



Center City Public Charter Schools

Character, Excellence, Service

**SINGLE AUDIT FINANCIAL REPORT
UNDER UNIFORM GUIDANCE**

JUNE 30, 2017 AND 2016

CENTER CITY PUBLIC CHARTER SCHOOLS

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JUNE 30, 2017 AND 2016

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Independent Auditors' Report

To the Board of Directors
Center City Public Charter Schools
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Center City Public Charter Schools (CCPCS) a nonprofit organization, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Board of Directors
Center City Public Charter Schools

Prior Period Financial Statements

The financial statements of CCPCS as of June 30, 2016, were audited by other auditors whose report dated November 18, 2016, expressed an unmodified opinion on those statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, on our consideration of CCPCS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCPCS's internal control over financial reporting and compliance.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
November 7, 2017

Certified Public Accountants

CENTER CITY PUBLIC CHARTER SCHOOLS

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 3,875,044	\$ 7,471,634
Certificates of Deposit	4,998,741	-
Receivables	627,392	547,074
Prepaid Expenses and Other Assets	587,032	701,687
Total Current Assets	10,088,209	8,720,395
Fixed Assets		
Furniture and Equipment	2,144,290	1,944,558
Leasehold Improvements	4,681,663	3,848,706
	6,825,953	5,793,264
Less Accumulated Depreciation and Amortization	(4,925,972)	(3,974,471)
Total Fixed Assets	1,899,981	1,818,793
Total Assets	\$ 11,988,190	\$ 10,539,188
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 562,839	\$ 508,020
Accrued Payroll and Benefits	1,410,099	1,190,145
Deferred Revenue	27,704	5,149
Deferred Rent	148,080	72,420
Total Current Liabilities	2,148,722	1,775,734
Deferred Rent, Net of Current Portion	18,827	166,907
Total Liabilities	2,167,549	1,942,641
Net Assets		
Unrestricted	6,805,765	8,596,547
Unrestricted - Board-Designated Reserve	3,000,000	-
Temporarily Restricted	14,876	-
Total Net Assets	9,820,641	8,596,547
Total Liabilities and Net Assets	\$ 11,988,190	\$ 10,539,188

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS
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>
Revenue						
Per Pupil Allocation	\$ 19,765,956	\$ -	\$ 19,765,956	\$ 18,723,396	\$ -	\$ 18,723,396
Facilities Fees	4,504,808	-	4,504,808	4,492,312	-	4,492,312
Federal Grants and Entitlements	3,090,737	-	3,090,737	2,715,291	-	2,715,291
Meals and Activities Fees	336,657	-	336,657	316,411	-	316,411
Contributions	41,370	43,200	84,570	332,172	-	332,172
Other Grants and Awards	125,790	-	125,790	288,343	-	288,343
Other Income	24,895	-	24,895	500	-	500
Net Assets Released from Restrictions	28,324	(28,324)	-	-	-	-
Total Revenue	27,918,537	14,876	27,933,413	26,868,425	-	26,868,425
Expenses						
Program Services	23,847,128	-	23,847,128	20,777,721	-	20,777,721
Management and General	2,852,509	-	2,852,509	3,377,741	-	3,377,741
Fundraising	9,682	-	9,682	10,869	-	10,869
Total Expenses	26,709,319	-	26,709,319	24,166,331	-	24,166,331
Change in Net Assets	1,209,218	14,876	1,224,094	2,702,094	-	2,702,094
Net Assets, Beginning of Year	8,596,547	-	8,596,547	5,894,453	-	5,894,453
Net Assets, End of Year	\$ 9,805,765	\$ 14,876	\$ 9,820,641	\$ 8,596,547	\$ -	\$ 8,596,547

