

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

WASHINGTON, D.C.

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

KENDALL, PREBOLA AND JONES

Certified Public Accountants

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Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Trustees
District of Columbia International School
3220 16th Street NW
Washington, DC 20010

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the District of Columbia International School, (a nonprofit organization) 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

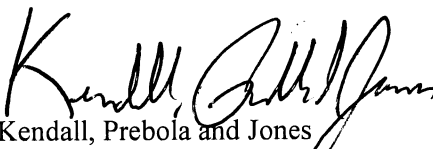
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia International School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses and schedule of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. In addition, the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," 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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the District of Columbia International School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District of Columbia International School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 23, 2015

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current Assets:

| | |
|---------------------------|----------------|
| Cash and Cash Equivalents | \$ 1,180,735 |
| Accounts Receivable | 26,614 |
| Grants Receivable | 108,883 |
| Promises Receivable | 4,010 |
| Prepaid Expenses | <u>129,885</u> |

Total Current Assets \$ 1,450,127

Fixed Assets:

| | |
|---|-----------------|
| Furniture and Equipment | \$ 127,444 |
| Computer Equipment | 185,920 |
| Website Design | 2,875 |
| Leasehold Improvements | 15,491 |
| Less: Accumulated Depreciation and Amortization | <u>(54,807)</u> |

Total Fixed Assets \$ 276,923

Other Assets:

| | |
|----------|------------------|
| Deposits | \$ <u>82,410</u> |
|----------|------------------|

Total Other Assets \$ 82,410

TOTAL ASSETS \$ 1,809,460

LIABILITIES AND NET ASSETS

Current Liabilities:

| | |
|---------------------------------------|------------|
| Accounts Payable and Accrued Expenses | \$ 64,379 |
| Payroll and Related Liabilities | 102,886 |
| Deferred Revenue | <u>668</u> |

Total Current Liabilities \$ 167,933

Total Liabilities \$ 167,933

Net Assets:

| | |
|------------------------|--------------|
| Unrestricted | \$ 1,641,527 |
| Temporarily Restricted | <u>-</u> |

Total Net Assets \$ 1,641,527

TOTAL LIABILITIES AND NET ASSETS \$ 1,809,460

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| <u>Revenues and Other Support:</u> | | | |
| Per Pupil Funding Allocation | \$ 3,649,105 | \$ - | \$ 3,649,105 |
| Federal Entitlements and Grants | 570,589 | - | 570,589 |
| State Government Grants | 5,138 | - | 5,138 |
| Private Grants and Contributions | 317,218 | 100,000 | 417,218 |
| Student Activity Fees | 93,957 | - | 93,957 |
| Donated Services and Materials | 45,289 | - | 45,289 |
| Net Assets Released from Restrictions - Satisfaction of Program Restrictions | <u>125,628</u> | <u>(125,628)</u> | <u>-</u> |
| Total Revenues and Other Support | <u>\$ 4,806,924</u> | <u>\$ (25,628)</u> | <u>\$ 4,781,296</u> |
| <u>Expenses:</u> | | | |
| Educational Services | \$ 3,060,340 | \$ - | \$ 3,060,340 |
| General and Administrative | 385,232 | - | 385,232 |
| Fundraising | <u>50,274</u> | <u>-</u> | <u>50,274</u> |
| Total Expenses | <u>\$ 3,495,846</u> | <u>\$ -</u> | <u>\$ 3,495,846</u> |
| Changes in Net Assets | \$ 1,311,078 | \$ (25,628) | \$ 1,285,450 |
| Net Assets at Beginning of Year | <u>330,449</u> | <u>25,628</u> | <u>356,077</u> |
| Net Assets at End of Year | <u>\$ 1,641,527</u> | <u>\$ -</u> | <u>\$ 1,641,527</u> |

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:

Changes in Net Assets \$ 1,285,450

Adjustments to Reconcile Changes in Net Assets to
Net Cash Flows from Operating Activities:

| | |
|---|------------|
| Depreciation and Amortization | 54,324 |
| Accounts Receivable - (Increase)/Decrease | (24,389) |
| Grants Receivable - (Increase)/Decrease | (31,455) |
| Promises Receivable - (Increase)/Decrease | (4,010) |
| Prepaid Expenses - (Increase)/Decrease | (96,401) |
| Deposits - (Increase)/Decrease | (33,660) |
| Accounts Payable and Accrued Expenses - Increase/(Decrease) | 51,624 |
| Payroll and Related Liabilities - Increase/(Decrease) | 89,817 |
| Deferred Revenue - Increase/(Decrease) | <u>668</u> |

Net Cash Flows from Operating Activities \$ 1,291,968

Cash Flows from Investing Activities:

| | |
|-------------------------------------|-----------------|
| Purchase of Fixed Assets | \$ (285,393) |
| Payments for Leasehold Improvements | <u>(15,491)</u> |

Net Cash Flows from Investing Activities \$ (300,884)

Net Increase in Cash and Cash Equivalents \$ 991,084

Cash and Cash Equivalents at Beginning of Year 189,651

Cash and Cash Equivalents at End of Year \$ 1,180,735

Supplemental Disclosures:

- a) No interest was paid during the year ended June 30, 2015.
- b) No income taxes were paid during the year ended June 30, 2015.

