

BRIYA PUBLIC CHARTER SCHOOL

WASHINGTON, D.C.

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors
Briya Public Charter School
2333 Ontario Road NW
Washington, DC 20009

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Briya Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 audits 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

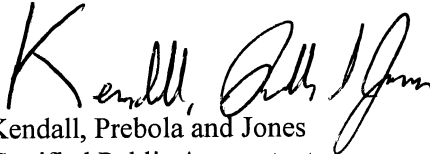
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Briya Public Charter School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are 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 December 20, 2017, on our consideration of the Briya 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 solely 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 Briya Public Charter School's internal control over financial reporting and compliance.


Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 20, 2017

BRIYA PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 7,040,283	\$ 2,620,018
Certificates of Deposit	4,410,792	4,356,093
Accounts Receivable	26,405	92,307
Grants Receivable	278,281	156,273
Promises Receivable	40,000	-
Prepaid Expenses	<u>308,410</u>	<u>190,132</u>
 Total Current Assets	 <u>\$ 12,104,171</u>	 <u>\$ 7,414,823</u>
<u>Fixed Assets:</u>		
Furniture, Equipment and Computers	\$ 1,073,014	\$ 790,211
Accumulated Depreciation - Furniture, Equipment and Computers	(562,989)	(431,553)
Leasehold Improvements	314,552	285,013
Accumulated Amortization - Leasehold Improvements	<u>(241,414)</u>	<u>(238,828)</u>
 Total Fixed Assets	 <u>\$ 583,163</u>	 <u>\$ 404,843</u>
<u>Capital Lease:</u>		
Leasehold - Georgia Avenue	\$ 2,056,499	\$ 2,056,499
Accumulated Amortization - Capital Lease	<u>(411,299)</u>	<u>(342,749)</u>
 Total Capital Leases	 <u>\$ 1,645,200</u>	 <u>\$ 1,713,750</u>
<u>Other Assets:</u>		
Deposits	\$ 359,754	\$ 384,595
Investment in Affiliate	<u>2,382,483</u>	<u>5,621,784</u>
 Total Other Assets	 <u>\$ 2,742,237</u>	 <u>\$ 6,006,379</u>
 TOTAL ASSETS	 <u>\$ 17,074,771</u>	 <u>\$ 15,539,795</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 260,302	\$ 201,236
Accrued Salaries and Expenses	343,656	276,599
Deposits Held for Others	-	759
Capital Lease - Current Portion	25,137	19,155
Deferred Revenue	<u>28,597</u>	<u>-</u>
 Total Current Liabilities	 <u>\$ 657,692</u>	 <u>\$ 497,749</u>
<u>Long-term Liabilities:</u>		
Capital Lease	\$ 1,573,591	\$ 1,596,552
Less: Current Portion	(25,137)	(19,155)
Deferred Rent	<u>218,680</u>	<u>-</u>
 Total Long-term Liabilities	 <u>\$ 1,767,134</u>	 <u>\$ 1,577,397</u>
 Total Liabilities	 <u>\$ 2,424,826</u>	 <u>\$ 2,075,146</u>
<u>Net Assets:</u>		
Unrestricted	\$ 14,607,945	\$ 13,462,649
Temporarily Restricted	<u>42,000</u>	<u>2,000</u>
 Total Net Assets	 <u>\$ 14,649,945</u>	 <u>\$ 13,464,649</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 17,074,771</u>	 <u>\$ 15,539,795</u>

(See Accompanying Notes and Auditor's Report)

BRIYA PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 6,147,770	\$ -	\$ 6,147,770	\$ 4,771,607	\$ -	\$ 4,771,607
Tuition - Per Pupil Facilities Allocation	2,011,856	-	2,011,856	1,552,628	-	1,552,628
Federal Entitlements and Grants	543,712	-	543,712	1,049,824	-	1,049,824
Donated Commodities	1,722	-	1,722	571	-	571
State Government Grants	246,798	-	246,798	302,501	-	302,501
Private Grants and Contributions	35,056	52,249	87,305	43,066	-	43,066
Student Fees	16,561	-	16,561	14,721	-	14,721
Donated Services, Facilities, Etc.	113,654	-	113,654	83,862	-	83,862
Interest	58,651	-	58,651	55,520	-	55,520
E-rate and Other Revenues	63,024	-	63,024	2,852	-	2,852
Loss on Disposal of Fixed Assets	(250)	-	(250)	-	-	-
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>12,249</u>	<u>(12,249)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 9,250,803</u>	<u>\$ 40,000</u>	<u>\$ 9,290,803</u>	<u>\$ 7,877,152</u>	<u>\$ -</u>	<u>\$ 7,877,152</u>
<u>Expenses:</u>						
Educational Services	\$ 7,237,526	\$ -	\$ 7,237,526	\$ 5,023,460	\$ -	\$ 5,023,460
Fundraising	30,504	-	30,504	27,412	-	27,412
General and Administrative	<u>837,477</u>	<u>-</u>	<u>837,477</u>	<u>798,549</u>	<u>-</u>	<u>798,549</u>
Total Expenses	<u>\$ 8,105,507</u>	<u>\$ -</u>	<u>\$ 8,105,507</u>	<u>\$ 5,849,421</u>	<u>\$ -</u>	<u>\$ 5,849,421</u>
Changes in Net Assets	\$ 1,145,296	\$ 40,000	\$ 1,185,296	\$ 2,027,731	\$ -	\$ 2,027,731
Net Assets, Beginning of Year	<u>13,462,649</u>	<u>2,000</u>	<u>13,464,649</u>	<u>11,434,918</u>	<u>2,000</u>	<u>11,436,918</u>
Net Assets, End of Year	<u>\$ 14,607,945</u>	<u>\$ 42,000</u>	<u>\$ 14,649,945</u>	<u>\$ 13,462,649</u>	<u>\$ 2,000</u>	<u>\$ 13,464,649</u>