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program	Management and General	Fundraising	Total
Personnel, Salaries, and Benefits				
Salaries	\$ 13,262,081	\$ 1,156,255	\$ 6,150	\$ 14,424,486
Employee Benefits	1,675,653	263,175	246	1,939,074
Payroll Taxes	1,050,572	146,065	470	1,197,107
Contracted Staff	162,661	130,174	-	292,835
Professional Development	468,538	67,609	1,055	537,202
Travel and Meetings	1,536	16,669	-	18,205
	<u>16,621,041</u>	<u>1,779,947</u>	<u>7,921</u>	<u>18,408,909</u>
Total Personnel, Salaries, and Benefits				
Direct Student Costs				
Contracted Instruction Fees	308,573	-	-	308,573
Supplies and Materials	284,172	-	-	284,172
Other Student Costs	349,674	-	-	349,674
Student Assessments	157,459	-	-	157,459
Textbooks	127,180	-	-	127,180
Food Service/Catering	1,105,523	-	-	1,105,523
Transportation	731	-	-	731
	<u>2,333,312</u>	<u>-</u>	<u>-</u>	<u>2,333,312</u>
Total Direct Student Costs				
Occupancy Expense				
Rent	2,194,033	246,370	-	2,440,403
Maintenance and Repairs	288,040	-	-	288,040
Utilities	326,884	-	-	326,884
Contracted Building Services	643,164	-	-	643,164
	<u>3,452,121</u>	<u>246,370</u>	<u>-</u>	<u>3,698,491</u>
Total Occupancy Expense				
Office Expense				
Professional Fees	28,191	211,872	-	240,063
Computer and Related	154,020	65,567	-	219,587
Equipment Rental	101,021	4,314	-	105,335
Office Supplies and Materials	31,910	14,414	1,761	48,085
Memberships and Subscriptions	14,770	15,527	-	30,297
Other Office Expense	49,579	25,657	-	75,236
Telecommunications	77,675	35,179	-	112,854
Postage and Shipping	71	15,566	-	15,637
Printing and Publications	-	4,758	-	4,758
	<u>457,237</u>	<u>392,854</u>	<u>1,761</u>	<u>851,852</u>
Total Office Expense				
General Expense				
Depreciation	854,129	97,372	-	951,501
DCPCSB Administration Fee	-	271,208	-	271,208
Recruiting and Advertising	103,344	-	-	103,344
Insurance	19,360	63,791	-	83,151
Fees and Licenses	6,584	967	-	7,551
	<u>983,417</u>	<u>433,338</u>	<u>-</u>	<u>1,416,755</u>
Total General Expense				
Total	<u>\$ 23,847,128</u>	<u>\$ 2,852,509</u>	<u>\$ 9,682</u>	<u>\$ 26,709,319</u>

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

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

	Program	Management and General	Fundraising	Total
Personnel, Salaries, and Benefits				
Salaries	\$ 11,199,128	\$ 1,619,364	\$ 9,000	\$ 12,827,492
Employee Benefits	1,470,046	355,285	1,097	1,826,428
Payroll Taxes	904,066	186,133	772	1,090,971
Contracted Staff	289,690	7,540	-	297,230
Professional Development	382,282	-	-	382,282
Travel and Meetings	16,749	-	-	16,749
Total Personnel, Salaries, and Benefits	14,261,961	2,168,322	10,869	16,441,152
Direct Student Costs				
Contracted Instruction Fees	335,506	-	-	335,506
Supplies and Materials	397,042	-	-	397,042
Other Student Costs	243,728	-	-	243,728
Student Assessments	126,415	-	-	126,415
Textbooks	90,644	-	-	90,644
Food Service/Catering	990,932	-	-	990,932
Transportation	40,929	-	-	40,929
Total Direct Student Costs	2,225,196	-	-	2,225,196
Occupancy Expense				
Rent	2,156,147	282,981	-	2,439,128
Maintenance and Repairs	232,503	11,915	-	244,418
Utilities	277,614	-	-	277,614
Contracted Building Services	630,174	4,071	-	634,245
Total Occupancy Expense	3,296,438	298,967	-	3,595,405
Office Expense				
Professional Fees	7,759	224,100	-	231,859
Computer and Related	233,045	147,924	-	380,969
Equipment Rental	92,836	15,383	-	108,219
Office Supplies and Materials	2,634	14,304	-	16,938
Memberships and Subscriptions	275	18,089	-	18,364
Other Office Expense	18,668	25,630	-	44,298
Telecommunications	25,300	17,632	-	42,932
Postage and Shipping	17	14,783	-	14,800
Printing and Publications	-	16,867	-	16,867
Total Office Expense	380,534	494,712	-	875,246
General Expense				
Depreciation	470,420	74,483	-	544,903
DCPCSB Administration Fee	-	276,067	-	276,067
Recruiting and Advertising	116,652	-	-	116,652
Insurance	26,499	54,302	-	80,801
Fees and Licenses	21	10,888	-	10,909
Total General Expense	613,592	415,740	-	1,029,332
Total	\$ 20,777,721	\$ 3,377,741	\$ 10,869	\$ 24,166,331

