

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

With Reports of Independent Auditors

For the Years Ended June 30, 2015 and 2014



Walker & Co., LLP
Assurance, Business and Advisory Services

IDEAL ACADEMY PUBLIC CHARTER SCHOOL

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Walker & Co., LLP
Assurance, Business and Advisory Services

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Ideal Academy Public Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Ideal Academy Public Charter School which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Ideal Academy Public Charter School and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note 14 to the financial statements, the 2014 financial statements have been restated to correct an overpayment of bond interest. Our opinion is not modified with respect to those matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses on page 16 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 30, 2015 on our consideration of Ideal Academy 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 Ideal Academy Public Charter School's internal control over financial reporting and compliance.

Wachter & Co., LLP

Washington, D.C.
November 30, 2015

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2015	Restated 2014
ASSETS		
Current Assets		
Cash	\$ 64,087	\$ 80,079
Cash held for debt reserve	171,804	190,293
Accounts receivable	56,786	23,592
Grants receivable	18,271	72,746
Pledges receivable	-	6,000
Prepaid expenses and other current assets	1,700	7,793
Total current assets	312,648	380,503
Security deposit	5,460	5,460
Long term pledges receivable, net	-	3,825
Property and equipment, net	12,320,626	12,709,708
Total Assets	\$ 12,638,734	\$ 13,099,496
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 144,745	\$ 61,628
Accrued expenses	120,452	283,976
Deferred revenue	-	147,917
Lease liability, current portion	7,125	5,733
Accrued rent and utilities	116,312	116,312
Bonds and note payable, current portion	435,375	516,791
Total current liabilities	824,009	1,132,357
Lease liability, net of current portion	7,242	14,367
Bonds and note payable, net of current portion	10,083,461	10,566,237
Total liabilities	10,914,712	11,712,961
Net Assets		
Unrestricted	1,724,022	1,386,535
Total Liabilities and Net Assets	\$ 12,638,734	\$ 13,099,496

See notes to financial statements.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year ended June 30,	
	2015	Restated 2014
REVENUE AND SUPPORT		
Revenue		
Per pupil allotments	\$ 4,893,308	\$ 4,363,548
Program income	60,678	54,614
Other income	7,021	11,389
Total revenue	4,961,007	4,429,551
Support		
Federal grants	477,920	405,526
Donated services	22,323	105,149
Fundraising and other contributions	5,281	5,732
Total support	505,524	516,407
Total Revenue and Support	5,466,531	4,945,958
EXPENSES		
Program services	4,431,309	3,890,699
Supporting services		
General and administration	681,117	945,179
Fundraising	16,618	11,856
Total supporting services	697,735	957,035
Total Expenses	5,129,044	4,847,734
Change in Net Assets	337,487	98,224
NET ASSETS, Beginning of Year, as restated	1,386,535	1,288,311
NET ASSETS, End of Year	\$ 1,724,022	\$ 1,386,535

See notes to financial statements.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2015	Restated 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 337,487	\$ 98,224
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	452,493	444,302
Bad debt expense	71,122	6,000
Change in accounts receivable	(104,316)	59,794
Change in grants receivable	49,143	74,351
Change in prepaid expenses and other current assets	6,093	1,205
Change in accounts payable	83,117	14,853
Change in accrued expenses	(163,524)	28,896
Change in deferred revenue	(147,917)	16,967
Net Cash Provided by Operating Activities	583,698	744,592
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(48,254)	(232,158)
NET CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on lease liabilities	(5,733)	(4,614)
Payments on bonds and note payable	(564,192)	(324,159)
Net Cash Used in Financing Activities	(569,925)	(328,773)
Change in cash	(34,481)	183,661
CASH, Beginning of Year	270,372	86,711
CASH, End of Year	\$ 235,891	\$ 270,372
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 348,159	\$ 423,424

See notes to financial statements.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS

Ideal Academy Public Charter School (Ideal Academy or the School), a District of Columbia (District or DC) not-for-profit entity, was organized in 1999 to provide disadvantaged and at-risk students with a learning environment where they develop and maximize their cognitive, cultural and civic skills, becoming competent contributors to a global society.

Ideal Academy served 297 students in fiscal 2015. Its activities are primarily funded through local appropriations from the District Government and grants from federal agencies.

Academics

Ideal Academy's mission is to ensure that students achieve their maximum potential through a balanced program which emphasizes academic excellence in conjunction with both mental and physical wellness. Ideal's goal is to empower students to excel academically and achieve maximum self-reliance and personal fulfillment. This is accomplished by engaging students in dynamic learning experiences based on proven educational methods, incorporating strong community and parental involvement. There is a collaborative effort to create a safe and caring learning environment that nurtures and empowers students, their parents and the teaching staff. The current program supports pre-school through eighth grade students.

