

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL**

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

JUNE 30, 2015 AND 2014

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Independent Auditor's Report

To the Board of Directors of
Inspired Teaching Demonstration Public Charter School
Washington, DC

We have audited the accompanying financial statements of Inspired Teaching Demonstration Public Charter School ("the School"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Prior Period Financial Statements

The financial statements as of June 30, 2014, were audited by McQuade Brennan, LLP, who merged with Jones, Maresca & McQuade, P.A. as of February 1, 2015, and whose report dated October 20, 2014, expressed an unmodified opinion on those statements.

Jane Maresca & McQuade PA

Washington, DC
October 21, 2015

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,635,718	\$ 927,788
Grants receivable	11,897	287,096
Accounts receivable	39,399	4,222
Prepaid expenses	5,306	15,458
Total current assets	1,692,320	1,234,564
PROPERTY AND EQUIPMENT, NET	135,376	85,510
OTHER ASSETS		
Equity investment	405,152	375,152
Deposits	27,433	22,433
Total other assets	432,585	397,585
TOTAL ASSETS	\$ 2,260,281	\$ 1,717,659
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 62,042	\$ 108,797
Accrued salaries and expenses	34,941	110,630
Total liabilities	96,983	219,427
NET ASSETS		
Unrestricted	2,146,184	1,476,922
Temporarily restricted	17,114	21,310
Total net assets	2,163,298	1,498,232
TOTAL LIABILITIES AND NET ASSETS	\$ 2,260,281	\$ 1,717,659

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE, GAINS AND SUPPORT			
Per pupil appropriations	\$ 4,216,374	\$ -	\$ 4,216,374
Per pupil facility allowance	973,824	-	973,824
Federal entitlements and grants	118,184	-	118,184
Other grants and contributions	93,021	-	93,021
Donated services and materials	121,984	-	121,984
Gain on equity investment	30,000	-	30,000
Interest	1,106	-	1,106
Program service fees	29,198	-	29,198
Net assets released from restrictions	4,196	(4,196)	-
Total revenue, gains and support	<u>5,587,887</u>	<u>(4,196)</u>	<u>5,583,691</u>
EXPENSES			
Program - educational services	4,240,311	-	4,240,311
General and administrative services	664,810	-	664,810
Fundraising	13,504	-	13,504
Total expenses	<u>4,918,625</u>	<u>-</u>	<u>4,918,625</u>
CHANGE IN NET ASSETS	669,262	(4,196)	665,066
NET ASSETS, beginning of year	<u>1,476,922</u>	<u>21,310</u>	<u>1,498,232</u>
NET ASSETS, end of year	<u><u>\$ 2,146,184</u></u>	<u><u>\$ 17,114</u></u>	<u><u>\$ 2,163,298</u></u>

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 3,329,568	\$ -	\$ 3,329,568
Per pupil facility allowance	804,000	-	804,000
Federal entitlements and grants	417,564	-	417,564
Other grants and contributions	123,838	20,000	143,838
Donated services and materials	38,458	-	38,458
Interest	728	-	728
Program service fees	22,213	-	22,213
Other revenue	54	-	54
Net assets released from restrictions	3,490	(3,490)	-
Total revenue and support	<u>4,739,913</u>	<u>16,510</u>	<u>4,756,423</u>
EXPENSES			
Program - educational services	3,628,864	-	3,628,864
General and administrative services	425,475	-	425,475
Fundraising	21,681	-	21,681
Total expenses	<u>4,076,020</u>	<u>-</u>	<u>4,076,020</u>
CHANGE IN NET ASSETS	663,893	16,510	680,403
NET ASSETS, beginning of year	<u>813,029</u>	<u>4,800</u>	<u>817,829</u>
NET ASSETS, end of year	<u><u>\$ 1,476,922</u></u>	<u><u>\$ 21,310</u></u>	<u><u>\$ 1,498,232</u></u>