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,224,094	\$ 2,702,094
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	951,501	544,903
<u>(Increase) Decrease in Assets</u>		
Receivables	(80,318)	61,080
Prepaid Expenses and Other Assets	114,655	(343,716)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	54,819	(110,161)
Accrued Payroll and Benefits	219,954	(27,669)
Deferred Revenue	22,555	5,149
Deferred Rent	(72,420)	991
Net Cash Provided by Operating Activities	2,434,840	2,832,671
Cash Flows from Investing Activities		
Purchases of Certificates of Deposit	(5,768,302)	-
Redemptions of Certificates of Deposit	769,561	-
Purchases of Fixed Assets	(1,032,689)	(317,032)
Net Cash Used in Investing Activities	(6,031,430)	(317,032)
Net (Decrease) Increase in Cash and Cash Equivalents	(3,596,590)	2,515,639
Cash and Cash Equivalents, Beginning of Year	7,471,634	4,955,995
Cash and Cash Equivalents, End of Year	\$ 3,875,044	\$ 7,471,634

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On October 11, 2007, Center City Public Charter Schools (CCPCS), was organized as a nonprofit corporation under the District of Columbia Nonprofit Corporation Act. The principal activity of CCPCS is to operate a community-based public charter school with multiple campuses. The schools are child- and family-centered and offer a comprehensive liberal arts education. CCPCS's mission is to enable a diverse group of students to meet high expectations, develop creativity, critical thinking and problem-solving skills, achieve a deep understanding of complex subjects and acquire a love of learning along with a strong sense of community and character.

CCPCS served 1,442 and 1,438 students during the years ended June 30, 2017 and 2016, 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's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities generally for three years after filing.

Basis of Accounting

CCPCS's financial statements are presented on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses when incurred.

Revenue Recognition

A substantial portion of CCPCS's 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 and in checking accounts, excluding amounts held in certificate of deposits.

Certificates of Deposit

Bank certificates of deposit are recorded at cost plus accrued interest.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Receivables

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

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.

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 statements 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 statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain 2016 amounts have been reclassified for comparative purposes.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. CONCENTRATIONS

During the years ended June 30, 2017 and 2016, 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, 2017 and 2016, 84% and 65%, respectively, of the total receivables were due from the federal government and District of Columbia Office of the State Superintendent.

3. 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, 2017 and 2016, CCPCS earned revenue of approximately \$19,766,000 and \$18,723,000, respectively, from the District of Columbia, which is approximately 87% and 86% of total revenue, respectively. These amounts are reflected as per pupil allocation in the accompanying statements of activities.

4. LEASING ARRANGEMENTS

CCPCS has lease agreements for its school campus properties. The agreements provide for a rent escalation rate of 3% each year. The leases expire in July 2023. The campus leases can be renewed for an additional five year term at the current annual rate plus 3%.

