



CAPITAL CITY PUBLIC CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

CAPITAL CITY PUBLIC CHARTER SCHOOL

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Independent Auditors' Report

To the Board of Trustees
Capital City Public Charter School
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Capital City Public Charter School (CCPCS) a nonprofit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

Auditors' 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 auditors' 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 auditors consider 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 CCPCS as of June 30, 2016 and 2015, 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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, on our consideration of CCPCS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCPCS' internal control over financial reporting and compliance.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
November 18, 2016

Certified Public Accountants

CAPITAL CITY PUBLIC CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
Assets		
Cash and Cash Equivalents	\$ 12,242,972	\$ 10,796,088
Federal Grants Receivable	272,449	609,884
Other Grants Receivable	6,100	2,500
Other Receivables	79,207	383,108
Prepaid Expenses	161,495	141,323
Total Current Assets	12,762,223	11,932,903
Fixed Assets		
Furniture and Equipment	2,933,334	2,720,825
Equipment under Capital Lease	141,036	117,663
Capitalized Loan Costs	298,197	298,197
Leasehold Improvements	25,286,571	23,458,179
	28,659,138	26,594,864
Less Accumulated Depreciation and Amortization	(5,852,004)	(4,425,345)
Total Fixed Assets	22,807,134	22,169,519
Deposits	41,849	595
Total Assets	\$ 35,611,206	\$ 34,103,017
Liabilities and Net Assets		
Accounts Payable and Accrued Expenses	\$ 1,585,049	\$ 1,555,313
Accrued Construction Expenses	-	40,316
Accrued Vacation	107,406	124,735
Refundable Advances	1,179	921
Capital Lease Payable	34,366	29,974
Loans Payable	577,538	556,591
Total Current Liabilities	2,305,538	2,307,850
Capital Lease, Net of Current Portion	76,318	15,251
Interest Rate Swap	624,852	313,336
Loans Payable, Net of Current Portion	17,616,149	18,193,687
Accrued Rent Liability - Ground Lease	2,200,105	1,626,165
Total Liabilities	22,822,962	22,456,289
Net Assets		
Unrestricted	12,690,496	11,553,629
Temporarily Restricted	97,748	93,099
Total Net Assets	12,788,244	11,646,728
Total Liabilities and Net Assets	\$ 35,611,206	\$ 34,103,017

See accompanying Notes to Financial Statements.

CAPITAL CITY PUBLIC CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>			<u>June 30, 2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue						
Grants and Contributions						
District of Columbia, per Pupil Allocation	\$ 14,818,968	\$ -	\$ 14,818,968	\$ 15,287,353	\$ -	\$ 15,287,353
District of Columbia, per Pupil Facilities	3,064,644	-	3,064,644	2,982,912	-	2,982,912
Federal Entitlements and Grants	1,960,900	-	1,960,900	1,760,384	-	1,760,384
Contributions and Grants	307,739	68,456	376,195	143,709	138,613	282,322
Interest	16,968	-	16,968	19,046	-	19,046
Realized Gain	2,826	-	2,826	-	-	-
Local and Supplemental Program Revenue	317,819	-	317,819	352,886	-	352,886
Miscellaneous	165,612	-	165,612	81,870	-	81,870
Net Assets Released from Restrictions	63,807	(63,807)	-	71,612	(71,612)	-
Total Revenue	20,719,283	4,649	20,723,932	20,699,772	67,001	20,766,773
Expenses						
Program Services	16,562,701	-	16,562,701	16,624,557	-	16,624,557
Management and General	2,514,523	-	2,514,523	2,368,400	-	2,368,400
Fundraising	193,676	-	193,676	206,558	-	206,558
Total Expenses	19,270,900	-	19,270,900	19,199,515	-	19,199,515
Change in Net Assets before Change in Fair Value of Interest Rate Swap	1,448,383	4,649	1,453,032	1,500,257	67,001	1,567,258
Change in Fair Value of Interest Rate Swap	(311,516)	-	(311,516)	(313,336)	-	(313,336)
Change in Net Assets	1,136,867	4,649	1,141,516	1,186,921	67,001	1,253,922
Net Assets, Beginning of Year	11,553,629	93,099	11,646,728	10,366,708	26,098	10,392,806
Net Assets, End of Year	\$ 12,690,496	\$ 97,748	\$ 12,788,244	\$ 11,553,629	\$ 93,099	\$ 11,646,728

See accompanying Notes to Financial Statements.

