

**THE CHILDREN'S GUILD PUBLIC
CHARTER SCHOOL D.C. CAMPUS**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY
INFORMATION**

JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Children's Guild Public Charter School D.C. Campus

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Guild Public Charter School D.C. Campus, 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.

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 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 auditor considers internal control relevant to the Organization'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 Organization'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.

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Board of Directors
The Children's Guild Public Charter School D.C. Campus
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Guild Public Charter School D.C. Campus 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 13 - 14 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 21, 2017, on our consideration of The Children's Guild Public Charter School D.C. Campus'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 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 Children's Guild Public Charter School D.C. Campus's internal control over financial reporting and compliance.

Katz, Abosch, Windesheim, Gershman & Freedman, P.A.

Timonium, Maryland
November 21, 2017

THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 418,145	\$ 151,425
Grants and contracts receivable - net	579,326	861,908
Other receivables	206,785	136,668
Prepaid expenses	<u>18,501</u>	<u>18,725</u>
 TOTAL CURRENT ASSETS	 <u>1,222,757</u>	 <u>1,168,726</u>
 <u>FIXED ASSETS - NET</u>	 <u>4,476,148</u>	 <u>3,787,046</u>
 <u>OTHER ASSETS</u>		
Construction in progress	0	136,668
Security deposits	<u>185,000</u>	<u>185,000</u>
 TOTAL OTHER ASSETS	 <u>185,000</u>	 <u>321,668</u>
 TOTAL ASSETS	 <u>\$ 5,883,905</u>	 <u>\$ 5,277,440</u>

The Accompanying Notes are an Integral Part of the Financial Statements

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 102,173	\$ 87,323
Line of credit	864,370	1,432,427
Accrued expenses	261,831	219,348
Deferred rent	172,981	54,121
Unearned revenue	<u>201,996</u>	<u>0</u>
 TOTAL CURRENT LIABILITIES	 1,603,351	 1,793,219
 <u>LONG-TERM LIABILITIES</u>		
Deferred rent	<u>4,254,709</u>	<u>3,719,132</u>
 TOTAL LIABILITIES	 5,858,060	 5,512,351
 <u>NET ASSETS</u>		
Unrestricted	<u>25,845</u>	<u>(234,911)</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,883,905</u>	 <u>\$ 5,277,440</u>

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<u>SUPPORT AND REVENUES</u>		
Grants - federal awards	\$ 587,168	\$ 1,149,933
Grants - other	0	7,968
Contributed services	696,235	985,637
Per-pupil allocation	9,359,050	6,895,983
Other revenue	29,251	0
TOTAL SUPPORT AND REVENUES	10,671,704	9,039,521
<u>EXPENSES</u>		
Functional expenses:		
Educational program services	9,124,618	7,768,652
Management and general	1,286,330	1,083,728
TOTAL EXPENSES	10,410,948	8,852,380
Change in Net Assets	260,756	187,141
Net Assets - Beginning of the Year	(234,911)	(422,052)
Net Assets - End of the Year	\$ 25,845	\$ (234,911)

The Accompanying Notes are an Integral Part of the Financial Statements

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 260,756	\$ 187,141
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	445,771	341,044
Changes in operating assets and liabilities:		
Grants and contracts receivable	282,582	(646,908)
Other receivables	(70,117)	(136,668)
Prepaid expenses	224	76,175
Accounts payable	14,850	87,323
Accrued expenses	42,483	219,348
Deferred rent	(221,715)	123,253
Unearned revenue	<u>201,996</u>	<u>0</u>
Net Cash Provided by Operating Activities	<u>956,830</u>	<u>250,708</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of fixed assets	(122,053)	(438,076)
Payments toward construction in process	<u>0</u>	<u>(136,668)</u>
Net Cash Used in Investing Activities	<u>(122,053)</u>	<u>(574,744)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net activity in line of credit	<u>(568,057)</u>	<u>475,461</u>
Net Cash Provided by (Used in) Financing Activities	<u>(568,057)</u>	<u>475,461</u>
NET INCREASE IN CASH	266,720	151,425
CASH AT THE BEGINNING OF THE YEAR	<u>151,425</u>	<u>0</u>
CASH AT THE END OF THE YEAR	<u>\$ 418,145</u>	<u>\$ 151,425</u>