(See Accompanying Notes and Auditor's Report)

BRIYA PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 1,185,296	\$ 2,027,731
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Loss on Disposal of Fixed Assets	250	-
Depreciation and Amortization	202,743	143,336
Imputed Interest	79,828	80,873
Accounts and Interest Receivable - (Increase)/Decrease	65,902	(66,855)
Grants Receivable - (Increase)/Decrease	(122,008)	112,243
Promises Receivable - (Increase)/Decrease	(40,000)	-
Prepaid Expenses - (Increase)/Decrease	(118,278)	(122,897)
Deposits - (Increase)/Decrease	24,841	(156,720)
Accounts Payable - Increase/(Decrease)	59,066	(29,852)
Accrued Salaries and Expenses - Increase/(Decrease)	67,057	(11,711)
Deposits Held for Others - Increase/(Decrease)	(759)	759
Deferred Revenue - Increase/(Decrease)	28,597	-
Deferred Rent - Increase/(Decrease)	<u>218,680</u>	<u>-</u>
Net Cash Flows from Operating Activities	<u>\$ 1,651,215</u>	<u>\$ 1,976,907</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets and Construction in Progress	\$ (312,763)	\$ (335,209)
Net Sales (Purchases) of Certificates of Deposit	(54,699)	3,500,374
Investment in Affiliate	<u>3,239,301</u>	<u>(5,342,025)</u>
Net Cash Flows from Investing Activities	<u>\$ 2,871,839</u>	<u>\$ (2,176,860)</u>
<u>Cash Flows from Financing Activities:</u>		
Payments Made on Capital Lease	<u>\$ (102,789)</u>	<u>\$ (101,772)</u>
Net Cash Flows from Financing Activities	<u>\$ (102,789)</u>	<u>\$ (101,772)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 4,420,265	\$ (301,725)
Cash and Cash Equivalents at Beginning of Year	<u>2,620,018</u>	<u>2,921,743</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,040,283</u>	<u>\$ 2,620,018</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2017 and 2016.
- b) No interest was paid during the years ended June 30, 2017 and 2016.
- c) During the years ended June 30, 2017 and 2016, the Charter School received \$1,722 and \$571, respectively, of food commodities from the U.S. Department of Agriculture.

(See Accompanying Notes and Auditor's Report)

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION:

Briya Public Charter School (Briya PCS), a District of Columbia Not-for-Profit Corporation was incorporated on July 12, 2005, exclusively for educational purposes. Briya PCS operates as part of the District of Columbia Public School system with its focus on providing high quality education for adults and children that empowers families through a culturally sensitive family literacy model.

Basic Programs

Education

The Briya Public Charter School is a multicultural family literacy public charter school designed to give an integrated educational experience to parents and their children. The program creates a place where parents can learn necessary English literacy and parenting skills and children are prepared for future school success. The program builds on families' strengths and provides the tools and support for improving educational, economic, and social opportunities.

The Charter School works in collaboration with Mary's Center for Maternal and Child Care, Inc., and Bancroft Elementary School.

- Adult Education - English for Speakers of Other Languages.
- Early Childhood Education - Literacy focused classes for children that are held simultaneously with Adult services. Early Childhood Education Classes are taught with an emphasis on preparing children for school aged success.
- Parenting - Parenting Workshops assist parents with developing responsible parenting skills. Parenting includes early childhood education, how to help your child in school, child behavior management, and nutrition.
- Parenting and Child Together - This unique component of family literacy brings parents and their children together in the child's classroom to work, play, and learn through literacy activities.
- Work force development programs - Two programs help students achieve economic independence with credentials for jobs in health care and early childhood care:
 - Medical Assistant (MA) Program - This 18-month program prepares students for a career as a Registered Medical Assistant in medical offices, clinics and hospitals. MA students learn to perform both clinical and administrative duties.
 - CDA Program - This program prepares students to gain the nationally-recognized Child Development Associate (CDA) credential. With the CDA credential, graduates can pursue career options such as early childhood teacher, home visitor, or operator of a licensed home daycare facility.
- The National External Diploma Program (NEDP) - NEDP is offered to Briya students who are enrolled in the Advanced II class and provides a unique way for students to earn a high school diploma.
- Education Fellows - Education Fellows Program is a paid internship program that provides a one year entry level work experience and tuition assistance for continuing education, with the possibility of a second year renewal.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

Basic Programs (Continued)

Other Services

- Counseling and interpretation are available to students in most workshops and during registration and referral services.
- Referral Services are available for health care, nutrition, employment, legal aid, emergency shelter, and continuing education.

2. 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 Charter 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. 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.

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

Federal and Charter School Funding

The Charter 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 Charter School recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes:

The Charter School is exempt from federal and state income taxes (other than on unrelated business income) 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 Charter School effective July 12, 2005. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and, accordingly, contributions to the Charter School qualify as a charitable tax deduction by the contributor. The Charter School did not have any net unrelated business income for the years ended June 30, 2017 and 2016.

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia. These 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.

Grant revenues 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.

Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

(e) Net Assets:

The Charter 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 Charter 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 Directors 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.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter 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. Temporarily restricted net assets were available at year end for the following purpose:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Toddler Program	\$ 40,000	\$ -
Student Loans - Use Restricted	<u>2,000</u>	<u>2,000</u>
Total	<u>\$ 42,000</u>	<u>\$ 2,000</u>

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Early Childhood Classrooms	\$ 10,000	\$ -
Travel	<u>2,249</u>	<u>-</u>
Total Released	<u>\$ 12,249</u>	<u>\$ -</u>

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter 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 Charter School did not have any permanently restricted net assets as of June 30, 2017 or 2016.