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Program - Educational Services</u>	<u>General and Administrative Services</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Costs				
Salaries	\$ 2,012,023	\$ 232,450	\$ -	\$ 2,244,473
Employee benefits	125,533	14,503	-	140,036
Payroll taxes	161,070	18,609	-	179,679
Professional development	29,636	-	-	29,636
Other staff-related expense	36,307	1,290	-	37,597
Total Personnel Costs	<u>2,364,569</u>	<u>266,852</u>	<u>-</u>	<u>2,631,421</u>
Direct Student Costs				
Supplies, materials, snacks	36,612	-	-	36,612
Contracted instruction fees	479,867	-	-	479,867
Textbooks	32,236	-	-	32,236
Student food service program	60,594	-	-	60,594
Fieldwork and other transportation	13,210	-	-	13,210
Other student costs	3,012	-	-	3,012
Total Direct Student Costs	<u>625,531</u>	<u>-</u>	<u>-</u>	<u>625,531</u>
Occupancy Expense				
Rent	999,910	20,406	-	1,020,316
Maintenance and repairs	80	-	-	80
Utilities and garbage removal	14,947	244	-	15,191
Janitorial supplies	134	2	-	136
Total Occupancy Expense	<u>1,015,071</u>	<u>20,652</u>	<u>-</u>	<u>1,035,723</u>
Office Expense				
Office supplies	15,140	1,750	-	16,890
Computer and related	28,476	3,290	-	31,766
Equipment rental	13,409	1,550	-	14,959
Telecommunication	12,286	1,419	-	13,705
Printing and publications	1,583	183	-	1,766
Postage and shipping	1,847	215	-	2,062
Total Office Expense	<u>72,741</u>	<u>8,407</u>	<u>-</u>	<u>81,148</u>
General Expense				
Insurance	15,737	1,818	-	17,555
Authorizer fees	-	52,898	-	52,898
Depreciation	57,214	3,007	-	60,221
Professional fees	86,948	60,956	-	147,904
Fees and licenses	2,500	203,405	-	205,905
Donated legal services	-	46,815	-	46,815
Fundraiser expenses	-	-	9,648	9,648
Bad debt pledges	-	-	3,856	3,856
Total General Expense	<u>162,399</u>	<u>368,899</u>	<u>13,504</u>	<u>544,802</u>
TOTAL EXPENSES	<u>\$ 4,240,311</u>	<u>\$ 664,810</u>	<u>\$ 13,504</u>	<u>\$ 4,918,625</u>

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	Program - Educational Services	General and Administrative Services	Fundraising	Total
Personnel Costs				
Salaries	\$ 1,770,673	\$ 203,150	\$ -	\$ 1,973,823
Employee benefits	88,873	10,442	-	99,315
Payroll taxes	139,305	16,368	-	155,673
Professional development	150,309	-	-	150,309
Other staff-related expense	7,512	665	-	8,177
Total Personnel Costs	<u>2,156,672</u>	<u>230,625</u>	<u>-</u>	<u>2,387,297</u>
Direct student costs				
Supplies, materials, snacks	39,430	-	-	39,430
Contracted instruction fees	225,071	-	-	225,071
Textbooks	17,498	-	-	17,498
Student assessments	2,015	-	-	2,015
Student food service program	71,945	-	-	71,945
Fieldwork and other transportation	3,198	-	-	3,198
Other student costs	12,244	-	-	12,244
Total Direct Student Costs	<u>371,401</u>	<u>-</u>	<u>-</u>	<u>371,401</u>
Occupancy Expense				
Rent	548,944	8,960	-	557,904
Maintenance and repairs	2,437	40	-	2,477
Utilities and garbage removal	120,848	1,973	-	122,821
Janitorial supplies	542	9	-	551
Contracted building services	58,351	952	-	59,303
Total Occupancy Expense	<u>731,122</u>	<u>11,934</u>	<u>-</u>	<u>743,056</u>
Office Expense				
Office supplies	14,091	1,656	-	15,747
Equipment rental	7,608	894	-	8,502
Telecommunication	11,330	1,331	-	12,661
Printing and publications	1,778	209	-	1,987
Postage and shipping	691	81	-	772
Computer and related	25,701	3,019	-	28,720
Total Office Expense	<u>61,199</u>	<u>7,190</u>	<u>-</u>	<u>68,389</u>
General Expense				
Insurance	15,572	1,830	-	17,402
Authorizer fees	-	23,948	-	23,948
Depreciation	233,793	6,268	-	240,061
Fees and licenses	4,733	6,639	21,681	33,053
Professional fees	7,078	98,050	-	105,128
Donated services/products	-	38,458	-	38,458
Other general expenses	47,294	533	-	47,827
Total General Expense	<u>308,470</u>	<u>175,726</u>	<u>21,681</u>	<u>505,877</u>
TOTAL EXPENSES	<u>\$ 3,628,864</u>	<u>\$ 425,475</u>	<u>\$ 21,681</u>	<u>\$ 4,076,020</u>