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

The District of Columbia International School (the School), a District of Columbia not-for-profit corporation was incorporated on October 4, 2012 exclusively for educational purposes. The School operates as part of the District of Columbia Public School System and was chartered under the authority of the DC Public Charter School Board. The School is a Middle and High School offering language immersion and inquiry-based learning. The School is currently in the candidate phase to offer the world-renowned International Baccalaureate Middle Years Program for students in the 6th, 7th and 8th grades. Advanced language programs are offered for Chinese, French and Spanish.

DCI is a cooperative, collaborative school founded by 5 language immersion public charter schools. These schools have amended their charters to include a secondary program for grades 6-12 at a new educational campus and as a new entity. The Executive Directors of these member schools serve on DCI's Board of Trustees.

The DCI member schools are:

- DC Bilingual Public Charter School
- Elsie Whitlow Stokes Community Freedom Public Charter School
- Latin American Montessori Bilingual Public Charter School
- Mundo Verde Bilingual Public Charter School
- Washington Yu Ying Public Charter School

It is the mission of the School to inspire inquiring, engaged, knowledgeable and caring secondary students who are multi-lingual, culturally competent, and committed to proactively creating a socially just and sustainable world.

The School's primary sources of support are local appropriations for charter schools from the District of Columbia Government. The School also receives federal entitlement funding through the Office of the State Superintendent of Education.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

The School has adopted Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor-imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

Contributions and promises to give with donor-imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history and type of contribution.

The School reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The School reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Federal and Charter School Funding

The School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance.

Federal entitlements are recognized based on the allowable costs incurred.

Afterschool Program

The School offers fee-based extended day programming for all students. The hours of operation are structured to coincide with the typical workday of parents of the students. Tuition is collected based on a monthly fee. The amount of tuition ranges from full tuition to reduced tuition based on the National School Lunch Program guidelines.

(c) Corporate Taxes:

The School is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the School effective October 4, 2012. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The School did not have any net unrelated business income for the year ended June 30, 2015.

The School is also exempt from District of Columbia sales and personal property taxes.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Grants:

Foundation Grants:

Grant revenues result primarily from foundation grants and are recognized as increases in unrestricted net assets unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as net assets released from restrictions between the applicable classes of net assets.

Government Grants:

The School receives grants from federal and state governmental agencies for various purposes in the form of exchange transactions. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue. These grants are subject to financial and compliance audits 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.

(e) Net Assets:

The School has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the School is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and over which the Board of Trustees has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets available at June 30, 2015.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets - (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, the passage of time, or by occurrence of events specified by donors for the following activities:

| | |
|--------------------------|------------|
| New School Collaboration | \$ 125,628 |
| Total Released | \$ 125,628 |

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that require the net assets be maintained permanently by the School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The School did not have any permanently restricted net assets as of June 30, 2015.

(f) Donated Services and Facilities:

Donated services and facilities are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the School's Board of Trustees is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the Statement of Activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received.

The estimated value of donated services and facilities at June 30, 2015, has been recorded in the financial statements as follows:

| | |
|--------------------------|------------------|
| Legal Services | \$ 13,189 |
| Design and Tech Services | 21,600 |
| Summer Fellow | <u>10,500</u> |
| Total | \$ <u>45,289</u> |

(g) Basic Programs:

District of Columbia International School provides advanced language learning in Chinese, French and Spanish, and the International Baccalaureate Middle Years and Diploma Programs in a 1:1 technology environment to DC public middle and high school students. The school was founded by the elementary language immersion schools in DC to provide a pathway for their PreK - 5th grade students.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

DCI inspires inquiring, engaged, knowledgeable and caring secondary students who are multi-lingual, culturally competent, and committed to proactively creating a socially just and sustainable world.

Cornerstones of the DCI Education:

- International Baccalaureate for all
- Fluency in a second language: Chinese, Spanish or French
- 1:1 technology to provide personalized learning beyond a traditional school day/year.