Supplemental Schedule of Noncash Investing and Financing Activities:

Landlord financed leasehold improvements and deferred rent	\$ 876,152	\$ 3,650,000
Construction in progress placed in service during the year	136,668	0

The Accompanying Notes are an Integral Part of the Financial Statements

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

During 2014, The Children's Guild, LTD was incorporated as a District of Columbia non-stock, not-for-profit corporation, and adopted the trade name of The Children's Guild Public Charter School D.C. Campus (Organization). The Organization was incorporated to operate a public charter school in the District of Columbia. The Organization's instructional program commenced in September 2015.

Effective July 1, 2015, the District of Columbia Public Charter School Board (DCPCSB) granted a charter allowing the Organization to operate a charter school in the District of Columbia. The charter defines the District's and the Organization's responsibilities in relation to the operation, management and administration of the school. The charter has a term of fifteen years unless renewed, revoked, or terminated. DCPCSB has the authority to revoke the charter for material violations of applicable laws or regulations set forth in the charter, or failure to meet certain goals and student academic achievement targets as defined in the charter. The Organization may request renewal of the charter at the end of the term.

Basis of accounting

The financial statements are prepared on the accrual basis of accounting.

Financial statement presentation

The Organization follows the Not-For-Profit Entities Presentation of Financial Statements Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification which requires it to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. During the years ended June 30, 2017 and 2016, there were no temporarily or permanently restricted net assets.

Grants and contracts receivable

Government and private grants and contracts are recognized based on the terms of the specific grant or contract document. Federal grant awards are typically recorded as revenue when the Organization expends the funds related to the grant award as the Organization makes progress towards the grant purpose. Grant receivables are established for grant costs which have been incurred but not yet reimbursed. Grant revenue received in advance, which is not typical, for the grant period is recorded as unearned revenue or temporarily restricted support, depending on the nature of the transaction.

THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and contracts receivable (continued)

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to the change in unrestricted net assets and a credit 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 grants and contracts receivable.

Receivables are presented net of the allowance for doubtful accounts of \$113,401 and \$0 as of June 30, 2017 and 2016, respectively. The allowance is a reserve related to services provided via participation in the school based health services District of Columbia Medicaid program. A cost report has been submitted, however, the required audit of the cost report has not yet been completed.

Per-pupil allocation

The Organization receives a student allocation from the District of Columbia, as well as federal entitlement funding. The student allocation is on a per-pupil basis and includes academic year funding, special education funding, and a facilities allowance. Student allocation revenue is recognized in the period when it is earned, which is the school year for which the allocation is made. Unearned student allocation, if received, is recorded as unearned revenue.

Fixed assets and depreciation

Fixed assets are recorded at cost if purchased and fair value if donated. It is the Organization's policy to capitalize expenditures for fixed assets in excess of \$1,000. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of fixed assets is depreciated using the straight-line method over their estimated useful lives.

Deferred rent

The Organization's lease described in Note 6 contains leasehold incentives through which the landlord agreed to provide financing for certain of the Organization's leasehold improvements. In accordance with the provisions of the Leases Topic of the FASB Accounting Standards Codification, the Organization recorded a leasehold improvement asset and a corresponding deferred rent liability. The deferred lease incentive is being amortized as a reduction of rent expense over the lease term. Additionally, the lease contains rental escalations throughout the term of the lease, and the Organization is recording rental expense on the straight-line basis.

THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Organization is exempt from federal and state taxation under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation.

Accounting for contributions

The Organization follows the Not-For-Profit Entities Revenue Recognition Topic of the FASB Accounting Standards Codification. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

The Organization records a contribution and a related functional expense for contributed services meeting the criteria as defined in accounting principles generally accepted in the United States of America. The services received required specialized skills and would be required to be procured if not contributed. For the years ended June 30, 2017 and 2016, the value of contributed professional services related to the management agreement described in Note 4 meeting the requirements for recognition in the financial statements was \$696,235 and \$985,637, respectively.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from the estimates that were used.

