

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL**

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

**JUNE 30, 2015 AND 2014**

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## Independent Auditor's Report

The Board of Trustees  
Creative Minds International Public Charter School  
Washington, DC

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

We have audited the accompanying financial statements of Creative Minds International Public Charter School (the "School"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **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. 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 2015 financial statements referred to above present fairly, in all material respects, the financial position of Creative Minds International Public Charter School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements as of June 30, 2014, were audited by McQuade Brennan, LLP, who merged with Jones, Maresca & McQuade, P.A. as of February 1, 2015, and whose report dated October 22, 2014, expressed an unmodified opinion on those statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2014 on our consideration of Creative Minds International Public 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 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 Creative Minds International Public Charter School's internal control over financial reporting and compliance.

*Jane Maresca & McQuade PA*

Washington, DC  
October 26, 2015

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,418,932	\$ 275,646
Accounts receivable	59,872	46,553
Grants receivable	43,459	156,530
Prepaid expenses	43,230	22,590
Total Current Assets	1,565,493	501,319
<b>PROPERTY AND EQUIPMENT, NET</b>	2,536,137	251,506
<b>OTHER ASSETS</b>		
Loan costs, net	20,457	-
Security deposit	60,238	60,238
Total Other Assets	80,695	60,238
<b>TOTAL ASSETS</b>	\$ 4,182,325	\$ 813,063
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 909,343	\$ 68,249
Accrued expenses	175,950	126,518
Credit card payable	18,614	5,777
Deferred revenue	29,391	101,891
Note payable, current portion	250,813	-
Total Current Liabilities	1,384,111	302,435
<b>LONG TERM LIABILITIES</b>		
Loan payable, net of current	1,749,187	-
Total Current Liabilities	1,749,187	-
<b>NET ASSETS</b>		
Unrestricted	1,049,027	510,628
Total Net Assets	1,049,027	510,628
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 4,182,325	\$ 813,063

See independent auditor's report and accompanying notes to the financial statements.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>REVENUE AND OTHER SUPPORT</b>		
Per pupil appropriations	\$ 3,305,840	\$ 2,302,069
Per pupil facility allowance	556,032	408,000
Federal entitlements and other grants	199,444	388,474
Other public grants	23,010	22,263
Private gifts and contributions	66,020	32,578
Activity fees	324,297	225,071
In kind contributions	60,348	24,554
Fundraising event	63,235	24,441
Total Revenue and Other Support	4,598,226	3,427,450
<b>EXPENSES</b>		
Program educational services	3,571,388	2,788,430
General and administrative	425,481	361,571
Fundraising	62,958	23,309
Total Expenses	4,059,827	3,173,310
<b>CHANGE IN NET ASSETS</b>	538,399	254,140
<b>NET ASSETS</b> , beginning of year	510,628	256,488
<b>NET ASSETS</b> , end of year	\$ 1,049,027	\$ 510,628