(f) Donated Services, Materials and Facilities:

Donated services and materials 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 Charter School's Board of Directors 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.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services, Materials and Facilities: (Continued)

The estimated value of donated services, materials and facilities has been recorded in the financial statements as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
General Services	\$ 750	\$ 2,100
Fixed Assets	25,289	-
Materials	3,400	-
Facilities	<u>84,215</u>	<u>81,762</u>
Total	<u>\$ 113,654</u>	<u>\$ 83,862</u>

(g) Functional Expenses:

The costs of providing the Charter 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 on the basis of direct labor, equivalent number of employees and actual purpose of the expenditure.

(h) 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.

(i) 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.

(j) Certificates of Deposit:

Certificates of deposit are other investments with original maturities greater than three months and are carried at cost. The certificates of deposit do not qualify as securities as defined in Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments - Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, Fair Value Measurements and Disclosures, are not provided.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(k) Fair Value of Certain Financial Instruments:

Some of the Charter 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 and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

3. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2017, 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, 2017, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2017, the Charter School had no accruals for interest and/or penalties.

4. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT:

Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2017 and 2016, totaled \$7,040,283 and \$2,620,018, respectively, and consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Interest Bearing Checking Account	\$ 4,876,465	\$ 1,062,746
Savings Accounts	26,675	42,354
Non-Interest Bearing Checking Accounts	1,128,670	1,506,316
Money Market - Treasury Obligations	<u>1,008,473</u>	<u>8,602</u>
Total	<u>\$ 7,040,283</u>	<u>\$ 2,620,018</u>

Certificates of Deposit

Certificates of Deposit are purchased from banking institutions by the Charter School and the Manufacturers and Traders Trust Co. as custodian for the Charter School. Certificates of Deposits are valued at original cost plus reinvested interest. Balances at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Certificates of Deposit	<u>\$ 4,410,792</u>	<u>\$ 4,356,093</u>

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

4. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT: (Continued)

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

The Charter School maintains its cash in multiple financial institutions, with most of the cash being held by one banking institution. These cash accounts are 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 per banking institution.

As of June 30, 2017 and 2016, \$1,057,166 and \$1,001,493, respectively, 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 Charter School would be at risk for any funds held in excess of the insured amounts.

In order to minimize this risk, the Charter School has entered into a repurchase agreement with PNC Bank in which the bank agreed to transfer to the Charter School an interest in securities issued or guaranteed by the United States or an agency thereof against the transfer of funds from the Charter School to the respective bank. Per the repurchase agreement, funds in excess of \$50,000 are transferred out on a daily basis. The amount of funds transferred back the next day includes the original purchase price plus interest earned. The Charter 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. The balance of this account as of June 30, 2017 and 2016 is \$129,659 and \$872,808, respectively. These amounts are included in the interest bearing checking amounts above.

As of June 30, 2017 and 2016, \$1,008,473 and \$8,602, respectively, was held in money market funds that are not federally insured. Management has minimized risk related to these money funds by investing in high quality short term securities as well as certain repurchase agreements that are backed by high quality securities. The money market funds seek to maintain a share price of \$1.00. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on these accounts.

5. INVESTMENT IN AFFILIATE - MAMIE D. LEE LLC:

Mamie D. Lee, LLC (LLC), was formed on October 1, 2015, by Briya Public Charter School and Bridges Public Charter School for the purpose of leasing property from the District of Columbia and to renovate, remodel, operate, manage, maintain, improve, repair and rent space to the two member charter schools. Each of the two member charter schools have equal fifty percent (50%) voting rights in the LLC. Briya Public Charter School's investment in Mamie D. Lee, LLC is accounted for on the equity method. The equity method provides that each member is allocated their proportionate share of the LLC's net profits and losses. For the years ending June 30, 2017 and 2016, Briya Public Charter School was allocated 92.4% and 92%, respectively, of the LLC's net profits, losses and cash flows. Per the agreement between the Charter School and the LLC, member contributions were required to be paid, all of which were made prior to the year ended June 30, 2016.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT IN AFFILIATE - MAMIE D. LEE LLC: (Continued)

The balance of the Charter School's investment in Mamie D. Lee, LLC, at June 30, 2017 and 2016 was \$2,382,483 and \$5,621,784, respectively. The Charter School's proportion of net profits and losses of the LLC for the years ended June 30, 2017 and 2016 was (\$466,566) and \$21,784, respectively. The following tables detail the Charter School's investment in affiliate:

Balance - June 30, 2016	\$ 5,621,784
Member Distributions	(2,772,735)
Share of Earnings/(Loss)	<u>(466,566)</u>
Balance - June 30, 2017	<u>\$ 2,382,483</u>
Balance - June 30, 2015	\$ -
Member Contributions	5,600,000
Share of Earnings/(Loss)	<u>21,784</u>
Balance - June 30, 2016	<u>\$ 5,621,784</u>

Assets, liabilities and members' equity of Mamie D. Lee, LLC, as of June 30, 2017 and 2016 were as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets	<u>\$ 33,938,285</u>	<u>\$ 23,648,797</u>
Total Assets	<u>\$ 33,938,285</u>	<u>\$ 23,648,797</u>
Liabilities	\$ 31,360,549	\$ 17,566,119
Members' Equity	<u>2,577,736</u>	<u>6,082,678</u>
Total Liabilities and Net Assets	<u>\$ 33,938,285</u>	<u>\$ 23,648,797</u>

The activities of Mamie D. Lee, LLC, as of June 30, 2017 and 2016 were as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenues	\$ 2,589,906	\$ 46,959
Expenses	<u>(3,094,848)</u>	<u>(23,281)</u>
Total Change in Members' Equity	<u>\$ (504,942)</u>	<u>\$ 23,678</u>

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

6. ACCOUNTS, GRANTS, AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

Accounts and grants receivable are considered to be fully collectible by management. Balances as of June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Accounts Receivable:</u>		
Per Pupil Funding	\$ 6,979	\$ 12,834
Interest	5,274	5,212
Related Organizations	9,720	73,703
Other	<u>4,432</u>	<u>558</u>
Total	<u>\$ 26,405</u>	<u>\$ 92,307</u>
<u>Grants:</u>		
Immigrant Justice Legal Services	\$ 15,955	\$ -
National School Lunch Program	5,731	8,873
Healthy Schools Act	298	496
Community Schools	42,530	19,367
Scholarship for Opportunity and Results Act (SOAR)	161,738	127,537
E-Rate	<u>52,029</u>	<u>-</u>
Total	<u>\$ 278,281</u>	<u>\$ 156,273</u>

The Charter School's accounts and grants receivable consists of unsecured amounts due from public funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for the amounts owed to the Charter School throughout the year and at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible 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.