Before/Aftercare

The philosophy of the Before/Aftercare program is to provide an extension of the excellence in education standard at Ideal. Ideal Academy provides a safe, caring and fun learning environment while encouraging students' social, physical and academic development. The Before/Aftercare program offers supervision and care to all students whose parents desire participation, for a weekly or daily fee. Daily breakfast is served for Before-care and snacks are served for After-care.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies utilized in the preparation of the financial statement as follows:

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting

Ideal Academy prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP). In accordance with GAAP, revenues, gains and losses are recognized when earned and expenses and related liabilities are recorded when the obligations are incurred. Revenue from reimbursable government grants is recognized as related expenses are incurred.

Basis of presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958-205-05, *Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASC No.958-205-05, Ideal Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based upon the existence or absence of donor imposed restrictions. Ideal Academy does not have temporarily or permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, gains, expenses and losses during the reporting period. The most significant estimates in these financial statements are pledges receivable, accrued payroll, and other expenses and deferred liabilities. Actual results could differ from those estimates.

Fair value of financial instruments

FASB ASC No. 825-10-50, *Disclosures of Fair Value of Financial Instruments*, requires Ideal Academy to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions for Ideal Academy's financial instruments results in the carrying amounts of cash, grants receivable, other current assets, accounts payable, accrued expenses, deferred revenue and current portion of notes payable approximating fair value because of the relatively short maturity of those instruments.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash includes amounts on hand and amounts held at financial institutions. Ideal Academy maintains its cash balances in federally insured financial institutions.

Grants receivable

Grants receivable are stated at net realizable value. On a periodic basis, management evaluates its receivable balances and establishes an allowance for doubtful accounts based on management's analysis of possible bad debts. It is Ideal Academy's policy to write off uncollectible grants receivable when management determines that such balances will not be collected.

Pledges receivable

Ideal Academy received pledges from various board members payable in future periods. The net change in total pledges is recorded as a net increase (decrease) in the statements of activities and changes in net assets. The present value of the future payments, discounted at a rate of 2.54% (the average five year Treasury rate), was recorded as revenue with the unpaid portion recorded as receivable.

Property and equipment

Property and equipment valued in excess of \$1,000 are capitalized and recorded at cost, if purchased, or estimated fair value at the date of gift, if donated. Depreciation expense is recorded using the straight-line method over the following estimated economic lives of:

- Building and building components 10-40 years
- Equipment 3-7 years

Repairs, maintenance and minor replacements are expensed as incurred while major replacements and/or improvements that extend the useful lives of assets are capitalized.

Accrued expenses

Accrued expenses include accrued payroll and other expenses. These expenses were incurred but not paid as of the date of the financial statements.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue

Ideal Academy receives money in advance every fiscal quarter as well as for its summer school programs. Funds received prior to each fiscal year end are recorded as deferred liabilities and recognized as revenue in the subsequent periods as related costs are incurred.

Bonds and notes payable

Bond and notes payable represent long-term obligations based on formal written agreements and specific interest rates. Those obligations require equal monthly payments, consisting of the interest and principal. Principal payments are recorded as reductions to the bonds payable balance, while interest payments are recorded as expense in the statements of activities and changes in net assets. The portion of the total principal scheduled to be paid within one year is classified as a current liability.

Net asset categories

Unrestricted net assets are assets not subject to donor-imposed stipulations. Included are expendable resources used to support Ideal Academy's core programs. Donor-restricted contributions that are received and expended in the same year are classified as unrestricted. All expenses are recorded as reductions to unrestricted net assets.

Temporarily restricted net assets are assets subject to donor-imposed stipulations that may or will be met, either by actions of Ideal Academy and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. The School did not have temporarily restricted net assets at June 30, 2015 and 2014.

Grants and contributions

Grants and contributions are recorded when awarded or pledged and are classified as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted grants and contributions on which restrictions are fulfilled in the same period are recorded as unrestricted support in the statements of activities and changes in net assets. Revenues from federal grants are recognized when direct costs associated with the sponsored program are incurred.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated goods and services

As required by FASB ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*, donated goods and services include materials and assistance which creates or enhances non-financial assets or requires specialized skills provided by individuals possessing those skills.

Those skills would typically need to be purchased if not provided by donation, and are recorded by Ideal Academy at fair value as revenue with corresponding expense the period such services are delivered.