DCI opened in 2014-2015. Our classes are:

- 40% African American; 27% American Indian (from Central America); 26% Caucasian; 6% Asian; .5% Asian Pacific Islander
- 42% identify as Hispanic
- 120 6th Graders; 90 7th Graders.
- 105 studying Spanish, 60 Chinese and 45 French
- 52% of students qualify for FARMS
- Mainly from Wards 1, 4 and 5 but from all over city!

In SY 2014-15, DCI served 210 students, 145 students from member schools and approximately 65 lottery spaces. In 2015-16, DCI will have 400 students. The school will continue to grow to 1500 students in 6-12th grade and graduate its first class in 2020.

Current Leadership:

- Mary Shaffner, Executive Director
- Simon Rodberg, Principal
- Dean Harris, IB Coordinator
- Bailey Lowenthal, Counselor
- Melody Maitland, Director of Student Services
- Andrew Molchany, Director of Student Life
- Denise Lyons, Director Business and Compliance

External funding sources:

- New Schools Venture Fund
- City Bridge: Breakthrough Schools

(h) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Functional Expense Allocation Policies and Procedures:

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment material, contract educational services, and field trips) are allocated entirely to program services.

Personnel expenses for salaries, payroll taxes and employee benefit plans are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (executive, teachers, student and family support, etc.) and then a percentage of time spent on program services, general and administrative activities, and fundraising activities is applied. All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for personnel expenses is utilized for cost allocation purposes.

(i) Use of Estimates:

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

(j) Fundraising:

During the year ended June 30, 2015, expenses incurred for the purpose of fundraising was \$50,274.

(k) Recognition of Salary Expense:

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

(l) Fair Value of Certain Financial Instruments:

Some of the School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(m) Advertising Costs:

Advertising and marketing costs are expensed when incurred. Marketing activities were conducted for the purpose of promoting open enrollment and recruiting to the School and to provide outreach to the community. Marketing expenses in the amount of \$13,291 were incurred during the year ended June 30, 2015.

In addition, \$18,047 was incurred in advertising cost for the purpose of staff recruitment.

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC No. 740-10, *Accounting for Uncertainty in Income Taxes*, which is an interpretation of ASC 740's, *Accounting for Income Taxes*. FASB ASC No. 740-10 clarifies the accounting for uncertainty in income taxes recognized in the School's financial statements in accordance with ASC 740's and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC No. 740-10 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the School's tax return to determine whether the tax positions have a "more-likely-than-not" probability of being sustained by the applicable tax authority.

The School performed an evaluation of uncertain tax positions for the year ended June 30, 2015, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2015, the statute of limitations for tax year 2013 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the School files tax returns. It is the School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2015, the School had no accruals for interest and/or penalties.

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as of June 30, 2015, totaled \$1,180,735 and consisted of the following:

| | |
|---|---------------------|
| Checking Account - Non Interest Bearing | \$ 1,180,535 |
| Petty Cash | <u>200</u> |
| Total | <u>\$ 1,180,735</u> |

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with original maturities of three months or less.

The School maintains its operating funds in one financial institution in the form of a non-interest bearing business checking account. This account is covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per banking institution. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total is insured up to \$250,000.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

3. CASH AND CASH EQUIVALENTS: (Continued)

As of June 30, 2015, \$938,079 of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The School was at risk for the funds held in excess of the insured amounts. The School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

4. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable:

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2015, consisted of the following:

Accounts Receivable

| | |
|-------------------|------------------|
| Per Pupil Funding | \$ 23,761 |
| Other | <u>2,853</u> |
| Total | <u>\$ 26,614</u> |

Grants Receivable

| | |
|--|-------------------|
| No Child Left Behind - Entitlement Funds | \$ 12,587 |
| Scholarship for Opportunity and Results Act (SOAR) | 87,140 |
| National School Lunch and Breakfast Programs | 8,471 |
| Healthy Schools Act | <u>685</u> |
| Total | <u>\$ 108,883</u> |

The School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the School does not require collateral, it is at credit risk due to the type of organization for the balance of the accounts and grants receivable as of June 30, 2015.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables as of June 30, 2015.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable when payment has not been received after 180 days.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable:

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the School. The School uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following:

| | |
|---------------------------|----------|
| Other - Unrestricted | \$ 4,010 |
| Total Promises Receivable | \$ 4,010 |

The above unconditional promises receivable are all due in less than one year. In addition, the School received the following conditional promises to give that are not recognized as assets in the financial statements:

| | |
|---------------------------------------|------------|
| New School Collaboration | \$ 286,250 |
| Total Conditional Promises Receivable | \$ 286,250 |

5. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the year ended June 30, 2015 was \$54,324. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

| | <u>Depreciable Life</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|-------------------------|-----------------------------|-------------------|-------------------------------------|---------------------------|
| Furniture and Equipment | 5 Years | \$ 127,444 | \$ 17,924 | \$ 109,520 |
| Computer Equipment | 3 Years | 185,920 | 29,535 | 156,385 |
| Website Design | 5 Years | 2,875 | 815 | 2,060 |
| Leasehold Improvements | 2 Years | <u>15,491</u> | <u>6,533</u> | <u>8,958</u> |
| Total | | \$ <u>331,730</u> | \$ <u>54,807</u> | \$ <u>276,923</u> |

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. LINE OF CREDIT:

On January 29, 2015, the School entered into a variable rate revolving \$200,000 line of credit arrangement with Eagle Bank. The purpose of the line of credit is to provide short-term working capital. The line is collateralized with a first priority interest on all corporate assets of the School. The line is payable on demand and calls for monthly interest payments at the Prime Rate as published in the Wall Street Journal on a daily basis plus .50% and subject to a floor of 6.00%. There was no balance outstanding on this credit line as of June 30, 2015.

7. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The School was approved by the District of Columbia Public Charter School Board as a jointly operated co-located campus of the middle-high school campuses of five language immersion charter schools in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the School's fiscal management and academic acceptability. The agreement effective July 1, 2014, provides for a 15-year term of operation. If not renewed, the agreement will expire on or about July 1, 2029. The contract may be renewed for successive 15-year periods if the DCPCSB deems that the School is in compliance with its contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the School every five years, with the first review expected to occur in 2019. The DCPCSB may revoke (or not renew) a school contract if a school violates applicable law, materially violates the contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its operational agreement.

As part of the agreement with the DCPCSB, the School may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the year ended June 30, 2015, the School incurred \$43,188 in administrative fees.

The contract provides that the Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2015, was not permitted to be greater than 215 students. Audit enrollment for the 2014/2015 year was 210 students.

8. PER-PUPIL FUNDING ALLOCATION:

The School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2015, the per-student rate was \$10,251 for the educational allotment and \$3,072 for the facility allotment. Additional allotments were made for Special Educational Services. Per-pupil funding for the year ended June 30, 2015, was as follows:

| | |
|------------------------------|---------------------|
| Grades 6-8 | \$ 2,152,786 |
| Special Education | 638,795 |
| English as a Second Language | 120,928 |
| Facilities Allowance | 645,120 |
| At-Risk Students | <u>91,476</u> |
| Total | <u>\$ 3,649,105</u> |

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. FEDERAL ENTITLEMENTS AND GRANTS:

During the year ended June 30, 2015, the School participated in the following federal awards programs:

| | |
|---|-------------------|
| National School Lunch and School Breakfast Programs | \$ 50,365 |
| No Child Left Behind - Entitlement Funds | 100,862 |
| Scholarship for Opportunity and Results Act (SOAR) | 391,824 |
| Special Education, IDEA 611, Grants to Local Education Agencies | <u>27,538</u> |
| Total | <u>\$ 570,589</u> |

Federal formula grants are allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of the State Superintendent of Education.

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

10. COMMITMENTS:

Building Lease:

The School entered into a rental agreement effective August 1, 2014, with the School Incubator Initiative for the rental of a school facility located at 3220 and 3224 16th Street, NW, in Washington, DC. The term of this agreement shall continue until July 31, 2016, with an option to renew the agreement for one option period of two years by providing the landlord with one month prior written notice. As a requirement of this lease, a total rental security deposit of \$5,000 is to be made. The annual usage fee represents an amount equal to the number of students enrolled on each census date (every October) multiplied by the per pupil facilities allowance received from the DC Government. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, and property management. Rent expense on this lease for the year ended June 30, 2015, was \$591,360, and was based on a student enrollment of 210 students.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS: (Continued)

Building Lease: (Continued)

Future estimated required minimum rental lease payments based on estimated student enrollment are as follows:

| <u>Year Ending June 30,</u> | <u>Required Lease Payment</u> |
|-----------------------------|---------------------------------------|
| 2016 | \$ 1,194,240 |
| 2017 | <u>103,680</u> |
| Total | <u>\$ 1,297,920</u> |

The rent expense for the year ended June 30, 2015, was \$596,860. Included in rent expense for the year ended June 30, 2015, are payments for the rental of a gym totaling \$5,500.

11. CONCENTRATIONS:

Revenues:

The School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the year ended June 30, 2015, seventy-six percent (76%) of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the School receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DC PCSB).

The School is limited to enrolling students that are residents of the District of Columbia. As such, the School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

12. CONTINGENCIES:

The School was approved to operate by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding of funds) could adversely affect the School's ability to finance ongoing operations.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. CONTINGENCIES: (Continued)

The School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the School. While the School's board of trustees and management believes the School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

Laws and regulations governing charter schools are complex and subject to interpretation. The School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operation of public charter schools.

13. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 23, 2015, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts represented in the accompanying financial statements.

Enrollment:

Enrollment for the 2015/2016 school year is projected to be approximately four hundred and five (405) students. These enrollment numbers are up from the current enrollment number of two hundred ten (210) students during the 2014/2015 school year.

14. RELATED PARTY TRANSACTIONS:

Grant Revenues:

A board member of the School is affiliated with the New Schools Venture Fund. During December 2013, this organization granted \$936,250 to the School. This grant is being accounted for as a conditional grant by the School. During the year ended June 30, 2015, \$300,000 was recognized as revenue in relation to this grant by the School. During the prior year ended June 30, 2014, \$350,000 of this grant was recognized as revenue. There is \$286,250 due to be paid during the subsequent year ended June 30, 2016, on this grant.

There was another board member affiliated with a foundation that granted \$8,000 to the School during the year ended June 30, 2015.

Donated Legal Services:

The firm of one of the School's board members provided general legal services to the School for which a value of \$9,861 was assigned and recognized in the financial statements during the year ended June 30, 2015.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS: (Continued)

Member Schools:

DCI is a cooperative, collaborative school founded by 5 language immersion public charter schools. These schools have amended their charters to include DCI as a secondary program for grades 6-12. The Executive Directors of these member schools serve on DCI's Board of Trustees.

Certain federal government grants were received from the Department of Education and passed through these member schools to DCI. These federal grants are listed on DCI's Schedule of Expenditures of Federal Awards.

15. RETIREMENT PLAN:

Teachers Retirement Plan:

As authorized by the Title 38 of the Code of the District of Columbia, teachers of the DC Public School System may participate in a defined benefit plan named the "Teacher's Retirement Plan." The District of Columbia Retirement Board (DCRB) is responsible for paying benefits attributable to teacher service.

An employee may elect to remain in the Teacher's Retirement Plan if that individual leaves employment with the District of Columbia Public School system and becomes an employee of a DC Public Charter School provided the election is made within 60 days of departure. To remain in the plan, the teacher must make the required employee retirement contributions and the school must make the match contributions that the District Government would have made to the plan. Employee contributions of 7% of annual salary are required to be made on a pre-tax basis to the plan.

401(k) Retirement Plan:

The School provides pension benefits for its employees through a defined contribution 401(k) retirement plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the Plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code. The School contributes, on a matching basis, an amount up to 3% of an employee's base annual salary for employees with one or more years of employment. In addition to the traditional 401(k) contributions, the Plan accepts Roth 401(k) contributions.

The amount of employer contributions for the year ended June 30, 2015, was \$14,360.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

16. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the year ended June 30, 2015, consisted of the following:

| | |
|-------------------------------|-------------------|
| Social Security/Medicare | \$ 117,358 |
| Health Insurance | 113,736 |
| Life and Disability Insurance | 6,980 |
| Retirement | 14,360 |
| Unemployment | 15,091 |
| Workers Compensation | <u>5,715</u> |
| Total | <u>\$ 273,240</u> |

17. OCCUPANCY COST:

The cost of occupancy for the year ended June 30, 2015, consisted of the following:

| | |
|------------------------------|-------------------|
| Rent | \$ 596,860 |
| Maintenance and Repairs | 6,284 |
| Janitorial Supplies | 3,674 |
| Contracted Building Services | 1,898 |
| Depreciation - Facilities | <u>6,533</u> |
| Total | <u>\$ 615,249</u> |