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 uncollectible when payment has not been received after 180 days.

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 Charter School. The Charter School uses the allowance method to determine uncollectible promises to give.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

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

Promises Receivable (Continued)

Balances at year end consisted of:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Toddler Program	\$ 40,000	\$ -
Total	<u>\$ 40,000</u>	<u>\$ -</u>

The above unconditional promises receivable are all due to be received in less than one year.

7. FIXED ASSETS:

Furniture and equipment, and leasehold improvements are recorded at cost or in the case of contributed property at the fair market value at the date of the 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 or amortized over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected in revenues for the period. Depreciation and amortization has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$202,743 and \$143,336, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2017

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book Value</u>
Furniture and Equipment	5 Years	\$ 158,157	\$ 125,111	\$ 33,046
Computers and Software	3-5 Years	914,857	437,878	476,979
Leasehold Improvements	3 Years	<u>314,552</u>	<u>241,414</u>	<u>73,138</u>
Total		<u>\$ 1,387,566</u>	<u>\$ 804,403</u>	<u>\$ 583,163</u>

June 30, 2016

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book Value</u>
Furniture and Equipment	5 Years	\$ 130,649	\$ 117,004	\$ 13,645
Computers and Software	3-5 Years	659,562	314,549	345,013
Leasehold Improvements	3 Years	<u>285,013</u>	<u>238,828</u>	<u>46,185</u>
Total		<u>\$ 1,075,224</u>	<u>\$ 670,381</u>	<u>\$ 404,843</u>

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

8. CAPITAL LEASE - LEASEHOLD AND CAPITAL LEASE PAYABLE:

On November 1, 2010, Briya Public Charter School entered into a 30-year lease with Mary's Center for Maternal and Child Care, Inc., for approximately 7,735 square feet located at 3910 Georgia Avenue, NW, Washington, DC. Rent for approximately 1,215 square feet of space has been abated at the present time. Rent is at a fixed rate of \$15 per square foot in year one and shall increase one percent (1%) each subsequent year over the previous year's rate per square foot per year. The commencement date of this lease was July 1, 2011. The lease may be terminated by a written notice of intent to terminate at least six months prior to the date desired and written consent by the landlord. The Charter School has the option to buy in ten years. The Charter School contributed \$374,000 towards the design and construction of leasehold improvements and \$171,640 to the cost of equipping and furnishing the premises. On July 1, 2011, the cost value of the capital lease was \$2,056,499. This amount includes the total lease payments of \$1,682,499 and \$374,000 for the design and construction. The lease has been capitalized and is being amortized over 30 years beginning on July 1, 2011. Amortization expense related to this capital lease for the years ended June 30, 2017 and 2016 was \$68,550. The capital lease is summarized as follows:

<u>June 30, 2017</u>	<u>Life of Lease</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Book Value</u>
Leasehold - Georgia Avenue	30 Years	\$ 2,056,499	\$ 411,299	\$ 1,645,200

<u>June 30, 2016</u>	<u>Life of Lease</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Book Value</u>
Leasehold - Georgia Avenue	30 Years	\$ 2,056,499	\$ 342,749	\$ 1,713,750

The capital lease payable in the original amount of \$1,682,499 consists of the total lease payments per the agreement of \$3,401,963 less a net present value discount of 5% over 30 years of \$1,719,464. The unpaid balance as of June 30, 2017 and 2016 was \$ 1,573,591 and \$1,596,552, respectively. Total payments made in the current year of \$102,789 resulted in a reduction of the capital lease payable by \$22,961 and recognition of imputed interest of \$79,828. The Charter School is committed under a capital lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 103,817	\$ 25,137	\$ 78,680
2019	104,855	27,432	77,423
2020	105,903	29,852	76,051
2021	106,962	32,404	74,558
2022	108,032	35,094	72,938
Thereafter	<u>2,270,726</u>	<u>1,423,672</u>	<u>847,054</u>
Totals	<u>\$ 2,800,295</u>	<u>\$ 1,573,591</u>	<u>\$ 1,226,704</u>

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

9. DEFERRED RENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as a deferred rent in the accompanying statements of financial position. The Charter School entered into an operating lease agreement and a sublease agreement, as more fully discussed in Note 13, for the rental and sublease of space at the Gallatin Street Building in Washington, DC. As a result of these agreements, a net amount of \$218,680 representing future payments has been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of the unamortized deferred rent at June 30, 2017 and 2016 was \$218,680 and \$-0-, respectively. A summary of the net rent obligation and change in deferred rent related to these leases are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2018	\$ 687,280	\$ (140,580)	\$ 546,700
2019	687,280	(62,480)	624,800
2020	687,280	15,620	702,900
2021	687,280	15,620	702,900
2022	687,280	15,620	702,900
Thereafter	<u>16,494,719</u>	<u>374,880</u>	<u>16,869,599</u>
Totals	<u>\$ 19,931,119</u>	<u>\$ 218,680</u>	<u>\$ 20,149,799</u>

10. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board (DCPCSB) to operate a charter school in the District of Columbia. The contract dated July 1, 2006, provides for a 15-year charter, unless sooner terminated in accordance with the contract. As part of the agreement with the DCPCSB, the Charter 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 to the Board. For the years ended June 30, 2017 and 2016, the Charter School incurred \$93,751 and \$73,165, respectively, in administrative fees.

