow through from the Office of the State Superintendent of Education (OSSE).

Contributions: Contributions are recognized when the donor makes an unconditional written promise to give to the School. All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributions, including unconditional promises to give, are recognized at fair value as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, at the time when the conditions on which they depend are substantially met.

Salary expense: Salary expense is recognized in the period the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued.

Gifts in-kind: Gifts in-kind are reported at their fair value at the date of the gift.

Tax-exempt status: The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The School had no net unrelated business income for the years ended June 30, 2015 and 2014.

The School adopted the accounting standard on accounting for uncertainty in income taxes (FASB ASC Topic 740-10), which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated the School's tax positions and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The School files income tax returns in the U.S. federal jurisdiction. Generally, the School is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2012.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but that provide for the overall support and direction of the School.

Cesar Chavez Public Charter Schools for Public Policy

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Fair value of financial instruments: The carrying amounts of certain financial instruments, including cash and cash equivalents (including restricted amounts), accounts and grants receivable, accounts payable and accrued expenses and current maturities of long-term borrowings, approximate fair value because of the short maturity of these instruments. The fair value of the long-term bonds payable was estimated by computing the discounted value of estimated cash flows. The discount rate was based upon the current loan origination rate for a similar loan. The estimated fair value of the bonds payable at June 30, 2015 and 2014, was approximately \$24,946,240 and \$25,548,760, respectively. Present value techniques used in estimating the fair value of bonds payable are significantly affected by the assumptions used. In that regard, the derived fair value estimate cannot be substantiated by comparison to independent markets, and in many cases, could not be realized in immediate cash settlement of the instrument.

Use of estimates: The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification: Certain items in the June 30, 2014, financial statements have been reclassified to comply with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets

Subsequent events: The School evaluated subsequent events through December 1, 2015, which is the date the financial statements were issued.

Recently issued accounting pronouncements: In April 2015, FASB issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This Update requires entities to present debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. The Update does not impact the recognition or measurement guidance for debt issuance costs. This Update is effective for the School's fiscal year ending June 30, 2017.

Note 2. Restricted Cash and Cash Equivalents

Restricted cash balances of \$3,334,878 and \$3,155,685 represent bond proceeds, which were placed with a Bond Trustee for debt service at June 30, 2015 and 2014, respectively.

Note 3. Grants Receivable

Grants receivable consist of amounts due from the following entities at June 30, 2015 and 2014:

	2015	2014
U.S. Department of Education	\$ 692,046	\$ 938,413
U.S. Department of Agriculture	63,132	197,057
District of Columbia Government	55,260	20,000
Federal Communications Commission	53,425	16,824
	863,863	1,172,294
Less allowance for doubtful accounts	118,682	-
	<u>\$ 745,181</u>	<u>\$ 1,172,294</u>

Cesar Chavez Public Charter Schools for Public Policy

Notes to Financial Statements

Note 4. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

- Level 1 Quoted market prices in active markets for identical assets or liabilities
- Level 2 Observable market-based inputs or unobservable inputs corroborated by market data
- Level 3 Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, the School performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2015:

	2015			
	Level 1	Level 2	Level 3	Total
Restricted cash equivalents				
Money market funds	\$ 903,272	\$ -	\$ -	\$ 903,272
Private debt obligations	-	2,431,606		2,431,606
	<u>\$ 903,272</u>	<u>\$ 2,431,606</u>	<u>\$ -</u>	<u>\$ 3,334,878</u>

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2014:

	2014			
	Level 1	Level 2	Level 3	Total
Restricted cash equivalents				
Money market funds	\$ 3,155,685	\$ -	\$ -	\$ 3,155,685
	<u>\$ 3,155,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,155,685</u>

Money market funds are determined based on quoted market prices, when available, or market prices provided by recognized broker dealers; thus, they are categorized as Level 1.

Private debt obligations are determined based on observable inputs from similar assets; thus they are categorized as Level 2.

Cesar Chavez Public Charter Schools for Public Policy

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment as of June 30, 2015 and 2014, and the related accumulated depreciation at June 30, 2015 and 2014, are as follows:

	2015	2014
Land – Parkside	\$ 2,170,205	\$ 2,170,205
Building and improvements	15,579,005	15,579,005
Leasehold improvements	15,660,129	15,606,772
Computer equipment	2,018,788	1,716,539
Furniture and equipment	1,423,176	1,396,236
Books	1,179,016	1,091,407
Vehicles	40,945	40,945
	<u>38,071,264</u>	<u>37,601,109</u>
Less accumulated depreciation	9,476,563	7,871,622
	<u>\$ 28,594,701</u>	<u>\$ 29,729,487</u>

Note 6. Capital Lease Obligation

On May 2, 2013, the School entered into a capital lease obligation for copiers for a period of three years. The School has determined that based on the contract signed and ASC 840-10-25, *Accounting for Capital Leases*, the School's present value of future minimum lease payments is greater than 90% of the fair market value of the copiers. Interest expense was \$507 and \$736 for the years ended June 30, 2015 and 2014, respectively. The School has capitalized the lease obligation, and the present value of the future minimum lease payments are the following:

<u>Year Ending June 30,</u>	
2016	\$ 38,760
2017	<u>3,230</u>
	41,990
Less imputed interest	<u>198</u>
Present value of minimum lease payments	<u><u>\$ 41,792</u></u>

Cesar Chavez Public Charter Schools for Public Policy

Notes to Financial Statements

Note 7. Long-Term Debt

On March 1, 2011, the School entered into a financing agreement with Wells Fargo Bank, National Association (Wells Fargo), as trustee of newly issued District of Columbia Revenue Bonds, Cesar Chavez Public Charter Schools for Public Policy Issue, Series 2011 (the 2011 Bonds). The proceeds from the 2011 Bonds, of \$27,210,000, were loaned to the School and used to refinance the entire outstanding balances of the School's previous loans and to purchase the facility that the School was leasing from the landlord. The proceeds were also available for renovations to the purchased building and the buildings at the two leased campus locations (see Note 9). The loan is recorded net of a discount of \$371,341. The discount is amortized on an effective interest basis over the life of the issue. Amortization of the note discount for the years ended June 30, 2015 and 2014, was \$12,517 and \$12,517, respectively, which has been charged to interest expense on the statements of activities. The 2011 Bonds include four series of bonds with a weighted average fixed interest rate of 7.4%, with semi-annual interest payments on the bonds which commenced on July 1, 2011. The 2011 Bonds shall mature and be payable subject to prior redemption or the terms and conditions set forth in the indenture agreement.

The 2011 Bonds mature on November 15, 2040. The 2011 Bonds are collateralized by the first priority deed of trust lien on the School's property and equipment, per pupil revenues, and restricted cash and cash equivalents. The School must also comply with applicable covenants and prohibitions required by the financial institution. The outstanding balances on the 2011 Bonds at June 30, 2015 and 2014, were \$25,330,000 and \$25,845,000, respectively.

Interest expense amounted to \$1,920,364 and \$1,952,716 for the years ended June 30, 2015 and 2014, respectively.

Aggregate maturities of notes payable as of June 30, 2015, are due in future years as follows:

Years Ending June 30,

2016	\$	550,000
2017		590,000
2018		630,000
2019		670,000
2020		715,000
Thereafter		22,175,000
		<u>25,330,000</u>
Less discount imputed		321,272
	\$	<u><u>25,008,728</u></u>

Note 8. Pupil Allocation

The components of pupil allocation revenue for the years ended June 30, 2015 and 2014, are as follows:

	2015	2014
Pupil allocation – regular	\$ 20,601,196	\$ 17,991,903
Pupil allocation – facilities	4,141,056	4,167,000
	<u>\$ 24,742,252</u>	<u>\$ 22,158,903</u>

Cesar Chavez Public Charter Schools for Public Policy

Notes to Financial Statements

Note 9. Commitments

Lease Commitments: On December 1, 2010, the School entered into a lease with Building Hope, a charter school facilities fund, which will expire on November 1, 2020. The School has the right to extend and renew the term of this lease for up to three terms of five consecutive years each plus a fourth renewal term of four years and 11 months. The lease provides for scheduled annual rent increase of 2%. In addition, the School is responsible for payment of a proportionate share of real estate assessments, as well as a proportionate share of the landlord's insurance costs for extended risk insurance and public liability insurance.

The School entered into a ground lease for a permanent additional operating location with the District of Columbia on October 10, 2007. The lease commenced on September 1, 2008. The lease will expire on September 30, 2038. The School has the right to extend and renew the term of this lease for up to two terms of 15 consecutive years each at the fair market rental value. During the first 12 months of each lease extension period, the School may apply a rent credit equal to the cost of base building alterations approved by the landlord. The lease provides for scheduled annual rent increase of 2%. However, every fifth year following the commencement of the lease, the base rent shall be increased by a percentage not less than 2%. In addition, the School is responsible for developing, renovating, maintaining and operating the facility. Qualified improvements must be approved by the District of Columbia in advance of the work being performed.

Rent expense under the above leasing arrangements was \$578,993 and \$591,632 for the years ended June 30, 2015 and 2014, respectively.

The future minimum payments under these leases are as follows:

Years Ending June 30,

2016	\$ 559,323
2017	570,510
2018	581,920
2019	593,558
2020	605,430
Thereafter	3,439,436
	<u>\$ 6,350,177</u>

Note 10. Pension Plan

The School offers a 403(b) pension plan option through TIAA-CREF for all full-time employees who qualify according to the pension plan's enrollment standards. The plan enables employees to make employee contributions to the pension plan beginning in their first year of employment and will initiate an employer contribution of 5% of an individual's annual salary beginning in the second year. Employer matches increase to 7% at the beginning of year four and are capped at 8% at the beginning of year seven. Total expenses under this plan amounted to \$228,730 and \$193,251 for the years ended June 30, 2015 and 2014, respectively.