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Total</u> | <u>Educational Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> |
|--|---------------------|---------------------------------|---------------------------------------|--------------------|
| <u>Personnel, Salaries and Benefits:</u> | | | | |
| Leadership Salaries | \$ 328,104 | \$ 268,178 | \$ 38,628 | \$ 21,298 |
| Teaching Staff Salaries | 901,423 | 900,118 | 1,249 | 56 |
| Student Support Salaries | 192,500 | 192,500 | - | - |
| Office and Administrative Staff | 186,234 | 104,203 | 74,799 | 7,232 |
| Employee Benefits | 140,791 | 128,249 | 10,040 | 2,502 |
| Payroll Taxes | 132,449 | 120,651 | 9,444 | 2,354 |
| Staff Development Expense | 31,401 | 28,604 | 2,239 | 558 |
| Other Personnel Expenses | <u>35,948</u> | <u>32,746</u> | <u>2,563</u> | <u>639</u> |
| Total Personnel, Salaries and Benefits | <u>\$ 1,948,850</u> | <u>\$ 1,775,249</u> | <u>\$ 138,962</u> | <u>\$ 34,639</u> |
| <u>Direct Student Costs:</u> | | | | |
| Textbooks | \$ 59,284 | \$ 59,284 | \$ - | \$ - |
| Student Supplies and Materials | 92,387 | 92,387 | - | - |
| Student Assessment Materials | 11,406 | 11,406 | - | - |
| Food Service | 80,525 | 80,525 | - | - |
| Contracted Instruction | 143,793 | 143,793 | - | - |
| Student Travel/Transportation | 9,216 | 9,216 | - | - |
| Other Student Costs | <u>22,458</u> | <u>22,458</u> | <u>-</u> | <u>-</u> |
| Total Direct Student Costs | <u>\$ 419,069</u> | <u>\$ 419,069</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Occupancy Costs:</u> | | | | |
| Rent | \$ 596,860 | \$ 543,692 | \$ 42,559 | \$ 10,609 |
| Contracted Building Services | 1,898 | 1,729 | 135 | 34 |
| Maintenance and Repairs | 6,284 | 5,724 | 448 | 112 |
| Janitorial Supplies | 3,674 | 3,347 | 262 | 65 |
| Depreciation - Facilities | <u>6,533</u> | <u>5,951</u> | <u>466</u> | <u>116</u> |
| Total Occupancy Costs | <u>\$ 615,249</u> | <u>\$ 560,443</u> | <u>\$ 43,870</u> | <u>\$ 10,936</u> |
| <u>Office Expenses:</u> | | | | |
| Office Supplies and Materials | \$ 27,935 | \$ 25,446 | \$ 1,992 | \$ 497 |
| Equipment Rental and Maintenance | 7,165 | 6,527 | 511 | 127 |
| Telephone/Telecommunications | 4,830 | 4,400 | 344 | 86 |
| Postage and Shipping | 1,602 | 1,460 | 114 | 28 |
| Computer Support Fees | 50,279 | 45,800 | 3,585 | 894 |
| Printing and Duplication | <u>1,480</u> | <u>1,348</u> | <u>105</u> | <u>27</u> |
| Total Office Expenses | <u>\$ 93,291</u> | <u>\$ 84,981</u> | <u>\$ 6,651</u> | <u>\$ 1,659</u> |

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Total</u> | <u>Educational Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> |
|----------------------------------|-------------------------|---------------------------------|---------------------------------------|----------------------|
| <u>General Expenses:</u> | | | | |
| Insurance | \$ 14,336 | \$ 13,058 | \$ 1,022 | \$ 256 |
| Authorizer Fee | 43,188 | - | 43,188 | - |
| Accounting, Auditing and Payroll | 57,655 | - | 57,655 | - |
| Legal Fees | 25,347 | 3,658 | 21,689 | - |
| Business Fees and Dues | 17,762 | 11,260 | 6,502 | - |
| Other Professional Fees | 182,019 | 154,577 | 24,658 | 2,784 |
| Other Expenses | 31,289 | - | 31,289 | - |
| Depreciation | <u>47,791</u> | <u>38,045</u> | <u>9,746</u> | <u>-</u> |
| Total General Expenses | <u>\$ 419,387</u> | <u>\$ 220,598</u> | <u>\$ 195,749</u> | <u>\$ 3,040</u> |
| Total Functional Expenses | <u>\$ 3,495,846</u> | <u>\$ 3,060,340</u> | <u>\$ 385,232</u> | <u>\$ 50,274</u> |

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF AVERAGE COST PER STUDENT
FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Total Cost</u> | <u>Average Cost Per Student</u> |
|----------------------------|---------------------|-------------------------------------|
| Instructional | \$ 3,060,340 | \$ 14,574 |
| General and Administrative | 385,232 | 1,834 |
| Fundraising | <u>50,274</u> | <u>239</u> |
| Total | <u>\$ 3,495,846</u> | <u>\$ 16,647</u> |

The above is the average per student cost for the year ended June 30, 2015, and is based on a full time equivalent (FTE) enrollment of 210 students.