Allocation of functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program and supporting services benefited. General and administrative expenses include supporting expenses not directly identifiable with any other specific function but provide for the overall support and direction of Ideal Academy.

Reclassification

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

NOTE 3 INCOME TAXES

Ideal Academy is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code (Code) and is classified as other than a private foundation within the meaning of Section 509(a)(1) of the Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

NOTE 4 UNCERTAIN TAX POSITION

Ideal Academy has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial position, statement of activities, or cash flows. Ideal Academy's tax returns for the year ended June 30, 2015, and the prior three years are subject to examination by federal, state and local taxing authorities, generally up to three years after they are filed.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5 GRANTS RECEIVABLE

The grants receivable balance represents amounts due from the District government. At June 30, 2015 and 2014, grants receivable balances totaled \$18,271 and \$72,746, respectively. Ideal Academy has not recorded an allowance for doubtful accounts based on management's determination that those amounts are fully collectible.

NOTE 6 PLEDGES RECEIVABLE

Ideal Academy received pledges totaling \$24,000 from various donors payable over a five year period. In fiscal 2015, the School wrote off the balance on these pledges along with the discount and recorded bad debts of \$24,000 and recognized revenue totaling \$14,175.

Pledges receivable balance at June 30, 2014 was \$9,825, reported net of discount of \$2,175 and an allowance for uncollectibility of \$12,000.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 14,001,153	\$ 14,001,153
Land	858,280	858,280
Equipment	525,217	1,196,465
Textbooks	-	108,870
Furniture and fixtures	81,880	135,046
Vehicles	70,119	70,119
	<u>15,536,649</u>	<u>16,369,933</u>
Less: Accumulated depreciation	<u>(3,216,024)</u>	<u>(3,660,225)</u>
Property and equipment, net	<u>\$ 12,320,625</u>	<u>\$ 12,709,708</u>

Depreciation and amortization expense for the fiscal years ended June 30, 2015 and 2014, was \$452,493 and \$444,302, respectively. Ideal removed fully depreciated furniture, equipment and textbooks that the School no longer has totaling \$895,000 during fiscal 2015.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 8 ACCRUED EXPENSES

Accrued expenses totaled \$122,452 and \$255,080 at June 30, 2015 and 2014, respectively. The expenses include amounts for accrued salaries totaling \$122,452 and \$155, 946.

NOTE 9 LEASES

Ideal Academy leases several copiers under a five-year capital lease agreement and is obligated to make monthly payments of \$799. The equipment is capitalized at fair market value and amortized over the term of the lease. The leases expire in 2017.

An analysis of the leased assets included in property and equipment at June 30, 2014 is as follows:

Equipment under capital lease	\$ 29,500
Less: Accumulated amortization	<u>(17,700)</u>
Equipment under capital lease, net	<u>\$ 11,800</u>

Interest expense on the capital lease totaled \$3,853 and \$4,975 for the fiscal years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments are as follows for the years ending June 30:

2016	\$ 9,588
2017	<u>8,789</u>
Total minimum lease payments	18,377
Less: amount representing interest	<u>(4,010)</u>
Present value of minimum lease payments	14,367
Less: current portion	<u>(7,125)</u>
Capital lease obligation, net of current portion	<u>\$ 7,242</u>

NOTE 10 CONCENTRATIONS OF RISK

Revenue

Ideal Academy receives approximately 99% of its annual revenue from the District under a 15-year charter agreement with the District of Columbia Public Charter School Board (D.C Charter School Board). Reduction of this source of support would have a significant negative impact on Ideal Academy's programs and activities.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 10 CONCENTRATIONS OF RISK (Continued)

The D.C Charter School Board reviews Ideal Academy once every five years, on the charter or renewal date. The review is to determine whether the charter should be revoked for material violations of laws and the terms of its charter agreement or if Ideal Academy fails to meet the stipulated goals and student academic achievement expectations.

Cash

Ideal Academy has concentrated its credit risk for cash by maintaining deposits in banks that at times exceed the federally insured limit of \$250,000. The School had no balances in excess of the insured limit at June 30, 2015 and 2014.

NOTE 11 RETIREMENT PLAN

All full-time employees who are twenty-one years and older and are employed for more than thirty days are eligible to participate in a deferred retirement plan (the Plan). The Plan is a tax-deferred annuity plan under Section 403(b) of the Code and is administered by a retirement planning company. During fiscal years 2015 and 2014, Ideal Academy was not required to make and did not make any contributions to the Plan.