CCPCS has a lease agreement for its central office in Washington, D.C. The lease commenced on August 1, 2013 and is due to expire on September 30, 2018. The agreement provides for a rent escalation rate of 3.5% each year. The lease can be renewed for one additional term of three years at the prevailing market rate.

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 leases. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent liability in the accompanying statements of financial position.

CCPCS has entered into leases of certain office equipment. CCPCS is obligated under the leases through October 2019.

Minimum future lease payments under the leases are as follows:

For the Years Ending June 30,

2018	\$ 2,596,542
2019	2,425,646
2020	2,410,196
2021	2,481,518
2022	2,555,856
Thereafter	<u>2,852,325</u>
Total Minimum Lease Payments	<u>\$ 15,322,083</u>

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. RETIREMENT PLAN

CCPCS sponsors a 401(k) retirement plan (the Plan) that covers substantially all eligible employees. Employees who are scheduled to work the minimum of 1,000 hours in a 12-month period as defined in the Plan are eligible to participate in the Plan. Eligible employees may elect to defer up to 100% of their annual compensation, not to exceed IRS-imposed limits. Under the Plan, CCPCS matches employees' contributions up to 5% of employees' compensation. Employees are vested in the employer's contribution after one year of employment. CCPCS's contribution under the Plan for the years ended June 30, 2017 and 2016, was approximately \$507,000 and \$478,000, respectively.

6. 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.

7. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2017, temporarily restricted net assets consisted of the following:

<u>Purpose</u>	
United Way Summer Strong 2017	\$ 14,876
Total Temporarily Restricted Assets	\$ 14,876

For the year ended June 30, 2017, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

<u>Purpose</u>	
United Way Summer Strong 2017	\$ 28,324
Total Releases	\$ 28,324

8. CHANGE IN DEPRECIATION OF LEASEHOLD IMPROVEMENTS

CCPCS reviews the estimated useful lives of fixed assets on an ongoing basis. This review indicated that the actual lives of certain leasehold improvements were being depreciated based on the extended lease period, which expires in July 2018. As a result, CCPCS changed its estimates of the remaining depreciation of leasehold improvements based on the extended lease period, during which these assets will remain in service. The effect of this change in estimate was to increase 2017 depreciation expense by approximately \$186,000.

9. LINE OF CREDIT

CCPCS had a \$2,000,000 line of credit (LOC) from a financial institution. The LOC was collateralized by CCPCS's bank deposits. Interest was due monthly at the one-month floating London Interbank Offered Rate plus 310 basis points. There was no activity on the LOC during the years ended June 30, 2017 and 2016. The LOC was closed in November 2016.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

10. SUBSEQUENT EVENTS

In September 2017, the offices of the Deputy Mayor of Education (DME) and the State Superintendent of Education (OSSE), notified all charter school leaders of a tentative approved contract with the Washington Teacher's Union (WTU). Upon approval of the contract by the City Council and Mayor of the District of Columbia (DC), it is expected that DC will provide additional funding to all DC Public and Charter Schools through an increase in the per pupil allocation [Uniform per Student Funding Formula (UPSFF)] which will be applied retroactive for the year ended June 30, 2017, and to future years. All public charter schools are expected to receive a one-time payment to reflect the increase in the year ended June 30, 2017 UPSFF base rate, which will be calculated based on the final enrollment audit count, supplemental payments, and extended school year (ESY) funding. Based on CCPCS's final enrollment count and the \$203 rate increase expected for the year ended June 30, 2017 UPSFF base rate, CCPCS anticipates receiving approximately \$400,000 in retroactive per pupil allocation revenue which will be recognized and reported in CCPCS's financial statements for the year ended June 30, 2018.

Subsequent events were evaluated through November 7, 2017, 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 Directors
Center City Public Charter Schools
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 Center City Public Charter Schools (CCPCS), which comprise the statement of financial position as of June 30, 2017, 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 7, 2017.