CAPITAL CITY PUBLIC CHARTER SCHOOL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel, Salaries, and Benefits				
Salaries	\$ 9,316,863	\$ 1,466,600	\$ 144,204	\$ 10,927,667
Employee Benefits	1,095,633	171,869	16,870	1,284,372
Payroll Taxes	729,055	114,763	11,284	855,102
Professional Development	209,645	33,001	3,245	245,891
Other Staff-Related Expense	64,332	10,127	995	75,454
Total Personnel, Salaries, and Benefits	11,415,528	1,796,360	176,598	13,388,486
Direct Student Costs				
Supplies, Materials, Snacks	302,189	-	-	302,189
Fieldwork and Other Transportation	109,290	-	-	109,290
Contracted Instruction Fees	209,296	-	-	209,296
Textbooks	13,407	-	-	13,407
Student Assessments	15,653	-	-	15,653
Student Food Service Program	547,497	-	-	547,497
Other Student Costs	168,761	-	-	168,761
Total Direct Student Costs	1,366,093	-	-	1,366,093
Occupancy Expense				
Rent	559,592	13,665	683	573,940
Maintenance and Repairs	152,810	3,732	187	156,729
Utilities and Garbage Removal	329,619	8,050	402	338,071
Contracted Building Services	366,330	8,946	447	375,723
Facilities Consulting Services	175	4	-	179
Janitorial Supplies	2,944	72	4	3,020
Interest - Facilities	518,331	12,658	633	531,622
Depreciation - Facilities	972,622	23,751	1,188	997,561
Total Occupancy Expense	2,902,423	70,878	3,544	2,976,845
Office Expense				
Office Supplies	89,161	14,035	1,380	104,576
Equipment Rent and Maintenance	17,435	2,744	270	20,449
Telecommunications	30,725	4,837	476	36,038
Postage	21,570	3,396	334	25,300
Printing and Copying	4,926	775	76	5,777
Computer Support Expenses	95,364	15,011	1,476	111,851
Interest - Operating Assets	5,104	804	79	5,987
Total Office Expense	264,285	41,602	4,091	309,978
General Expense				
Insurance	80,521	12,675	1,246	94,442
Authorizer Fees	-	209,582	-	209,582
Accounting, Auditing, and Payroll	-	166,913	-	166,913
Legal Fees	12,371	10,295	-	22,666
Other Professional and Fundraising Fees	-	4,426	7,271	11,697
Dues, Fees, Licenses, and Fines	12,122	25,340	528	37,990
Other General Expense	117,160	65,878	-	183,038
Depreciation - Operating Assets	392,198	110,574	398	503,170
Total General Expense	614,372	605,683	9,443	1,229,498
Total	\$ 16,562,701	\$ 2,514,523	\$ 193,676	\$ 19,270,900

See accompanying Notes to Financial Statements.