Cesar Chavez Public Charter Schools for Public Policy

Notes to Financial Statements

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted and other funds, which are only available for program activities or general support designated for future years. Temporarily restricted net assets activity for the year ended June 30, 2015, is as follows:

	Balance June 30, 2014	Additions	Released	Balance June 30, 2015
Purpose restricted				
Beat the Streets program	\$ 5,000	\$ 43,465	\$ (214)	\$ 48,251
SAT graduation preparation	-	33,750	-	33,750
Symposium	-	14,040	-	14,040
NOLA	-	9,371	-	9,371
Science lab grant	-	6,000	-	6,000
Other	-	1,275	-	1,275
	<u>\$ 5,000</u>	<u>\$ 107,901</u>	<u>\$ (214)</u>	<u>\$ 112,687</u>

Temporarily restricted net assets activity for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Released	Balance June 30, 2014
Purpose restricted				
Gymnasium – Bruce campus	\$ 276,400	\$ -	\$ (276,400)	\$ -
Anacostia river water quality science project	10,390	-	(10,390)	-
Beat the Streets program	-	5,000	-	5,000
	<u>\$ 286,790</u>	<u>\$ 5,000</u>	<u>\$ (286,790)</u>	<u>\$ 5,000</u>

Note 12. Contingencies

Federal grants: The School participates in federally assisted grant programs that are subject to financial and compliance audits by the grantors or their representative. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.



RSM US LLP

**Independent Auditor's Report
on the Supplementary Information**

To the Board of Trustees
Cesar Chavez Public Charter Schools for Public Policy
Washington, D.C.

We have audited the financial statements of Cesar Chavez Public Charter Schools for Public Policy (the School) as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon, which contain an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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, including comparing and reconciling such 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Washington, D.C.
December 1, 2015

Cesar Chavez Public Charter Schools for Public Policy

**Schedule of Functional Expenses
Year Ended June 30, 2015**

	Program	General and Administrative	Fundraising	Total
Personnel, Salaries and Benefits				
Salaries	\$ 10,721,865	\$ 3,622,252	\$ 144,890	\$ 14,489,007
Employee benefits	942,097	318,276	12,731	1,273,104
Payroll taxes	800,073	270,295	10,812	1,081,180
Professional development	175,594	59,322	2,373	237,289
Other staff-related expense	40,203	13,582	543	54,328
	<u>12,679,832</u>	<u>4,283,727</u>	<u>171,349</u>	<u>17,134,908</u>
Direct Student Costs				
Supplies, materials and snacks	286,560	-	-	286,560
Fieldwork and other transportation	123,377	-	-	123,377
Contracted instruction fees	368,700	-	-	368,700
Textbooks	5,120	-	-	5,120
Student assessments	49,429	-	-	49,429
Student food service program	729,472	-	-	729,472
Other student costs	99,866	-	-	99,866
	<u>1,662,524</u>	<u>-</u>	<u>-</u>	<u>1,662,524</u>
Occupancy Expenses				
Rent	428,455	144,748	5,790	578,993
Maintenance and repairs	739,398	249,797	9,992	999,187
Contracted building services	106,672	36,038	1,442	144,152
Utilities	320,773	108,369	4,335	433,477
Interest	1,421,069	480,091	19,204	1,920,364
Depreciation – facilities	1,187,658	401,236	16,049	1,604,943
	<u>4,204,025</u>	<u>1,420,279</u>	<u>56,812</u>	<u>5,681,116</u>
Office Expenses				
Office supplies	107,366	36,272	1,451	145,089
Equipment rent and maintenance	58,793	19,862	794	79,449
Food, entertainment and meeting expenses	179,613	60,680	2,427	242,720
Travel expenses	7,668	2,591	104	10,363
Telecommunications	256,851	86,774	3,471	347,096
Postage	22,937	7,749	310	30,996
Printing and copying	36,796	12,431	497	49,724
Advertising	86,235	29,133	1,165	116,533
	<u>756,259</u>	<u>255,492</u>	<u>10,219</u>	<u>1,021,970</u>
General expenses				
Insurance	120,370	40,665	1,627	162,662
Charter school board administrative fees	220,687	74,557	2,982	298,226
Accounting, auditing and payroll	159,956	54,039	2,162	216,157
Legal fees	111,000	37,500	1,500	150,000
Other professional and fundraising fees	898,772	303,639	12,146	1,214,557
Dues, fees, licenses and fines	13,820	4,669	187	18,676
Other general expense	20,132	8,324	287	28,743
Bad debts	101,242	34,203	1,368	136,813
Amortization of deferred loan cost	25,049	8,462	339	33,850
	<u>1,671,028</u>	<u>566,058</u>	<u>22,598</u>	<u>2,259,684</u>
Total	<u>\$ 20,973,668</u>	<u>\$ 6,525,556</u>	<u>\$ 260,978</u>	<u>\$ 27,760,202</u>