Functional expenses

Expenses are charged directly to program, management and general or fundraising categories based on specific identification, when determinable. A reasonable allocation is made for costs not specifically identifiable. During the years ended June 30, 2017 and 2016 the Organization did not expend significant resources related to fundraising.

Subsequent events

The Organization has evaluated subsequent events through November 21, 2017, which is the date the financial statements were available to be issued.

THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2: FIXED ASSETS

The following is a summary of fixed assets at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture, fixtures and equipment	\$ 386,366	\$ 329,564
Computer equipment	87,733	54,010
Leasehold improvements	<u>4,788,931</u>	<u>3,744,583</u>
 Total	 5,263,030	 4,128,157
 Less: accumulated depreciation	 <u>(786,882)</u>	 <u>(341,111)</u>
 TOTAL FIXED ASSETS - NET	 <u>\$ 4,476,148</u>	 <u>\$ 3,787,046</u>

Depreciation expense for the years ended June 30, 2017 and 2016, amounted to \$445,771 and \$341,044, respectively.

NOTE 3: CONSTRUCTION IN PROGRESS

The Organization is in the process of constructing physical environment improvements to the facility leased under the agreement described in Note 6. The cost of these improvements, up to a maximum of \$300,000, will be reimbursed by the landlord upon completion. Costs incurred through June 30, 2017 include construction costs, certain professional fees, as well as other related costs that meet the criteria for capitalization as required by accounting principles generally accepted in the United States of America. A receivable has been recorded to reflect the expected reimbursement of costs incurred to date from the landlord upon completion of the project. Landlord financed leasehold improvements of \$206,785, including \$136,668 which is presented as Construction in progress in the accompanying June 30, 2016 statement of financial position, were placed in service during the year ended June 30, 2017 and included in fixed assets in the accompanying June 30, 2017 statement of financial position.

NOTE 4: LINE OF CREDIT AND MANAGEMENT AGREEMENT

The Organization has entered into several agreements with an entity (The Children's Guild, Inc. (Guild)) that assisted in the Organization's initial formation and operates as an independent third-party management company. The Guild is based in central Maryland and has several major programs, including management of charter schools.

During the fiscal year ended June 30, 2014, the Guild extended a line of credit to the Organization to provide initial working capital. Advances under this credit facility bear interest at a fixed rate of 6% and interest payments are due monthly. The line of credit is due on demand. The maximum amount that may be advanced under this credit facility at any one time is \$2,000,000, as amended during the year ended June 30, 2016. The amount due to the Guild as of June 30, 2017 and 2016 relating to the line of credit was \$864,370 and \$1,432,427, respectively. For the years ended June 30, 2017 and 2016, interest expense related to this facility was forgiven by the Guild.

THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4: LINE OF CREDIT AND MANAGEMENT AGREEMENT (Continued)

Effective July 1, 2015, Organization entered into a management agreement with the Guild whereby the Guild will provide management and administrative services for the Organization. The annual management fee under the agreement is 12% of gross revenues, plus an amount to reimburse the Guild for certain costs paid by the Guild on the Organization's behalf. During years ended June 30, 2017 and 2016, \$696,235 and \$985,637, respectively, of the annual management fee was contributed by the Guild to the Organization and is presented as contributed services in the accompanying financial statements. Management fee expense pertaining to the agreement totaled \$1,193,546 and \$985,637 for the year ended June 30, 2017 and 2016. This agreement has an initial term of 5 years, and includes provisions for renewal terms.

NOTE 5: RETIREMENT PLAN

The Guild maintains a program of matching voluntary employee contributions to a Section 403(b) tax-sheltered annuity (TSA). Employees of the Organization are eligible to participate in the TSA. The TSA provides for discretionary employer contributions. The Guild elected to make a discretionary match of up to 3% of compensation as defined in the plan document. The Organization's retirement plan expense was immaterial for the years ended June 30, 2017 and 2016.