11. PER-PUPIL FUNDING ALLOCATION:

The Charter 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. The number of equivalent full-time students for the year ended June 30, 2017 and 2016 was 644 and 497, respectively.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

11. PER-PUPIL FUNDING ALLOCATION: (Continued)

Per-pupil funding for the years ended June 30, 2017 and 2016 was as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Pre-School	\$ 298,399	\$ 407,017
Pre-Kindergarten	302,078	160,415
Adult	5,144,337	3,818,442
Special Education	119,206	90,916
English as a Second Language	256,186	251,158
At Risk	27,564	43,659
Facilities Allowance	<u>2,011,856</u>	<u>1,552,628</u>
Total	<u>\$ 8,159,626</u>	<u>\$ 6,324,235</u>

12. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2017 and 2016, the Charter School participated in the following federal award programs:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Department of Education - IDEA	\$ 2,606	\$ 1,651
Department of Education - Charter School Dissemination Grant (Title V, Part B)	-	2,982
National School Lunch and Breakfast Program	32,281	30,321
Scholarship for Opportunity and Results Act (SOAR)	508,825	1,014,870
Donated Commodities	<u>1,722</u>	<u>571</u>
Total	<u>\$ 545,434</u>	<u>\$ 1,050,395</u>

13. COMMITMENTS:

Ontario Road - Mary's Center

The Charter School entered into an amended lease agreement with the Mary's Center for Maternal and Childcare, Inc., effective for a one-year period commencing on August 16, 2010, and ending on August 15, 2011, for the rental of 4,171 square feet of space in a building located at 2355 Ontario Road, NW and 1707 Kalorama Road, NW, Washington, DC. This lease calls for monthly lease payments of \$10,080. The Charter School renewed the lease terms through July 31, 2018. The cost per square foot is \$29. The cost of these facilities was \$120,960 for each of the years ended June 30, 2017 and 2016. Future minimum payments due under this lease are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 120,960
2019	<u>10,080</u>
Total	<u>\$ 131,040</u>

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

Kalorama Road - Mary's Center

On September 1, 2011, the Charter School entered into a lease agreement with the Mary's Center for Maternal and Childcare, Inc., for five years commencing on September 1, 2011, for 2,220 square feet of additional space at 2355 Ontario Road, NW, and 1707 Kalorama Road, NW, at \$21 per square foot. The payments increase by one percent (1%) each subsequent year over the previous year's rate. The lease currently calls for monthly lease payments of \$4,083. The lease has been renewed with the same terms through August 31, 2018. The cost of these facilities was \$48,917 and \$48,433 for the years ended June 30, 2017 and 2016, respectively. Future minimum payments due under this lease are as follows:

Year Ending June 30,

2018	\$ 49,406
2019	<u>8,248</u>
Total	<u>\$ 57,654</u>

Newton Street - Jacqueline Bennett

On September 23, 2013, the Charter School entered into a joint lease agreement with Jacqueline L. Bennett for the rental of storage space and internship housing located at 1726 Newton Street, NW. The lease was renewed on September 1, 2015. The lease, jointly entered with a Briya Education Fellow, was for one year and called for a monthly payment of \$3,087, reduced by \$758, which was the shared cost paid by the Briya intern as a tenant. This lease was extended for an additional one-year term through August 31, 2017. Monthly lease payments of \$3,211 were required as of June 30, 2017. A security deposit of \$2,800 was made as of June 30, 2017, related to this lease. Rental expense was \$36,710 and \$29,107 for the years ended June 30, 2017 and 2016, respectively. Future minimum payments due under this lease are as follows:

Year Ending June 30,

2018	\$ <u>6,422</u>
Total	<u>\$ 6,422</u>

Gallatin Street - Mamie D. Lee, LLC

On November 25, 2015, the Charter School entered into a thirty (30) year (sublease) agreement with Mamie D. Lee, LLC, (a related party) to occupy a portion of a new school building located at 100 Gallatin Street, NE, Washington, DC. The lease commenced on July 1, 2016, and is scheduled to expire on June 30, 2046. The Charter School has an option to renew the lease for an additional fourteen-year term. The Charter School has provided Mamie D. Lee, LLC, a first priority lien on the Charter School's Revenues. The annual usage fee represents an amount equal to a predetermined number of students multiplied by the per pupil facilities allowance of \$3,124 per student received from the District of Columbia.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

Gallatin Street - Mamie D. Lee, LLC (Continued)

The usage fee is full service and includes all utilities, tax, maintenance, repairs, cleaning, snow removal, security monitoring and pest control. The cost of these facilities was \$1,110,717 for the year ended June 30, 2017. Future minimum rental lease payments due under this lease along with the change in deferred rent over the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2018	\$ 1,110,717	\$ (264,017)	\$ 846,700
2019	1,110,717	(178,417)	932,300
2020	1,110,717	(92,625)	1,018,092
2021	1,110,717	(84,753)	1,025,964
2022	1,110,717	(76,677)	1,034,040
Thereafter	<u>26,657,195</u>	<u>1,192,357</u>	<u>27,849,552</u>
Totals	<u>\$ 32,210,780</u>	<u>\$ 495,868</u>	<u>\$ 32,706,648</u>

Gallatin Street (Sublease) - Mary's Center

On November 25, 2015, Mary's Center (a related party), entered into a thirty (30) year use (sublease) agreement with Briya Public Charter School to occupy 12,000 square feet within the Charter School's space in the new school building located at 100 Gallatin Street, NE, Washington, DC. The lease commenced on July 1, 2016, and is scheduled to expire on June 30, 2046. Monthly rental payments of \$24,375 began on January 1, 2017, after a six-month abatement period. Rental payments increase annually on July 1. Rent expense was reduced by a total of \$423,438 for the year ended June 30, 2017, related to this sublease. The future minimum payments to be paid by Mary's Center to Briya Public Charter School are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2018	\$ (423,437)	\$ 123,437	\$ (300,000)
2019	(423,437)	115,937	(307,500)
2020	(423,437)	108,245	(315,192)
2021	(423,437)	100,373	(323,064)
2022	(423,437)	92,297	(331,140)
Thereafter	<u>(10,162,476)</u>	<u>(817,477)</u>	<u>(10,979,953)</u>
Totals	<u>\$(12,279,661)</u>	<u>\$ (277,188)</u>	<u>\$ (12,556,849)</u>