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

| <u>Federal Grantor/Pass Through Grantor Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantors Number</u> | <u>Program or Award Amount</u> | <u>Period of Award</u> | <u>Grant Receivable at 7/1/14</u> | <u>Refundable Advance at 7/1/14</u> | <u>Current Year Activity</u> | | <u>Grant Receivable at 6/30/15</u> | <u>Refundable Advance at 6/30/15</u> |
|---|----------------------------|-------------------------------------|--------------------------------|------------------------|-----------------------------------|-------------------------------------|------------------------------|-----------------------------------|------------------------------------|--------------------------------------|
| | | | | | | | <u>Receipts</u> | <u>Disbursements Expenditures</u> | | |
| <u>U.S. Department of Education:</u> | | | | | | | | | | |
| Passed Through the District of Columbia Government: | | | | | | | | | | |
| Title I, Part A, Grants to Local Education Agencies | 84.010A | 52010A | \$ 75,300 | 07/01/14 to 09/30/16 | \$ - | \$ - | \$ 60,815 | \$ 71,315 | \$ 10,500 | \$ - |
| Title I, Part A, Grants to Local Education Agencies | 84.010A | 42010A | \$ 4,456 | 07/01/13 to 09/30/15 | - | - | 4,456 | 4,456 | - | - |
| Title II, Part A, Preparing, Training and Recruiting High Quality Teachers and Principals | 84.367A | 52367A | \$ 22,621 | 07/01/14 to 09/30/16 | - | - | 22,621 | 22,621 | - | - |
| Title II, Part A, Preparing, Training and Recruiting High Quality Teachers and Principals | 84.367A | 42367A | \$ 383 | 07/01/13 to 09/30/15 | - | - | 383 | 383 | - | - |
| Special Education - Idea 611, Grants to Local Education Agencies | 84.027A | 52027A | \$ 27,538 | 07/01/14 to 09/30/16 | - | - | 27,538 | 27,538 | - | - |
| Subtotal Passed through District of Columbia Government | | | | | \$ - | \$ - | \$ 115,813 | \$ 126,313 | \$ 10,500 | \$ - |
| Passed Through Bridges Public Charter School: | | | | | | | | | | |
| Title III, English Language Acquisition Grants | 84.365A | N/A | \$ 2,087 | 07/01/14 to 09/30/16 | \$ - | \$ - | \$ - | \$ 2,087 | \$ 2,087 | \$ - |
| Passed Through E.W. Stokes Public Charter School: | | | | | | | | | | |
| Scholarship for Opportunity and Results Act (SOAR) | 84.370C | N/A | \$ 75,000 | 02/21/14 to 02/20/15 | \$ 25,094 | \$ - | \$ 49,906 | \$ 49,906 | \$ 25,094 | \$ - |
| Passed Through Mundo Verde Public Charter School: | | | | | | | | | | |
| Scholarship for Opportunity and Results Act (SOAR) | 84.370C | N/A | \$ 75,000 | 02/21/14 to 02/20/15 | \$ - | \$ - | \$ 75,000 | \$ 75,000 | \$ - | \$ - |
| Passed Through Latin American Montessori Bilingual Public Charter School: | | | | | | | | | | |
| Scholarship for Opportunity and Results Act (SOAR) | 84.370C | N/A | \$ 75,000 | 02/21/14 to 02/20/15 | \$ 1,581 | \$ - | \$ 73,380 | \$ 71,799 | \$ - | \$ - |
| Passed Through Washington Yu Ying Public Charter School: | | | | | | | | | | |
| Scholarship for Opportunity and Results Act (SOAR) | 84.370C | N/A | \$ 75,000 | 02/21/15 to 02/20/16 | \$ 15,345 | \$ - | \$ 62,168 | \$ 46,823 | \$ - | \$ - |
| Scholarship for Opportunity and Results Act (SOAR) | 84.370C | N/A | \$ 525,000 | 02/21/14 to 02/20/15 | 35,408 | - | 121,658 | 148,296 | 62,046 | - |
| Subtotal Passed through Washington Yu Ying Public Charter School: | | | | | \$ 50,753 | \$ - | \$ 183,826 | \$ 195,119 | \$ 62,046 | \$ - |
| Total U.S. Department of Education | | | | | \$ 77,428 | \$ - | \$ 497,925 | \$ 520,224 | \$ 99,727 | \$ - |

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

| <u>Federal Grantor/Pass Through Grantor Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantors Number</u> | <u>Program or Award Amount</u> | <u>Period of Award</u> | <u>Grant Receivable at 7/1/14</u> | <u>Refundable Advance at 7/1/14</u> | <u>Current Year Activity</u> | | <u>Grant Receivable at 6/30/15</u> | <u>Refundable Advance at 6/30/15</u> |
|---|----------------------------|-------------------------------------|--------------------------------|------------------------|-----------------------------------|-------------------------------------|------------------------------|----------------------|------------------------------------|--------------------------------------|
| | | | | | | | <u>Receipts</u> | <u>Disbursements</u> | | |
| | | | | | | | | <u>Expenditures</u> | | |
| <u>U.S. Department of Agriculture:</u> | | | | | | | | | | |
| Passed Through the District of Columbia: | | | | | | | | | | |
| National School Lunch Program | 10.555 | N/A | N/A | 07/01/14 to 06/30/15 | \$ | \$ - | \$ 35,717 | \$ 42,816 | \$ 7,099 | \$ - |
| School Breakfast Program | 10.553 | N/A | N/A | 07/01/14 to 06/30/15 | - | - | 6,177 | 7,549 | 1,372 | - |
| Total U.S. Department of Agriculture | | | | | \$ - | - | \$ 41,894 | \$ 50,365 | \$ 8,471 | \$ - |
| TOTAL FEDERAL AWARDS | | | | | \$ 77,428 | \$ - | \$ 539,819 | \$ 570,589 | \$ 108,198 | \$ - |