CAPITAL CITY PUBLIC CHARTER SCHOOL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel, Salaries, and Benefits				
Salaries	\$ 9,079,482	\$ 1,308,934	\$ 146,943	\$ 10,535,359
Employee Benefits	1,045,505	150,723	16,921	1,213,149
Payroll Taxes	719,382	103,709	11,643	834,734
Professional Development	203,599	29,352	3,295	236,246
Other Staff-Related Expense	<u>80,385</u>	<u>11,589</u>	<u>1,300</u>	<u>93,274</u>
Total Personnel, Salaries, and Benefits	11,128,353	1,604,307	180,102	12,912,762
Direct Student Costs				
Supplies, Materials, Snacks	297,831	-	-	297,831
Fieldwork and Other Transportation	158,348	-	-	158,348
Contracted Instruction Fees	243,602	-	-	243,602
Textbooks	30,698	-	-	30,698
Student Assessments	25,266	-	-	25,266
Student Food Service Program	508,025	-	-	508,025
Other Student Costs	<u>75,723</u>	<u>-</u>	<u>-</u>	<u>75,723</u>
Total Direct Student Costs	1,339,493	-	-	1,339,493
Occupancy Expense				
Rent	559,592	34,008	683	594,283
Maintenance and Repairs	204,738	5,000	250	209,988
Utilities and Garbage Removal	323,099	7,890	394	331,383
Contracted Building Services	442,340	10,802	540	453,682
Facilities Consulting Services	8,903	217	11	9,131
Janitorial Supplies	15,934	389	19	16,342
Interest	532,997	13,015	651	546,663
Depreciation - Facilities	<u>1,052,337</u>	<u>36,043</u>	<u>1,285</u>	<u>1,089,665</u>
Total Occupancy Expense	3,139,940	107,364	3,833	3,251,137
Office Expense				
Office Supplies	78,887	11,373	1,276	91,536
Equipment Rent and Maintenance	70,352	10,142	1,139	81,633
Telecommunications	27,819	4,010	450	32,279
Postage	13,946	2,011	226	16,183
Printing and Copying	10,354	1,493	168	12,015
Computer Support Expenses	95,863	13,820	1,551	111,234
Interest - Operating Assets	<u>3,014</u>	<u>435</u>	<u>49</u>	<u>3,498</u>
Total Office Expense	300,235	43,284	4,859	348,378
General Expense				
Insurance	71,027	10,239	1,150	82,416
Authorizer Fees	-	201,882	-	201,882
Accounting, Auditing, and Payroll	-	169,392	-	169,392
Legal Fees	17,652	7,557	-	25,209
Other Professional and Fundraising Fees	98,333	31,118	14,812	144,263
Dues, Fees, Licenses, and Fines	7,848	24,448	1,214	33,510
Other General Expense	136,626	59,932	260	196,818
Depreciation - Operating Assets	<u>385,050</u>	<u>108,877</u>	<u>328</u>	<u>494,255</u>
Total General Expense	716,536	613,445	17,764	1,347,745
Total	<u>\$ 16,624,557</u>	<u>\$ 2,368,400</u>	<u>\$ 206,558</u>	<u>\$ 19,199,515</u>

See accompanying Notes to Financial Statements.

CAPITAL CITY PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,141,516	\$ 1,253,922
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,500,731	1,583,920
Gain on Disposal of Fixed Assets	2,873	-
Decrease in Federal Grants Receivable	337,435	49,533
Increase in Other Grants Receivable	(3,600)	(1,500)
Decrease (Increase) in Other Receivables	303,901	(313,866)
(Increase) Decrease in Prepaid Expenses	(20,172)	74,058
(Increase) Decrease in Deposits	(41,254)	191,920
Decrease in Restricted Cash	-	112,467
Increase (Decrease) in Accounts Payable and Accrued Expenses	29,736	(50,709)
(Decrease) Increase in Accrued Construction Expenses	(40,316)	40,316
Increase in Accrued Rent Liability - Ground Lease	573,940	573,941
(Decrease) Increase in Accrued Vacation	(17,329)	41,016
Decrease in Deferred Rent and Sublease Liability	-	(16,300)
Increase (Decrease) in Refundable Advances	258	(451,729)
Decrease in Security Deposit	-	(53,800)
Net Cash Provided by Operating Activities	<u>3,767,719</u>	<u>3,043,960</u>
Cash Flows from Investing Activities		
Purchases of Fixed Assets	<u>(2,042,890)</u>	<u>(1,030,796)</u>
Net Cash Used in Investing Activities	<u>(2,042,890)</u>	<u>(1,030,796)</u>
Cash Flows from Financing Activities		
Proceeds from Loans	-	19,200,000
Principal Payments on Loan Payable	(556,591)	(19,484,152)
Change in Value of Interest Rate Swap	311,516	313,336
Principal Payments on Capital Lease Payable	<u>(32,870)</u>	<u>(28,233)</u>
Net Cash (Used in) Provided by Financing Activities	<u>(277,945)</u>	<u>951</u>
Net Increase in Cash and Cash Equivalents	1,446,884	2,014,115
Cash and Cash Equivalents, Beginning of Year	<u>10,796,088</u>	<u>8,781,973</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,242,972</u>	<u>\$ 10,796,088</u>
Supplemental Disclosure of Cash Flow Information		
Interest Paid	\$ 537,609	\$ 550,161

Noncash Transaction from Investing and Financing Activities

During the year ended June 30, 2016, CCPCS entered into a capital lease agreement for office equipment valued at approximately \$121,000.

See accompanying Notes to Financial Statements.

CAPITAL CITY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Capital City Public Charter School (CCPCS) is a not-for-profit corporation incorporated in the District of Columbia in December of 1999. CCPCS began operations on September 6, 2000. CCPCS implements the Expeditionary Learning Outward Bound (ELOB) school design, which uses “learning expeditions” to challenge students to meet rigorous academic and character standards.