NOTE 12 DONATED GOODS AND SERVICES

The fair value of donated goods and services is recorded as support with an offsetting expense in the accompanying statements of activities and changes in net assets in accordance with FASB ASC No. 958-605-25. Donated services totaling \$22,323 and \$105,149 at June 30, 2015 and 2014, respectively were received for student training.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 13 DEBT OBLIGATIONS

Debt obligations consisted of the following at June 30:

	2015	2014
<p>Series 2007 revenue bonds; original principal amount totaling \$10,600,000 issued by the District of Columbia on January 22, 2008, proceeds loaned by a financial institution to Ideal Academy to purchase a building; Repayment on the loan was interest-only for the first year. The required monthly payments of \$57,067 commenced on January 1, 2009. During Fiscal 2014 the monthly payments were reduced to \$52,320. Loan matures in December 2031 and is secured by a mortgage lien on the building. The effective interest rate was reduced from 4.13% to 3.206%.</p>	\$ 8,727,524	\$ 9,108,028
<p>District of Columbia, through its Office of Public Charter School Financing and Support (OPCSFS) loaned \$2,000,000 to finance Ideal Academy purchase of its building; loan was modified in January 2013; Payments due in quarterly interest-only payments for the first year, and thereafter, in quarterly principal and interest payments until maturity in January 2018; loan amortized over 10 years; payment of the entire unpaid principal and interest due upon maturity. Obligation is secured by second lien on Ideal Academy's building. The effective interest rate was 4.00%</p>	1,791,312	2,000,000
Total debt obligations	10,518,836	11,108,028
Less: current maturities	(435,375)	(541,791)
Debt obligations, net of current portion	\$ 10,083,461	\$ 10,566,237

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 13 DEBT OBLIGATIONS (Continued)

Interest on debt obligations totaled \$324,306 and \$443,449 for the fiscal years ended June 30, 2015 and 2014, respectively.

The School is subject to compliance with certain covenants including a minimum debt service coverage ratio of 1.2 to 1. At June 30, 2015, the School was in compliance with that covenant related to its D.C revenue bonds. Ideal is also in violation of other covenants related to its loan from OPCFS including minimum debt service coverage ratio as defined in the loan agreement and minimum net asset value, liquidity ratio and balance sheet leverage. The School is seeking but has not yet received waivers for non-compliance with these covenants.

Ideal is also required to make monthly deposits of \$14,600 into a reserve account until the loan matures. This cash will be used upon request by Ideal to make required prepayments of the loan. However, the School has to promptly replenish the cash in the reserve account. At June 30, 2015, the School did not have the required funds in the reserve account but has subsequently cured this default.

Future maturities of debt obligations are as follows as of June 30:

2016	\$	522,178
2017		542,209
2018		561,218
2019		580,802
2020		600,821
Thereafter		<u>7,711,608</u>
Total	\$	<u><u>10,518,836</u></u>

NOTE 14 RESTATEMENT

During fiscal year 2015, the holder of Ideal's D.C. Revenue Bond, credited the School through reduction of bond principal in the amount of \$69,740 for overpayment of bond interest in 2014 and 2015. In February, 2014, the annual bond interest rate was reduced to 3.206% from 4.13%. However, the School continued paying interest at the 4.13% interest rate until the bondholder notified it during 2015 of a \$69,740 reduction in principal to offset the interest overpayments.

Correction of the interest overpayments required reduction of interest expense and bond principal by \$25,000 in 2014 and an additional reduction of bond principal and recognition of other income of \$44,740 in 2015 to reflect the balance of principal reduction and recovery of the remaining interest overpayment.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 15 SUBSEQUENT EVENTS

In preparing these financial statements, Ideal Academy has evaluated events and transactions through November 30, 2015, the date the financial statements were available to be issued, for potential recognition or disclosure in the financial statements for the year ended June 30, 2015.