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 665,066	\$ 680,403
Adjustments to reconcile change in net assets to cash and cash equivalents provided by operating activities:		
Gain on equity investment	(30,000)	-
Depreciation	60,221	240,061
(Increase) decrease in assets:		
Grant receivable	275,199	(218,003)
Accounts receivable	(35,177)	2,047
Prepaid expenses	10,152	(11,189)
Deposits	(5,000)	-
Increase (decrease) in liabilities:		
Accounts payable	(46,755)	(307)
Accrued salaries and expenses	(75,689)	(16,992)
Net cash provided by operating activities	818,017	676,020
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity investment contributions	-	(375,152)
Purchase of property and equipment	(110,087)	(16,181)
Net cash used in investing activities	(110,087)	(391,333)
NET INCREASE IN CASH AND CASH EQUIVALENTS	707,930	284,687
CASH AND CASH EQUIVALENTS, beginning of year	927,788	643,101
CASH AND CASH EQUIVALENTS, end of year	\$ 1,635,718	\$ 927,788

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE A – ORGANIZATION AND NATURE OF BUSINESS

Organization

At the Inspired Teaching Demonstration Public Charter School (the “School”), a professional learning community of master teachers and teacher residents ensure that a diverse group of students achieve their potential as accomplished learners, thoughtful citizens, and imaginative and inquisitive problem solvers through a demanding, inquiry-based curriculum. The defining characteristic of the school is a professional learning community focused on a progressive, constructivist approach to teaching and learning based on the research on how the brain works and how children learn. The School is organized to meet two related, mutually reinforcing primary goals: to provide an excellent education for students, and to provide excellent teacher preparation and professional development for new teachers and teacher leaders.

The School implements the philosophy and instructional methodology of Center for Inspired Teaching. Center for Inspired Teaching is a District of Columbia based educational organization that has served DC’s teachers and students since 1995, with the goal of ensuring that teachers make the most of children’s innate desire to learn. The School is a leader in improving the way teachers are trained and students are educated in DC and beyond. As a demonstration school, the school invites and receives visitors from around the globe. Annually, the School welcomes dozens of visitors from the DC education community, as well as those influential in education policy nationwide.

Dominant methods of instruction include inquiry-based methods and active learning approaches, where the teacher serves as facilitator and coach to support student learning. Instruction includes an emphasis on social-emotional learning, and classrooms are characterized by student-centered organizational styles such as differentiated instruction, collaborative groups, and child-initiated play. The standards-based curriculum and student goals are centered on the 4 I’s: intellect, inquiry, imagination, and integrity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation

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

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time. For the year ended June 30, 2015 and 2014, temporarily restricted net assets totaled \$17,114 and \$21,310, respectively, for technology purposes.

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

Cash and Cash Equivalents

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

Grants and Accounts Receivable

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Equity Investment

The School owns 38% interest in Shaed School, LLC (the “LLC”). Shaed School, LLC, is a limited liability company formed in the District of Columbia during May 2014 for the purpose of providing leasing arrangements for the School’s facility.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The School capitalizes all expenditures for property and equipment over \$1,000. Depreciation is computed, using the straight line method, over the estimated useful lives of the assets, which ranges from 3 to 7 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Grants and Contributions

Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

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

Program Service Fees

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Donated Services and Material

Donated services and material are recognized at fair market value at the date of the donation.

Uses of Estimates

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

Functional Expenses

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

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to current year presentation. Such reclassification had no effect on the previously reported net assets or change in net assets.

NOTE C – INCOME TAXES

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

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

NOTE C – INCOME TAXES - continued

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

Shaed is a District of Columbia limited liability company which elected to be treated as a partnership for income tax reporting purposes and, therefore, is not subject to federal income tax.

NOTE D – PROPERTY AND EQUIPMENT

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

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 55,841	\$ 54,054
Computers	92,799	68,167
Website	4,500	4,500
Leasehold improvements	<u>83,669</u>	<u>411,837</u>
	236,809	538,558
Less accumulated depreciation	<u>(101,433)</u>	<u>(453,048)</u>
Property and equipment, net	<u>\$ 135,376</u>	<u>\$ 85,510</u>

Depreciation expense for the year ended June 30, 2015 and 2014 was \$60,221 and \$240,061 respectively.