The mission of CCPCS is to enable a diverse group of children to meet high expectations, develop creativity, critical thinking, problem-solving skills, and achieve a deep understanding of complex subjects, while acquiring a love of learning and a strong sense of community and character.

The school served 981 and 971 students during the years ended June 30, 2016 and 2015, respectively.

Income Taxes

CCPCS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and did not conduct unrelated business activities. In addition, CCPCS has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Code.

CCPCS requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. CCPCS does not believe its financial statements include, or reflect, any uncertain tax positions.

CCPCS’ Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities generally for three years after filing.

Revenue Recognition

A substantial portion of CCPCS’ revenue is derived from the District of Columbia Public School system based on enrollment. The revenue is recognized ratably over the school year. Revenue from other government sources generally represents various entitlements and is recognized as earned.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market funds and other highly liquid instruments with maturities, when initially purchased, of less than three months.

Receivables

Receivables consist primarily of amounts due from federal grants, other grants, pledges from individuals, and other receivables from the Office of the State Superintendent of Education of the District of Columbia. The management of CCPCS reviews the collectability of the receivables on a monthly basis. Management believes all amounts are fully collectable and, therefore, no allowance is necessary.

CAPITAL CITY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

CCPCS capitalizes all fixed asset acquisitions of \$1,000 and above. Fixed assets are carried at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation is provided using the straight-line method over the estimated useful life of the asset or for leasehold improvements the shorter of the useful life or the remaining lease term. Expenditures for fixed assets and related betterments that extend the useful lives of the assets are capitalized. Expenditures for maintenance and repairs, including planned major maintenance activities, are charged to expense as incurred.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CCPCS.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Temporarily Restricted Net Assets

CCPCS reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain 2015 amounts have been reclassified for comparative purposes.

CAPITAL CITY PUBLIC CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

2. CONCENTRATIONS

During the years, CCPC'S cash balances at financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

As of June 30, 2016 and 2015, 100% of the total federal grants receivables were due from the District of Columbia Office of the State Superintendent.

3. REFUNDABLE ADVANCES

CCPCS records grant/contract revenue as a refundable advance until it is expended for the purpose of the grant, at which time it is recognized as revenue. The balance in refundable advances at June 30, 2016 and 2015 represents amounts received that will be expended in the next fiscal year in accordance with the grant/contract period.

As of June 30, 2016 and 2015, refundable advances consisted of the following:

<u>Description</u>	<u>2016</u>	<u>2015</u>
NCLB Title II	\$ 921	\$ 921
Healthy Schools Act	258	-
Total	<u><u>\$ 1,179</u></u>	<u><u>\$ 921</u></u>

4. PER PUPIL ALLOTMENT

CCPCS receives an annual per pupil allotment from the District of Columbia based on its student enrollment which is a substantial portion of its revenue. If a significant reduction in this revenue should occur, it may have a material effect on CCPCS programs. During the years ended June 30, 2016 and 2015, CCPCS earned revenue of approximately \$17,884,000 and \$18,270,000, respectively, from the District of Columbia, which is approximately 88% and 89% of total revenue, respectively. These amounts are reflected as the District of Columbia, per pupil allocation and per pupil facilities revenue in the accompanying statements of activities.

5. LOANS PAYABLE AND COMMITMENTS

Loans Payable

In July 2014, the District of Columbia issued \$19,200,000 of tax-exempt variable rate demand revenue bonds (the Series 2014 Bonds), the proceeds of which were loaned to CCPCS via direct placement with a bank. The bonds mature in July 2044. Both principal and interest are payable based on a 23-year mortgage style amortization such that the principal balance will be retired at the end of the first option period of the ground lease discussed in Note 7. Principal is payable based on a fixed schedule, while interest is payable based on a rate that varies monthly. Payments began September 1, 2014. The variable interest rate is 78% of the 30-day LIBOR plus 1.76% during the seven-year initial floating rate period, which ends in July 2021. For the years ended June 30, 2016 and 2015, the average interest rates were approximately 2.01% and 1.89%, respectively. Subsequent to the initial floating rate period, the variable rate will be determined by applying a margin to a percentage of the 30-day LIBOR, with such margin and percentage being determined by the

CAPITAL CITY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

5. LOANS PAYABLE AND COMMITMENTS (CONTINUED)

Loans Payable (Continued)

bank, or may be converted to a fixed rate. Such determination of the interest rate for each interest rate period will be consistent with the bank's then-current pricing practices. Further, the bank may call or accelerate the loan at the end of the initial, or any subsequent floating rate period. The duration, as well as interest rates, of subsequent floating rate periods will be determined at the end of each preceding interest rate period. For the years ended June 30, 2016 and 2015, the outstanding balance of the loan was \$18,193,687 and \$18,750,278, respectively.