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

The following schedule shows the composition of rental expense for the years ended June 30, 2017 and 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Minimum Rentals	\$ 1,318,878	\$ 208,337
Donated Rent	84,215	81,762
Less: Sublease	<u>(425,012)</u>	<u>(7,587)</u>
Net Rental Expense	<u>\$ 978,081</u>	<u>\$ 282,512</u>

14. GUARANTEE OF INDEBTEDNESS:

Briya Public Charter School is a guarantor on a loan obtained by Mamie D. Lee, LLC, for which Briya Public Charter School is a member, as more fully explained in Note 5. Mamie D. Lee, LLC, obtained a loan in the amount of \$1,340,000 for the school facility. Briya Public Charter School is a guarantor of fifty percent (50%) of this principal balance. Bridges Public Charter School, the other member of Mamie D. Lee, LLC, is a guarantor for the other fifty percent (50%) of the principal balance. The guarantee on this loan includes interest, fees, late charges and any costs associated with the loan or collection of the loan.

In addition to the guarantee on the loan, there are financial covenants related to this loan that need to be met as follows:

- a) Each guarantor needs to maintain a lease service coverage ratio of not less than 1.2 to 1.0.
- b) The guarantors along with Mamie D. Lee, LLC, need to maintain, on a combined basis, minimum unrestricted net assets of at least \$12,000,000.
- c) The guarantors need to maintain, on a combined basis, unencumbered liquid assets of not less than \$4,000,000.
- d) Each guarantor needs to maintain one or more deposit accounts with City First Bank of DC with a minimum balance of \$500,000.

These covenants are tested annually at the end of each fiscal year ended on June 30.

15. FUNDRAISING:

Expenses incurred during the years ended June 30, 2017 and 2016, for purposes of fundraising were \$30,504 and \$27,412, respectively.

16. RELATED PARTY TRANSACTIONS:

Mamie D. Lee, LLC

Briya Public Charter School and Bridges Public Charter School formed Mamie D. Lee, LLC (the LLC), which was established to lease a school building from the District of Columbia. These two schools, who are both 501(c)(3) organizations, are the only members of the LLC.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS: (Continued)

Mamie D. Lee, LLC (Continued)

This school building was renovated by the LLC in order to be subleased to Briya and Bridges Public Charter Schools for a period of thirty years commencing on July 1, 2016, and expiring on June 30, 2046. The Charter School recognized \$1,110,717 of rent expense related to the lease with Mamie D. Lee, LLC, that reflects a \$495,868 adjustment to conform to the straight-line method.

During the year ended June 30, 2016, the Charter School made capital contributions of \$5,600,000 to the LLC, which was their contributed capital balance as of June 30, 2016. During the year ended June 30, 2017, the Charter School received member distributions of \$2,772,735. The balance of the Charter School's investment in Mamie D. Lee, LLC, at June 30, 2017 and 2016 was \$2,382,483 and \$5,621,784, respectively. The Charter School's proportion of net profits and losses of the LLC for the years ended June 30, 2017 and 2016 were (\$466,566) and \$21,784, respectively.

During the year ended June 30, 2016, the LLC entered into two separate loan agreements, which were paid off during the year ended June 30, 2017. During the year ended June 30, 2017, the LLC entered into an additional five separate loan agreements. Four of these loans are through the New Market Tax Credit program, which encourages investment in real estate projects in low-income communities by allowing investors to receive tax credits in exchange for making qualified investments in Community Development Entities (CDEs). The CDEs then provide loans to benefit the low-income communities to qualified entities. Mamie D. Lee, LLC, obtained these New Market Tax Credit loans on March 22, 2017. There are certain guarantees related to this debt by the Charter School. As of June 30, 2017 and 2016, the outstanding debt balance of the LLC is \$30,562,024 and \$7,391,980, respectively.

On June 30, 2017 and 2016, an amount receivable from the LLC of \$8,771 and \$73,656, respectively, was reflected in the Charter School's statements of financial position.

Mary's Center for Maternal and Childcare, Inc.

Mary's Center for Maternal and Childcare, Inc., is a not-for-profit corporation. Briya Public Charter School and the Mary's Center for Maternal and Childcare, Inc., have separate independent boards of directors and all relationships between the two organizations are by contract.

The Charter School leased employees and facilities from Mary's Center for the years ended June 30, 2017 and 2016. The Charter School paid Mary's Center a human resource services management fee of \$100,000 during the years ended June 30, 2017 and 2016. Payments to Mary's Center for contracted employees amounted to \$4,194,814 and \$3,563,925, respectively, for the years ended June 30, 2017 and 2016. Payments to Mary's Center for contracted employees are made on a cost reimbursement basis the following month. Therefore, to cover a portion of the cash Mary's Center uses to pay contracted employees, the Charter School paid Mary's Center a deposit for contracted employee costs that is reflected in Other Assets - Deposits, the balance of which was \$325,000 at June 30, 2017 and 2016.

During the year ended June 30, 2016, Mary's Center entered into a lease to lease space from Briya Public Charter School for a period of thirty years commencing on July 1, 2016, and expiring on June 30, 2046, as more fully described in Note 13. Rental expense was decreased by \$423,438 related to the lease with Mary's Center, which reflects a \$277,188 adjustment to conform to the straight-line method.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS: (Continued)

Mary's Center for Maternal and Childcare, Inc. (Continued)

Mary's Center also leases to the Charter School space in buildings located at Kalorama Road and Ontario Road. Total rental payments made to Mary's Center for the years ended June 30, 2017 and 2016 were \$169,877 and \$169,393, respectively.