Internal Control over Financial Reporting

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

To the Board of Directors
Center City Public Charter Schools

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 7, 2017

Certified Public Accountants

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

To the Board of Directors
Center City Public Charter Schools
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Center City Public Charter Schools' (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's major federal programs for the year ended June 30, 2017. CCPCS's 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's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CCPCS's 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, 2017.

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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Washington, D.C.
November 7, 2017

Certified Public Accountants

CENTER CITY PUBLIC CHARTER SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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>			
<i>Pass-Through Programs from the Office of the State Superintendent of Education of the District of Columbia</i>			
Title I Grants to Local Educational Agencies	84.010A	72010A; Phase 17 and 62010A; Phase 16	<u>\$ 810,252</u>
Supporting Effective Instructions State Grants (formerly Improving Teacher Quality State Grants)	84.367A	72367A; Phase 17 and 62367A; Phase 16	189,405
	84.367B	62367B; Phase 16	<u>169,607</u>
			359,012
English Language Acquisition State Grants	84.365A	72365A; Phase 17 and 62365A; Phase 16	<u>16,500</u>
Special Education Cluster - Special Education Grants to States	84.027A	72027A; Phase 17	261,396
Special Education Cluster - Special Education Preschool Grants	84.173A	72173A; Phase 17	<u>1,625</u>
			263,021
Education for Homeless Children and Youth	84.196A	62196A; Phase 17 and 62196A; Phase 16	21,395
DC School Choice Incentive Program	84.370C	U370C140001 and U370C150002	<u>374,540</u>
Total Pass-Through Programs from the Office of the State Superintendent			<u>1,844,720</u>
Total Department of Education			<u>1,844,720</u>
<u>U.S. Department of Health and Human Services</u>			
Medical Assistance Program	93.778	N/A	<u>71,177</u>
Total U.S. Department Health and Human Services			71,177
<u>Department of Agriculture - Food and Nutrition Service</u>			
<i>Pass-Through Programs from the Office of the State Superintendent of Education of the District of Columbia</i>			
Child Nutrition Cluster - National School Lunch Program (NSLP)	10.555	N/A	553,178
Child Nutrition Cluster - School Breakfast Program (SBP)	10.553	N/A	267,471
Child Nutrition Cluster - National School Snack Program	10.555	N/A	30,267
Fresh Fruit and Vegetable Program (Noncash Commodities)	10.555	N/A	<u>53,957</u>
Total Department of Agriculture			<u>904,873</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,820,770</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Center City Public Charter Schools, under programs of the federal government for the year ended June 30, 2017. 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 Center City Public Charter Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Center City Public Charter Schools.

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.

3. INDIRECT COST RATE

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

4. PASS-THROUGH TO SUBRECIPIENTS

There were no funds passed through to subrecipients.

5. RECONCILIATION OF EXPENDITURES

The financial statements of Center City Public Charter Schools, 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:

Reconciliation

<u>Description</u>	<u>Total</u>
Federal Grants and Entitlements	\$ 3,090,737
Less Recovery of Prior Year Amounts for the Medical Assistance Program	(202,094)
Less E-Rate (Not Considered Federal Financial Assistance)	(63,623)
Less Recovery of Prior Year Amounts for FY14 SOARs	(4,250)
Total Schedule of Expenditures of Federal Awards	\$ 2,820,770

CENTER CITY PUBLIC CHARTER SCHOOLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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>	
	Special Education Cluster	
84.027A	Grants to States	Unmodified
84.173A	Preschool Grants	Unmodified
84.367A & B	Supporting Effective Instructions State Grants (formerly Improving Teacher Quality State Grants)	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>
	Special Education Cluster
84.027A	Grants to States
84.173A	Preschool Grants
84.367A & B	Supporting Effective Instructions State Grants (formerly Improving Teacher Quality State Grants)

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

Auditee qualified as low-risk auditee? Yes

CENTER CITY PUBLIC CHARTER SCHOOLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

Section II - Financial Statement Findings

None were reported.

Section III - Federal Award Findings and Questioned Costs

None were reported.