The Series 2014 Bond proceeds were used to repay the outstanding balances of the original Senior Loan and Subordinate Debt used to finance renovating and equipping the School, as well as to fund certain issuance costs. The Series 2014 Bonds are secured by substantially all of the assets of CCPCS and contain restrictive covenants as well as various financial covenants including maintaining a certain debt service coverage ratio and minimum liquidity. As of June 30, 2016 and 2015, CCPCS was in compliance with all of its debt covenants.

The future scheduled maturities of the Series 2014 Bonds are as follows:

For the Years Ending June 30,

2017	\$ 577,538
2018	599,273
2019	621,826
2020	645,228
2021	669,510
Thereafter	<u>15,080,312</u>
Total	<u><u>\$ 18,193,687</u></u>

Interest Rate Swap Agreement

In July 2014, CCPCS entered into a seven-year interest rate swap agreement (the Swap Agreement) to reduce its exposure to interest rate risk on its variable rate debt. The Swap Agreement covers a nominal principal value of \$9,600,000, which represented 50% of the outstanding principal balance of the Series 2014 bonds at issuance.

The Swap Agreement fixes the interest rate at 3.69% on \$9,600,000 of the variable rate debt. The Swap Agreement matures on July 1, 2021, which coincides with the end of the initial floating rate period. The fair value of the swap at June 30, 2016 and 2015, are liability positions of \$624,852 and \$313,336, respectively. The fair value is determined using forward-looking assumptions of interest rates and is not adjusted for non-performance risk of either party. CCPCS does not believe there is significant counter-party risk associated with its Swap Agreement as its counter-party is a highly rated bank.

CAPITAL CITY PUBLIC CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

5. LOANS PAYABLE AND COMMITMENTS (CONTINUED)

Interest Rate Swap Agreement (Continued)

The following table presents the notional principal amounts of CCPCS' interest rate swap and related treatment in the financial statements.

	Notational Value at June 30, 2016	Expiration Date	Estimated Fair Value at June 30, 2016
Series 2014 Bonds	\$ 9,600,000	7/1/2021	\$ (624,852)
		2016	2015
Statement of Financial Position Location			
Interest Rate Swap		\$ 624,852	\$ 313,336
Location of Loss in the Statement of Activities			
Change in Fair Value of Interest Rate Swap		\$ (311,516)	\$ (313,336)

6. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment.

The following presents CCPCS' liabilities measured at fair value as of June 30, 2016:

Description	Level 1	Level 2	Level 3	Total
Interest Rate Swap	\$ -	\$ 624,852	\$ -	\$ 624,852
Total Liabilities	\$ -	\$ 624,852	\$ -	\$ 624,852

The following presents CCPCS' liabilities measured at fair value as of June 30, 2015:

Description	Level 1	Level 2	Level 3	Total
Interest Rate Swap	\$ -	\$ 313,336	\$ -	\$ 313,336
Total Liabilities	\$ -	\$ 313,336	\$ -	\$ 313,336

Cash and Cash Equivalents - The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

CAPITAL CITY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Interest Rate Swap Obligation - Fair value is estimated by the commercial bank issuing the swap agreement based on current market terms of swap agreements with similar durations and interest rates.

Loans Payable - The carrying amounts of loans payable approximate fair values because those financial instruments predominantly bear interest at variable rates that approximate current market rates for loans with similar maturities and credit quality.

7. LEASING ARRANGEMENTS

Ground Lease

On October 17, 2011, CCPCS entered into a twenty-five year ground lease (the Ground Lease) with the District of Columbia for the School facility at 100 Peabody Street, NW, Washington, D.C. The Ground Lease commenced on September 1, 2012. The Ground Lease contains an option to extend the term for an additional twenty-five years if exercised within twelve months prior to the expiration of the original term. The Ground Lease contains a credit for the amount spent on leasehold improvements and renovations of the building to be applied to the first fifteen years of rent on a dollar for dollar basis. Any remaining amount of renovation costs not used by year fifteen will be taken as a credit and amortized over the remaining term. Annual rent is \$1,496,000. Under the terms of the Ground Lease as of June 30, 2013 the available credit is approximately \$23,051,000. If CCPCS uses the entire credit available, CCPCS would not pay rent until September 1, 2027. Assuming that the entire credit is used, the future minimum Ground Lease payments are expected to be approximately \$14,349,000. Under accounting principles generally accepted in the United States of America (GAAP) all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the Ground Lease.