On June 30, 2017 and 2016, an amount receivable from Mary's Center of \$949 and \$47 was reflected in the Charter School's statements of financial position.

17. CONCENTRATIONS:

The Charter School is dependent on funding from the District of Columbia Public School System, as authorized by the District of Columbia Public Charter School Board. During the years ended June 30, 2017 and 2016, eighty-nine percent (89%) and eighty-one percent (81%), respectively, of total support, excluding donated services and facilities, was received from the District of Columbia for per pupil funding.

18. CONTINGENCIES:

The Charter 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 Charter School. While the Charter School's Board of Directors and management believes the Charter 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. There are also certain requirements of the New Market Tax Credit program that the Charter School must adhere to. The Charter 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. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

19. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 20, 2017, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

BRIYA PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

19. SUBSEQUENT EVENTS: (Continued)

Additional Funding - Washington Teacher's Union Contract

On October 1, 2017, the City Council approved the Washington Teacher's Union Contract. This contract will result in additional funds to both DC Public Schools and DC Public Charter Schools through an increase in the Uniform per Student Funding Formula. These additional funds result in a 5.9% increase above the original per pupil funding amounts. The Charter School will receive an additional one-time payment during the year ended June 30, 2018, to reflect the increase to the 2017 fiscal year per pupil funding base rate. The amount paid to the Charter School will be calculated based on the final enrollment audit count, supplemental payments and extended school year funding for the year ended June 30, 2017. The 2017 fiscal year base rate will increase by an amount of \$203 over the original base rate of \$9,682 to a revised base rate of \$9,885.

20. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Leasehold Amortization	\$ 2,586	\$ 1,847
Capital Lease Amortization	68,550	68,550
Imputed Interest Capital Lease	79,828	80,873
Rent, Facilities and Storage	897,594	200,750
Loss/(Income) from LLC - Occupancy Costs	466,566	(21,784)
Donated Rent	84,215	81,762
Cleaning and Maintenance	167,467	131,015
Janitorial Contracted Services	16,739	8,240
Facilities Development Consultants	-	11,277
	<u> </u>	<u> </u>
Total	<u>\$ 1,783,545</u>	<u>\$ 562,530</u>

Briya Public Charter School is a member of Mamie D. Lee, LLC. Mamie D. Lee, LLC's sole activity is leasing and managing a building leased to the Charter School. As such, the earnings or losses on the investment in the LLC are reflected as occupancy costs in these financial statements.

21. CONSOLIDATION:

Management has applied the principles of FASB ASC 958-810, *Reporting of Related Entities by Not-for-Profit Organizations*, in assessing the need to consolidate the financial statements of the Charter School with those of Mamie D. Lee, LLC. Under FASB ASC 958-810, consolidation should occur if both an economic interest between the organizations and control by a majority of common board members exist. Based on the criteria stipulated in the pronouncement, management has determined that financial statement consolidation is not appropriate for the fiscal years ending June 30, 2017 and 2016. Therefore, the accompanying financial statements reflect only the activity and net assets of the Charter School.

BRIYA PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>				<u>June 30, 2016</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Teacher Salaries	\$ 78,045	\$ 78,045	\$ -	\$ -	\$ 75,405	\$ 75,405	\$ -	\$ -
Teaching Assistant Salaries	184,991	184,991	-	-	81,166	81,166	-	-
Student Support Salaries	12,696	12,696	-	-	24,263	24,263	-	-
Front Office Salaries	34,951	11,188	23,763	-	49,902	15,973	33,929	-
IT Salaries	65,361	56,508	8,427	426	22,672	19,601	2,923	148
Security Salaries	52,875	-	52,875	-	27,589	-	27,589	-
Fringe Benefits - Staff	45,260	36,239	8,976	45	24,967	19,022	5,945	-
Contracted Executive Salaries	112,356	112,356	-	-	109,976	65,985	38,492	5,499
Contracted Business Management Services	248,794	113,219	130,441	5,134	222,179	83,950	133,147	5,082
Contracted Leadership Services	320,195	256,004	50,729	13,462	306,562	263,650	31,582	11,330
Contracted Teaching Services	1,869,252	1,859,468	9,784	-	1,346,998	1,336,066	10,932	-
Contracted Student Support Services	405,668	331,175	74,493	-	337,476	247,414	90,062	-
Contracted IT Support	128,255	110,883	16,535	837	-	-	-	-
Contracted Front Office Support	272,550	187,496	84,898	156	243,297	176,675	66,622	-
Contracted Teaching Assistant Services	277,112	277,112	-	-	528,433	528,433	-	-
Fringe Benefits - Contracted Staff	560,631	495,761	62,119	2,751	469,004	409,487	56,197	3,320
Program Stipends	14,440	14,440	-	-	20,428	20,428	-	-
Substitute Teachers	492	492	-	-	4,307	3,761	516	30
Temporary Contract Help	800	800	-	-	3,110	2,709	401	-
Staff Development Costs	70,045	62,245	7,800	-	86,456	75,309	11,147	-
Other Staff Related Expenses	<u>251,819</u>	<u>223,779</u>	<u>28,040</u>	<u>-</u>	<u>226,054</u>	<u>196,907</u>	<u>29,147</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 5,006,588</u>	<u>\$ 4,424,897</u>	<u>\$ 558,880</u>	<u>\$ 22,811</u>	<u>\$ 4,210,244</u>	<u>\$ 3,646,204</u>	<u>\$ 538,631</u>	<u>\$ 25,409</u>
<u>Direct Student Costs:</u>								
Student Supplies, Snacks, etc.	\$ 60,116	\$ 60,116	\$ -	\$ -	\$ 34,706	\$ 34,706	\$ -	\$ -
Student Assessment and Materials	11,226	11,226	-	-	22,324	22,324	-	-
Student Textbooks	9,473	9,473	-	-	7,078	7,078	-	-
Library and Media Materials	116	116	-	-	146	146	-	-
Student Uniforms	790	790	-	-	13,635	13,635	-	-
Contracted Instructional Fees	172,246	172,246	-	-	102,655	102,655	-	-
Student Travel/Field Trips	31,584	31,584	-	-	34,650	34,650	-	-
Food Service Fees	45,025	45,025	-	-	41,577	41,577	-	-
Other Student Costs	<u>110,252</u>	<u>110,252</u>	<u>-</u>	<u>-</u>	<u>24,308</u>	<u>24,308</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 440,828</u>	<u>\$ 440,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,079</u>	<u>\$ 281,079</u>	<u>\$ -</u>	<u>\$ -</u>