SUPPLEMENTAL INFORMATION

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES

For the Year ended June 30, 2015 with Comparative Totals for 2014, restated

	2015			Grand Total	2014 Total
	Academics	General and Administration	Fundraising		
Personnel, Salaries and Benefits					
Salaries	\$ 2,440,958	\$ 332,859	\$ -	\$ 2,773,817	\$ 2,534,284
Employee benefits	168,653	22,998	-	191,651	143,427
Payroll taxes	186,733	24,856	-	211,589	169,872
Professional development	40,740	5,556	-	46,296	43,763
Total personnel, salaries and benefits	<u>2,837,084</u>	<u>386,269</u>	<u>-</u>	<u>3,223,353</u>	<u>2,891,346</u>
Direct Student Costs					
Educational supplies and material	18,287	-	-	18,287	14,438
Food service	217,084	-	-	217,084	209,325
Student assessment materials	17,051	-	-	17,051	34,415
Donated materials and professional services	22,323	-	-	22,323	105,149
Contracted instructional	90,521	-	-	90,521	70,365
Transportation	126,098	-	-	126,098	67,507
Total direct student costs	<u>491,364</u>	<u>-</u>	<u>-</u>	<u>491,364</u>	<u>501,199</u>
Occupancy Expenses					
Mortgage interest	285,389	38,917	-	324,306	443,449
Depreciation - facilities	398,194	-	-	398,194	311,012
Maintenance and repairs	22,630	3,086	-	25,716	37,844
Utilities	139,462	19,018	-	158,480	163,835
Building supplies/materials	15,994	2,181	-	18,175	9,836
Contracted building services	31,148	4,248	-	35,396	18,468
Total occupancy expenses	<u>892,817</u>	<u>67,450</u>	<u>-</u>	<u>960,267</u>	<u>984,444</u>
Office Expenses					
Office supplies and materials	10,941	1,493	-	12,434	23,231
Office equipment rental and maintenance	26,187	3,571	-	29,758	34,443
Professional fees	40,183	5,480	-	45,663	46,839
Printing, copying, postage & shipping	9,478	1,292	-	10,770	3,901
Computer and related services	-	12,676	-	12,676	3,874
Other office expense	-	18,383	-	18,383	23,562
Total office expenses	<u>86,789</u>	<u>42,895</u>	<u>-</u>	<u>129,684</u>	<u>135,850</u>
General Expenses					
Insurance	65,821	8,976	-	74,797	76,244
Food service/catering	-	11,500	-	11,500	11,500
Interest expense	-	3,853	-	3,853	4,975
Administration fee	54,234	-	-	54,234	25,584
Depreciation and amortization	-	54,299	-	54,299	133,290
Fees and licenses	3,200	-	-	3,200	75
Bad debts	-	71,122	-	71,122	-
Other general expense	-	34,753	16,618	51,371	83,227
Total general expenses	<u>123,255</u>	<u>184,503</u>	<u>16,618</u>	<u>324,376</u>	<u>334,895</u>
Total Expense	<u>\$ 4,431,309</u>	<u>\$ 681,117</u>	<u>\$ 16,618</u>	<u>\$ 5,129,044</u>	<u>\$ 4,847,734</u>

See notes to financial statements.

GOVERNMENT REPORT



Walker & Co., LLP
Assurance, Business and Advisory Services

**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**

Independent Auditor's Report

Board of Trustees
Ideal Academy 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 Ideal Academy Public Charter School (Ideal Academy or 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 November 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ideal Academy Public Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ideal Academy Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Ideal Academy Public Charter School's internal control.

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Ideal Academy Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-1.

Ideal's Response to Finding

Ideal's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Ideal's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walker & Co., LLP

Washington, D.C.
November 30, 2015

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF CURRENT YEAR FINDINGS
Year Ended June 30, 2015

2015-1

Financial Statement Findings

Internal Control Over Financial Reporting

None noted

Compliance and Other Matters

Condition: A provision of the loan from the Office of Public Charter School Financing and Support (OPCSFS) requires that a cash reserve be maintained to ensure sufficient cash availability to enable the School to meet its monthly obligations under the loan agreement. Ideal had not set aside sufficient funds in the restricted cash account in compliance with the loan covenant. Additionally, the School was not in compliance with other various OPCSFS' loan agreement covenants.

Cause: The covenant requirements were not met during the 2015 audit of debt service capacity and other financial ratio requirements which revealed non-compliance with the loan cash reserve set aside requirement and financial capacity requirement of the loan.

Criteria: Based upon loan agreement, the borrower must deposit \$14,600 monthly into a cash reserve account to be available for repayment of the loan. The borrower four other financial ratios derived from its financial statements

Result: An event of default could be cited for non-compliance with the cash reserve covenant requirement.

Recommendation: The written financial policies of Ideal should include adherence to these loan covenant requirements including an annual statement by the Business manager that the cash reserve has been restricted in a separate account in an amount equal to \$175,200 and that the required financial ratios have been complied with.

Corrective action plan: Management will establish a policy to adhere to the cash reserve requirement with an annual statement of compliance conveyed by the Business Manager to the Board of Trustees. Management will also establish a plan to generate additional cash flow and increase the School's net assets by increasing enrollment and controlling costs to bring Ideal Academy into full compliance with loan agreement ratios.

Responsible Official

Zuella Evans, Business Manager

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2015

None Noted