NOTE E – LEASE COMMITMENTS

In July 2012, the School entered into a lease for space at a facility with an expiration date of July 31, 2014. Rent expense for facilities for the year ended June 30, 2014 was \$557,904. Prior to the expiration of the lease for facility space, the School entered into a lease agreement for new space beginning August 1, 2014. The lease is for a term of five years. Lease payments are determined on an annual basis and is calculated by the number of students enrolled on each census date beginning each October multiplied by the per pupil facilities allowance received from the District of

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

NOTE E – LEASE COMMITMENTS – continued

Columbia. Accordingly, the School cannot reasonably estimate its future minimum lease liability under the terms of the lease. Rent expense for this facility for year ended June 30, 2015, totaled \$1,020,316.

The School also has a lease on certain equipment. The equipment lease was signed in September 2011, and has an expiration date of December 2016. Rent expense for the equipment lease and services for the years ended June 30, 2015 and 2014 was \$14,959 and \$8,501, respectively. Future minimum lease payments for the equipment lease are \$5,556 and \$2,315, for the years ending June 30, 2016 and 2017, respectively.

NOTE F – INVESTMENT IN LIMITED LIABILITY COMPANY

As of May 2014, the School is a member of and has a 38% interest in Shaed School, LLC (the “LLC”). The purpose of Shaed School, LLC is to hold, renovate, remodel, rent, operate, manage, maintain, improve, repair, sell finance and refinance the property at 301 Douglas Street, NE, Washington, DC, where the School operates. At the formation of the LLC, on May 15, 2014, the School made an initial capital contribution of \$375,152. The School uses the Equity method to account for its investments. As of June 30, 2015, the School’s investment in the LLC totaled \$405,152.

NOTE G – RELATED PARTY TRANSACTIONS

As of May 2014, The School entered into a full service sublease agreement with Shaed School, LLC for the period August 1, 2014 through June 30, 2019. Per the agreement the LLC subleases a portion of the building at 301 Douglas Street, Washington, to the School and the School pays monthly rent to the LLC to cover rent, utilities, building engineering, maintenance and repairs, landscape maintenance and security monitoring. For the year ended June 30, 2015, rent paid to the LLC totaled \$978,608.

NOTE H – DONATED SERVICES AND MATERIALS

The School received \$72,884 of donated services and \$49,100 of donated goods for the year ended June 30, 2015. The School received \$31,268 of donated services and \$7,190 of donated goods for the year ended June 30, 2014. Contributions of services are recognized if the services received create or enhance non-financial 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. Contributions services and promises to give services that do not meet the above criteria are not recognized.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

NOTE I – PENSION PLAN

The Inspired Teaching School 403(b), (the “Plan”), was established for all employees who are at least 21 years of age. Eligible employees can become participants on the first day of the month following the completion of eligibility requirements but are not eligible for the employer match until they have completed one year of employment. Employees may make elective deferral from their eligible earnings, up to the amount allowed by the Internal Revenue Service. The School matches are discretionary. For the years ended June 30, 2015 and 2014, pension expense totaled \$15,579 and \$9,819, respectively.

NOTE J – CONCENTRATIONS

The School is supported primarily by local and federal appropriations and grants. For the years ended June 30, 2015 and 2014, 95% and 88%, respectively, of the total revenue was provided by one local government agency. Reduction of this source of support would have a significant impact on the School’s programs and activities. The geographical area of clients served is Ward 5 of the District of Columbia. As of June 30, 2015 and 2014, the School had cash that exceeded federally insured limits by approximately \$1,332,000 and \$635,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

NOTE K – AVERAGE COST PER STUDENT

For the years ended June 30, 2015 and 2014, the average cost per student was \$15,616 and \$15,209, respectively. This is calculated by dividing total noncapital expenditures by the School’s full-time student enrollment.

NOTE L – SUBSEQUENT EVENTS

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Inspired Teaching Demonstration Public Charter School
Washington, DC

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Inspired Teaching Demonstration Public Charter School, (a nonprofit organization), (the "School"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Jane Maruca & M^oQuade PA

Washington, DC
October 21, 2015