Summary by CFDA

| <u>Program</u> | <u>CFDA Number</u> | <u>Amount of Expenditures</u> |
|---|--------------------|-------------------------------|
| Title I, Part A, Grants to Local Education Agencies | 84.010A | \$ 75,771 |
| Title II, Part A, Preparing, Training and Recruiting High Quality Teachers and Principals | 84.367A | 23,004 |
| Title III, English Language Acquisition Grants | 84.365A | 2,087 |
| Special Education - Idea 611, Grants to Local Education Agencies | 84.027A | 27,538 |
| Scholarship for Opportunity and Results Act (SOAR) | 84.370C | 391,824 |
| National School Lunch Program | 10.555 | 42,816 |
| School Breakfast Program | 10.553 | 7,549 |
| Total Federal Awards | | \$ 570,589 |

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 - Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

Note 2 - Major Program Selection:

The major Federal Award Program selected for testing is as follows:

U.S. Department of Education

Scholarship for Opportunity and Results Act (SOAR)

The requirements of Office of Management and Budget Circular A-133 requires all major programs as determined by the auditor on a risk-based approach and/or at least 50% (25% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For the District of Columbia International School the program subject to these requirements is as listed above. The total expenditures of this program represent 68.67% of the total federal expenditures.

| <u>Programs</u> | <u>CFDA #</u> | <u>Amount of Expenditures</u> |
|---|---------------|-------------------------------|
| Title I, Part A, Grants to Local Educational Agencies | 84.010A | \$ 75,771 |
| Title III, English Language Acquisition Grants | 84.365A | 2,087 |
| Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals | 84.367A | 23,004 |
| Special Education - IDEA 611, Grants to Local Education Agencies | 84.027A | 27,538 |
| Scholarship for Opportunity and Results Act (SOAR) | 84.370C | 391,824* |
| School Breakfast Program | 10.553 | 7,549 |
| National School Lunch Program | 10.555 | <u>42,816</u> |
| Total Federal Awards | | <u>\$ 570,589</u> |

* Denotes Major Program

Note 3 - Major Program Disclosure:

Scholarship for Opportunity and Results Act (SOAR)

To provide low-income parents residing in the District of Columbia (District) with expanded options for the education of their children. This program is part of a broader school improvement effort in the District.

Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Trustees
District of Columbia International School
3220 16th Street NW
Washington, DC 20010

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*

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 the District of Columbia International School (a nonprofit organization), 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 November 23, 2015.

Internal Control Over Financial Reporting

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

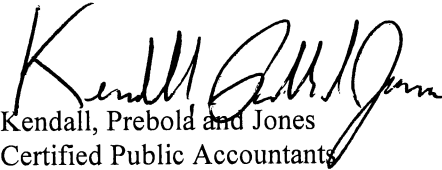
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 District of Columbia International 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 entity'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.



Kendall, Prebold and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 23, 2015

Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Trustees
District of Columbia International School
3220 16th Street NW
Washington, DC 20010

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited the District of Columbia International School's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District of Columbia International School's major federal programs for the year ended June 30, 2015. The District of Columbia International School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and in the notes to the Schedule of Expenditures of Federal Awards.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District of Columbia International School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District of Columbia International School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District of Columbia International School's compliance.

Opinion on Each Major Federal Award Program

In our opinion, the District of Columbia International School, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.


Report on Internal Control Over Compliance

Management of the District of Columbia International School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the District of Columbia International School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District of Columbia International School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 23, 2015

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

There were no findings reported in the prior year.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on the financial statements of the District of Columbia International School.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the District of Columbia International School were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award program have been reported.
- e. The Auditor's report on compliance for the major federal award program for the District of Columbia International School expresses an unmodified opinion.
- f. There are no audit findings that are required to be reported in accordance with section 510 (a) of OMB Circular A-133 in the Schedule of Findings and Questioned Costs.
- g. The major program of the District of Columbia International School was as follows:

| <u>Program</u> | <u>CFDA #</u> |
|--|---------------|
| Scholarship for Opportunity and Results Act (SOAR) | 84.370C |

- h. The dollar threshold utilized to determine Type A programs was \$300,000.
- i. The District of Columbia International School did not qualify as a low-risk auditee.

II. Findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards

None

III. Findings relating to federal awards, which are required to be reported in accordance with OMB Circular A-133

None