The difference between the GAAP rent expense and the required Ground Lease payments is reflected as accrued rent liability-ground lease in the accompanying statements of financial position.

Rent expense for the years ended June 30, 2016 and 2015, was approximately \$574,000 and \$594,000, respectively.

Capital Lease

CCPCS has entered into capital leases of certain office equipment. CCPCS is obligated under the leases through 2021.

Minimum future lease payments under the leases are as follows:

For the Years Ending June 30,

2017	\$	36,624
2018		28,176
2019		27,408
2020		27,408
2021		6,801
Total Minimum Lease Payments		<u>126,417</u>
Less Amount Representing Interest		<u>(15,733)</u>
Present Value of Total Minimum Lease Payments	\$	<u>110,684</u>

CAPITAL CITY PUBLIC CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

8. RETIREMENT PLAN

CCPCS sponsors a 403(b) retirement plan (the Plan). Commencing with the date of hire, both full and part-time employees who average a minimum of 20 hours per week are eligible to participate in the Plan. The Plan provides funding in the amount of 3% for employees who contribute nothing to the Plan and up to 6 % of each eligible employee's annual salary for those employees who contribute 3% to the Plan. CCPCS' contribution under the Plan for the years ended June 30, 2016 and 2015, was approximately \$581,000 and \$549,000, respectively.

9. COMMITMENTS

CCPCS has entered into a contract to renovate the School's theater for approximately \$3,876,000. As of June 30, 2016, approximately \$726,000 has been completed.

10. CONTINGENCIES

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

11. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016 and 2015, temporarily restricted net assets consisted of the following:

<u>Purpose</u>	<u>2016</u>	<u>2015</u>
School Redesign	\$ 64,739	\$ 75,273
Physical Activity and Health Programs	-	1,500
Family Engagement and College Readiness	5,632	-
Theatre Campaign	4,415	-
Physical Activity and Health Programs	575	-
Community Values	6,525	-
Pledges - Timing	-	640
Other Various Projects	15,862	15,686
Total Temporarily Restricted Assets	\$ 97,748	\$ 93,099

For the years ended June 30, 2016 and 2015, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

<u>Purpose</u>	<u>2016</u>	<u>2015</u>
School Redesign	\$ 10,533	\$ 24,727
Family Engagement and College Readiness	1,868	-
Theatre Campaign	1,270	-
Physical Activity and Health Programs	925	950
Community Values	13,176	-
Pledges - Timing	640	300
Other Various Projects	35,395	45,635
Total Releases	\$ 63,807	\$ 71,612

CAPITAL CITY PUBLIC CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 18, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Independent Auditors' 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 Trustees
Capital City Public Charter School
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Capital City Public Charter School (CCPCS), which comprise the statement of financial position as of June 30, 2016, 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 November 18, 2016.

Internal Control over Financial Reporting

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

To the Board of Trustees
Capital City Public Charter School

Purpose of this Report

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

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
November 18, 2016

Certified Public Accountants



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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees
Capital City Public Charter School
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Capital City Public Charter School's (CCPCS) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of CCPCS' major federal programs for the year ended June 30, 2016. CCPCS' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CCPCS' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CCPCS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CCPCS' compliance.

Opinion on Each Major Federal Program

In our opinion, CCPCS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.



Report on Internal Control over Compliance

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

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

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

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

Councilor, Buchanan + Mitchell, P.C.