See independent auditor's report and accompanying notes to the financial statements.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Program Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>Personnel Expenses</b>				
Salaries	\$ 1,845,957	\$ 179,636	\$ -	\$ 2,025,593
Benefits	169,980	16,955	-	186,935
Payroll taxes	149,811	14,943	-	164,754
Recruiting and development	88,001	-	-	88,001
Total personnel expenses	<u>2,253,749</u>	<u>211,534</u>	<u>-</u>	<u>2,465,283</u>
<b>Direct Student Costs</b>				
Supplies and material	33,709	-	-	33,709
Contracted instruction fees	428,911	-	-	428,911
Textbooks	4,313	-	-	4,313
Student assessment fees	15,907	-	-	15,907
Other student costs	27,495	-	-	27,495
Total direct student costs	<u>510,335</u>	<u>-</u>	<u>-</u>	<u>510,335</u>
<b>Occupancy Expense</b>				
Rent	399,997	99,999	-	499,996
Maintenance and repairs	10,397	2,599	-	12,996
Utilities	32,503	8,126	-	40,629
Janitorial supplies	889	222	-	1,111
Contracted building services	31,239	7,810	-	39,049
Total occupancy expense	<u>475,025</u>	<u>118,756</u>	<u>-</u>	<u>593,781</u>
<b>Office Expense</b>				
Telephone	6,809	1,702	-	8,511
Supplies	4,374	1,094	-	5,468
Printing	441	110	-	551
Equipment rental	30,051	7,513	-	37,564
Other office expenses	6,200	1,550	-	7,750
Postage and delivery	278	70	-	348
Total office expense	<u>48,153</u>	<u>12,039</u>	<u>-</u>	<u>60,192</u>
<b>General Expense</b>				
Food service	143,526	-	-	143,526
Depreciation and amortization	39,064	9,766	-	48,830
Miscellaneous	25,485	9,890	-	35,375
Insurance	9,414	2,354	-	11,768
Professional fees	66,504	16,626	-	83,130
Bank fees	-	434	-	434
Transportation	132	-	-	132
Fundraising	-	-	62,958	62,958
Administrative charge	-	44,083	-	44,083
Total general expense	<u>284,126</u>	<u>83,152</u>	<u>62,958</u>	<u>430,236</u>
<b>TOTAL</b>	<u><u>\$ 3,571,388</u></u>	<u><u>\$ 425,481</u></u>	<u><u>\$ 62,958</u></u>	<u><u>\$ 4,059,827</u></u>

See independent auditor's report and accompanying notes to the financial statements.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Program Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>Personnel Expenses</b>				
Salaries	\$ 1,471,798	\$ 126,515	\$ -	\$ 1,598,313
Benefits	111,838	9,830	-	121,668
Payroll taxes	115,050	10,112	-	125,162
Recruiting and development	46,272	-	-	46,272
Total personnel expenses	<u>1,744,958</u>	<u>146,457</u>	<u>-</u>	<u>1,891,415</u>
<b>Direct Student Costs</b>				
Supplies and material	50,756	-	-	50,756
Contracted instruction fees	316,093	-	-	316,093
Textbooks	12,889	-	-	12,889
Student assessment fees	6,321	-	-	6,321
Other student costs	19,646	-	-	19,646
Total direct student costs	<u>405,705</u>	<u>-</u>	<u>-</u>	<u>405,705</u>
<b>Occupancy Expense</b>				
Rent	275,254	68,813	-	344,067
Maintenance and repairs	12,552	3,138	-	15,690
Utilities	31,065	7,766	-	38,831
Janitorial supplies	2,803	701	-	3,504
Contracted building services	24,238	6,060	-	30,298
Total occupancy expense	<u>345,912</u>	<u>86,478</u>	<u>-</u>	<u>432,390</u>
<b>Office Expense</b>				
Telephone	8,929	2,232	-	11,161
Supplies	8,879	2,220	-	11,099
Equipment rental	28,184	7,046	-	35,230
Other office expenses	3,838	960	-	4,798
Postage and delivery	1,128	282	-	1,410
Total office expense	<u>50,958</u>	<u>12,740</u>	<u>-</u>	<u>63,698</u>
<b>General Expense</b>				
Food service	122,525	-	-	122,525
Depreciation and amortization	83,798	20,949	-	104,747
Miscellaneous	21,961	6,657	-	28,618
Insurance	12,046	3,012	-	15,058
Professional fees	-	67,957	-	67,957
Bank fees	-	361	-	361
Transportation	566	-	-	566
Fundraising	-	-	23,309	23,309
Administrative charge	-	16,961	-	16,961
Total general expense	<u>240,896</u>	<u>115,897</u>	<u>23,309</u>	<u>380,102</u>
<b>TOTAL</b>	<u>\$ 2,788,430</u>	<u>\$ 361,571</u>	<u>\$ 23,309</u>	<u>\$ 3,173,310</u>