(See Accompanying Notes and Auditor's Report)

BRIYA PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>				<u>June 30, 2016</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Occupancy Costs:</u>								
Amortization Leasehold Improvements	\$ 2,586	\$ 2,287	\$ 286	\$ 13	\$ 1,847	\$ 1,597	\$ 238	\$ 12
Imputed Interest	79,828	79,828	-	-	80,873	80,873	-	-
Capital Lease Amortization	68,550	68,550	-	-	68,550	68,550	-	-
Rent	978,081	864,908	108,374	4,799	282,512	244,240	36,426	1,846
Loss/(Income) from LLC - Occupancy Costs	466,566	412,580	51,697	2,289	(21,784)	(18,833)	(2,809)	(142)
Maintenance and Custodial Salaries	125,692	111,696	13,996	-	105,968	80,733	25,235	-
Rent - Other	3,728	3,313	415	-	-	-	-	-
Fringe Benefits - Maintenance and Custodial	12,831	11,402	1,429	-	17,366	13,230	4,136	-
Cleaning and Maintenance	28,944	25,595	3,207	142	7,681	6,641	990	50
Contracted Building Services	16,739	14,802	1,855	82	8,240	7,124	1,062	54
Facility Consulting Fees	-	-	-	-	11,277	9,749	1,454	74
Total Occupancy Costs	\$ 1,783,545	\$ 1,594,961	\$ 181,259	\$ 7,325	\$ 562,530	\$ 493,904	\$ 66,732	\$ 1,894
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 63,044	\$ 56,024	\$ 7,020	\$ -	\$ 58,569	\$ 51,017	\$ 7,552	\$ -
Equipment Rental and Maintenance	15,117	13,434	1,683	-	2,348	2,046	302	-
Telephone and Telecommunications	69,687	61,624	7,721	342	14,895	12,877	1,921	97
Postage, Shipping and Delivery	1,185	1,048	131	6	1,174	1,015	151	8
Printing and Duplication	4,084	3,611	453	20	536	463	69	4
Total Office Expenses	\$ 153,117	\$ 135,741	\$ 17,008	\$ 368	\$ 77,522	\$ 67,418	\$ 9,995	\$ 109
<u>General Expenses:</u>								
Insurance	\$ 19,859	\$ 17,648	\$ 2,211	\$ -	\$ 19,687	\$ 17,148	\$ 2,539	\$ -
Administrative Fee	93,751	83,312	10,439	-	73,165	-	73,165	-
Management Fees	100,000	88,865	11,135	-	100,000	87,106	12,894	-
Accounting, Auditing and Payroll	124,964	111,049	13,915	-	105,631	76,011	29,620	-
Legal Fees	1,505	1,337	168	-	25,200	21,951	3,249	-
Computer Support Fees	126,537	112,447	14,090	-	173,432	151,070	22,362	-
Other Professional Fees	67,862	60,306	7,556	-	86,171	75,061	11,110	-
Business Fees and Dues	16,726	14,864	1,862	-	13,438	11,705	1,733	-
Other Expenses	38,618	34,318	4,300	-	48,383	42,145	6,238	-
Depreciation and Amortization	131,607	116,953	14,654	-	72,939	52,658	20,281	-
Total General Expenses	\$ 721,429	\$ 641,099	\$ 80,330	\$ -	\$ 718,046	\$ 534,855	\$ 183,191	\$ -
TOTAL FUNCTIONAL EXPENSES	\$ 8,105,507	\$ 7,237,526	\$ 837,477	\$ 30,504	\$ 5,849,421	\$ 5,023,460	\$ 798,549	\$ 27,412

(See Accompanying Notes and Auditor's Report)

BRIYA PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

June 30, 2017

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Educational Services	\$ 5,642,565	\$ 8,762
Occupancy	1,783,545	2,769
General and Administrative	656,218	1,019
Fundraising	<u>23,179</u>	<u>36</u>
Total	<u>\$ 8,105,507</u>	<u>\$ 12,586</u>

The above is the average per student cost for the year ended June 30, 2017, and is based on a full time equivalent (FTE) enrollment of 644 students.

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Educational Services	\$ 4,529,556	\$ 9,114
Occupancy	562,530	1,132
General and Administrative	731,817	1,472
Fundraising	<u>25,518</u>	<u>51</u>
Total	<u>\$ 5,849,421</u>	<u>\$ 11,769</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 497 students.

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Briya Public Charter School
2333 Ontario Road NW
Washington, DC 20009

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 Briya Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 December 20, 2017.

Internal Control Over Financial Reporting

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

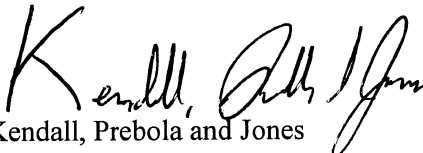
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Briya 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 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 Charter 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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 20, 2017

BRIYA PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There were no audit findings in the prior year.

BRIYA PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Briya Public Charter School were prepared in accordance with generally accepted accounting principles.
- 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 Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

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

There were no findings in the current year.