Certified Public Accountants

Washington, D.C.
November 18, 2016

CAPITAL CITY PUBLIC CHARTER SCHOOL

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Pass-Through Programs from the Office of the State Superintendent of Education of the District of Columbia			
Title I, Grants to Local Educational Agencies	84.010A	42010A	\$ 12,191
Title I, Grants to Local Educational Agencies	84.010A	52010A	74,289
Title I, Grants to Local Educational Agencies	84.010A	62010A	418,640
Title I, Grants to Local Educational Agencies	84.010A	52010A	50,000
Title II, Improving Teacher Quality State Grant	84.367A	52367A	6,250
Title II, Improving Teacher Quality State Grant	84.367A	62367A	113,770
Title III, English Language Acquisition State Grants	84.365A	62365A	19,764
Special Education Grants to States	84.027A	52027A	3,100
Special Education Grants to States	84.027A	62027A	158,115
Special Education Preschool Grants	84.173A	62173A	718
SOAR - Investing in Public Facilities Grant	84.370C	U370C13001	247,203
SOAR - Investing in Public Facilities Grant	84.370C	U370C14001	372,312
SOAR - Increasing Academic Quality Grant	84.370C	U370C13001	55,602
Total Pass-Through Programs from the Office of the State Superintendent			1,531,954
Total U.S. Department of Education			1,531,954
<u>U.S. Department of Health and Human Services</u>			
Pass-Through Programs from the Office of the State Superintendent of Education of the District of Columbia			
School-Based HIV-STD Prevention	93.079	55079A	7,500
School-Based HIV-STD Prevention	93.079	55079A	7,500
Assistance Programs for Chronic Disease Prevention and Control	93.945	N/A	7,935
Assistance Programs for Chronic Disease Prevention and Control	93.945	N/A	7,935
Total U.S. Department Health and Human Services			30,870
<u>U.S. Department of Commerce</u>			
Pass-Through from the Chesapeake Bay Trust			
Unallied Management Projects	11.454	13709	4,940
Unallied Management Projects	11.454	13722	1,885
Total U.S. Department of Commerce			6,825
<u>U.S. Department of Agriculture - Food and Nutrition Service</u>			
Pass-Through Programs from the Office of the State Superintendent of Education of the District of Columbia			
National School Lunch Program	10.555	N/A	261,126
National School Breakfast Program	10.553	N/A	70,243
National School Snack Program	10.555	N/A	10,781
Fresh Fruit and Vegetable Program (Note 4)	10.582	N/A	27,880
Total U.S. Department of Agriculture			370,030
Total Expenditures of Federal Awards			\$ 1,939,679

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CAPITAL CITY PUBLIC CHARTER SCHOOL

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

Summary by CFDA		
Program	CFDA Number	Amount of Expenditures
Title I Grants to Local Educational Agencies	84.010A	\$ 555,120
Title II, Improving Teacher Quality State Grants	84.367A	120,020
Title III, English Language Acquisition State Grants	84.365A	19,764
Special Education Grants to States	84.027A	161,215
Special Education Preschool Grants	84.173A	718
SOAR - Investing in Public Facilities Grant	84.370C	619,515
SOAR - Increasing Academic Quality Grant	84.370C	55,602
School-Based HIV-STD Prevention	93.079	15,000
Assistance Programs for Chronic Disease Prevention and Control	93.945	15,870
Unallied Management Projects	11.454	6,825
National School Lunch Program/National School Snack Program	10.555	271,907
National School Breakfast Program	10.553	70,243
Fresh Fruit and Vegetable Program (Note 4)	10.582	27,880
Total Federal Awards		<u>\$ 1,939,679</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CAPITAL CITY PUBLIC CHARTER SCHOOL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards (the Schedule) includes the federal grant activity of Capital City Public Charter School, under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Capital City Public Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Capital City Public Charter School.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-Profit Organization*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Capital City Public Charter School has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. RECONCILIATION OF EXPENDITURES

The financial statements of Capital City Public Charter School, are presented in accordance with U.S. generally accepted accounting principles. Expenditures per the schedule of expenditures of federal awards are reported on the statement of activities in the audited financial statements as follows:

<u>Description</u>	<u>Total</u>
Federal Entitlements and Grants	\$ 1,960,900
Less E-Rate (Not Considered Federal Financial Assistance)	(21,221)
Total Schedule of Expenditures of Federal Awards	<u>\$ 1,939,679</u>

4. FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

CAPITAL CITY PUBLIC CHARTER SCHOOL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:..... Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?..... None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported

Type of auditors’ report issued on compliance for major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
84.370C	SOAR – Investing in Public Facilities	Unmodified
84.370C	SOAR – Investing in Public Facilities	Unmodified
84.370	SOAR – Increasing Academic Quality	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a). No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
84.370C	SOAR – Investing in Public Facilities	Unmodified
84.370C	SOAR – Investing in Public Facilities	Unmodified
84.370	SOAR – Increasing Academic Quality	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

CAPITAL CITY PUBLIC CHARTER SCHOOL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

Section II – Financial Statement Findings

None were reported.

Section III – Federal Award Findings and Questioned Costs

None were reported.