See independent auditor's report and accompanying notes to the financial statements.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 538,399	\$ 254,140
Adjustments to reconcile change in net assets provided by operating activities:		
Depreciation and amortization	48,830	104,747
Loss on disposal of property and equipment	833	-
(Increase) decrease in assets:		
Accounts receivable	(13,319)	(41,065)
Grants receivable	113,071	(75,955)
Prepaid expenses	(20,640)	(15,287)
Security deposit	-	(42,157)
Increase (decrease) in liabilities:		
Accounts payable	841,094	7,972
Accrued expenses	49,432	(10,583)
Credit card payable	12,837	(7,692)
Deferred revenue	(72,500)	4,894
Net Cash Provided by Operating Activities	1,498,037	179,014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,333,217)	(193,542)
Net Cash Used by Investing Activities	(2,333,217)	(193,542)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable	2,000,000	-
Loan costs incurred	(21,534)	-
Net Cash Provided By Financing Activities	1,978,466	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,143,286	(14,528)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	275,646	290,174
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 1,418,932	\$ 275,646

See independent auditor's report and accompanying notes to the financial statements.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE A - ORGANIZATION AND NATURE OF BUSINESS**

Creative Minds International Public Charter School (the “School”) was incorporated as a non-stock and not-for-profit organization in 2011 under the laws of the District of Columbia. The mission is to provide young children with the skills required for successful participation in a global society. To accomplish the mission, the School designed a highly engaging program based on an international project and arts-based curriculum that includes foreign language instruction as well as standards-based literacy and mathematics.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The School’s financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic *Not-for-Profit Entities*. In accordance with the topic, the School is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time. There were no temporarily restricted assets for the years ended June 30, 2015 and 2014.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they maintained permanently by the school. There were no permanently restricted net assets during the years ended June 30, 2015 and 2014.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of less than three months and money market funds to be cash equivalents

Grants and Accounts Receivable

Grants and accounts receivable are recorded when billed or accrued and represents claims against third parties that will be settled in cash. Accounts receivable are reported net of the allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due accounts receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2015 and 2014, the majority of the receivables are due from governmental agencies. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected. Therefore, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment having a cost of greater than \$1,000 and a useful life of greater than one year are stated at cost, or if donated, at fair market value. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the asset are capitalized. Leasehold improvements are capitalized at cost and amortized over the lesser of the remaining life of the lease or the life of the asset. The cost of property and equipment is depreciated over their estimated useful lives, ranging from two to seven years. Depreciation and amortization is computed using the straight-line method. Construction in progress consists of ongoing renovation of the School's facility, which has not been completed as of June 30, 2015. Once construction is completed and put into use, construction costs will be reclassified as leasehold improvements.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Loan Costs

Loan costs incurred to secure financing are capitalized and are amortized over the life of the loan.

Deferred Revenues

Deferred revenues result from the School recognizing grant income in the period in which the work is performed. Accordingly, grant income which is received in the current fiscal year is deferred until the fiscal year in which the work is performed.

Contributions and Grants

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the 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. When restrictions are met within the same year as restricted funds are contributed, they are classified as unrestricted contributions.

Grant revenues are received primarily from the District of Columbia government. The grants are subject to audit by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Activity Fee

Activity fees are recognized at the time of the activity. This revenue is amounts collected from students from, but not restricted to, field trips, camps and other school related activities.

In-kind Contributions

In-kind contributions consist of donated services and goods, and are recognized at fair value at the date of the donation. Donated services are recognized when the services donated require specialized skills, are provided by individuals with those skills, and would typically need to be purchased if the services had not been donated. The School received \$60,348 and \$24,554 of donated goods for the years ended June 30, 2015 and 2014, respectively.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Fundraising Income

All income raised from fundraising events is recognized upon the occurrence of the event.

Functional Expenses

The costs of providing the School's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

Reclassifications

Certain amounts for the year ended June 30, 2014 have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

**NOTE C – INCOME TAXES**

The School qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

The School has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic of the FASB ASC. The topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2011-2013), or expected to be taken in its 2014 tax return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(continued)**

**NOTE D - PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30:

	<u>2015</u>	<u>2014</u>
Computers and materials	\$ 101,495	\$ 70,345
Classroom furniture	87,829	66,017
Leasehold improvements	140,557	138,307
Construction in progress	2,439,026	163,020
Total property and equipment	2,768,907	437,689
Less: accumulated depreciation and amortization	(232,770)	(186,183)
Property and equipment, net	\$ 2,536,137	\$ 251,506

Depreciation and amortization expense for the years ended June 30, 2015 and 2014, totaled \$48,830 and \$104,747, respectively.

**NOTE E - LOAN PAYABLE**

On March 26, 2015, the School signed a loan agreement with the District of Columbia Office of Public Charter School Financing and Support to finance up to \$2,000,000 of renovations. The terms of the loan are quarterly interest payments only, through March 2016, at 4.5% per annum. After that, loan payments shall be made quarterly for interest and principal based upon a 25 year amortization schedule maturing March 2020. On June 30, 2016, 2017, 2018 and 2019, principal payments between \$250,000 and \$300,000 are due with the payment. This loan is collateralized by the property located at 3700 North Capitol Street, NW, Washington, D.C. As of June 30, 2015, the balance on this loan totaled \$2,000,000.

The following are the future minimum payments on the above loan for the years ending June 30:

2016	\$ 250,813
2017	264,785
2018	326,903
2019	291,864
2020	865,634
Total	\$ 2,000,000

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(continued)**

**NOTE F - LEASE COMMITMENTS**

During April 2012, the School entered into a two year agreement with Capital City Charter School (a District of Columbia non-profit corporation) to lease space in the buildings located at 3220 and 3224 16<sup>th</sup> Street, N.W., Washington D.C. The sublease ended in July 2014. In June 2014, the School entered into a one year lease with the building owner for the premises expiring July 2015. During August 2012, the School also entered into a non-cancellable operating lease for a copier through July 2015.

On February 9, 2015, the School entered into a ten year agreement with the Armed Forces Retirement Home to lease space in the Sherman Building, located at 3700 North Capitol Street, N.W., Washington, D.C.

Rental expense for the years ended June 30, 2015 and 2014, totaled \$499,996 and \$344,067, respectively.

The future minimum lease payments for the years ending June 30:

2016	\$ 108,494
2017	111,478
2018	168,890
2019	887,644
2020	1,282,076
Thereafter	<u>9,048,981</u>
Total	<u><u>\$ 11,607,563</u></u>

**NOTE G – PENSION PLAN**

The Creative Minds International 401(K) Profit Sharing Plan and Trust (the “Plan”) was restated as of January 1, 2014 (the “Plan”). All employees who are at least 21 years of age and have 1,000 hours of service per year are eligible to participate in the Plan. Employees may make elective deferral from their eligible earnings, up to the amount allowed by the Internal Revenue Service. The School matches the first three percent of a participant’s compensation that is deferred as an elective deferral. For the years ended June 30, 2015 and 2014, pension expense totaled \$31,993 and \$27,060, respectively.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(continued)**

**NOTE H - COMMITMENTS AND CONTINGENT LIABILITIES**

The School receives revenues from government grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs, which are subject to audit, and are reported to the government. The School is of the opinion that adjustments, if any, arising from such audits will not have a material effect on the financial statements.

**NOTE I - CONCENTRATIONS OF RISK**

The School places its cash and cash equivalents with financial institutions which at times, may exceed the Federal Deposit Insurance Corporation's insurance limit of \$250,000. The School believes it is not exposed to any significant credit risk on cash or cash equivalents.

The School is supported primarily through local and federal appropriations and grants. For the years ended June 30, 2015 and 2014, 90% and 91%, respectively, of total revenue was provided from one local government agency. Reduction of this source of support would have a significant impact on the School's programs and activities.

**NOTE J - AVERAGE COST PER STUDENT**

For the years ended June 30, 2015 and 2014, the average cost per student was \$22,430 and \$23,281, respectively. This is calculated by dividing total noncapital expenditures by the school's full-time student enrollment.

**NOTE K - SUBSEQUENT EVENTS**

In accordance with FASB ASC topic on subsequent events, the School evaluated subsequent events through the date of the auditors' report, which is the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.



**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**

The Board of Trustees  
Creative Minds International Public 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 Creative Minds International Public Charter School (the "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, and have issued our report thereon dated October 26, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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*.

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

*Jane Marusa & McQuade PA*

Washington, DC  
October 26, 2015