NOTE 6: OPERATING LEASES

Effective July 1, 2015, the Organization entered into a lease agreement to occupy approximately 60,000 square feet of space to operate a charter school. The lease initially expires in 2030. The lease provides for three renewal periods of five years each and contains annual scheduled rent increases. During the first three years of the lease term, the payment terms are set relative to the facilities allowance received under the Organization's charter agreement.

Additionally, the Organization enters into leases for equipment as required for operations.

The minimum future rental payments required under non-cancelable operating leases having terms in excess of one year as of June 30, 2017 are as follows:

2018	\$ 1,224,050
2019	1,251,800
2020	1,280,244
2021	1,303,223
2022	1,332,545
2023 and thereafter	<u>11,829,870</u>
Total	<u>\$ 18,221,732</u>

Rent expense, which is recorded on a straight line basis and net of adjustments related to deferred rent for leasehold improvement incentives, for the years ended June 30, 2017 and 2016 was \$1,024,299 and \$1,130,351, respectively.

THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7: PUPIL ALLOCATION

The components of per-pupil allocation revenue for the years ended June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
General education	\$ 3,456,474	\$ 3,199,944
Special education and enhancements	4,834,168	2,678,647
Facilities allowance	<u>1,068,408</u>	<u>1,017,392</u>
Total	\$ <u>9,359,050</u>	\$ <u>6,895,983</u>

NOTE 8: ADDITIONAL COMMUNICATIONS

As required by professional auditing standards, those charged with governance of the Organization received communications from the auditor during both the planning phase and at the conclusion of the audit describing the responsibilities of the auditors, the scope of the audit and the results of the audit conducted.

SUPPLEMENTARY INFORMATION

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017		
	Educational Program	Management & General	Total
Personnel, salary and benefits:			
Employee benefits	\$ 65,864	\$ 0	\$ 65,864
Payroll taxes	318,520	0	318,520
Salaries and wages	4,630,097	0	4,630,097
Staff recruiting and development	<u>32,752</u>	<u>0</u>	<u>32,752</u>
Total personnel, salary, and benefits	<u>5,047,233</u>	<u>0</u>	<u>5,047,233</u>
Direct student costs:			
Computer expenses	28,381	0	28,381
Contractors	574,777	0	574,777
Equipment rental	15,307	0	15,307
Student transportation and field trips	887,192	0	887,192
Food service fees	224,867	0	224,867
Supplies	<u>222,506</u>	<u>0</u>	<u>222,506</u>
Total direct student costs	<u>1,953,030</u>	<u>0</u>	<u>1,953,030</u>
Occupancy costs:			
Depreciation	445,771	0	445,771
Rent expense	1,024,299	0	1,024,299
Repairs and maintenance	30,926	0	30,926
Telephone	14,687	0	14,687
Utilities	<u>186,352</u>	<u>0</u>	<u>186,352</u>
Total occupancy costs	<u>1,702,035</u>	<u>0</u>	<u>1,702,035</u>
Office expenses			
Consultants	3,788	0	3,788
Dues and subscriptions	11,844	0	11,844
Office supplies	43,130	10,782	53,912
Postage and delivery	2,379	0	2,379
Printing and publications	0	0	0
Uniforms	<u>0</u>	<u>0</u>	<u>0</u>
Total office expenses	<u>61,141</u>	<u>10,782</u>	<u>71,923</u>
General expenses:			
Accounting fees	0	16,073	16,073
Insurance	0	16,674	16,674
Legal fees	114,181	0	114,181
Management fees	0	1,193,546	1,193,546
Meals and entertainment	6,959	0	6,959
Miscellaneous	4,986	0	4,986
Professional fees	120,996	49,255	170,251
Public relations and recruiting	104,694	0	104,694
Travel expenses	<u>9,363</u>	<u>0</u>	<u>9,363</u>
Total general expenses	<u>361,179</u>	<u>1,275,548</u>	<u>1,636,727</u>
TOTAL	<u>\$ 9,124,618</u>	<u>\$ 1,286,330</u>	<u>\$ 10,410,948</u>

	2016		
	Educational Program	Management & General	Total
Personnel, salary and benefits:			
Employee benefits	\$ 180,466	\$ 0	\$ 180,466
Payroll taxes	292,597	0	292,597
Salaries and wages	3,253,418	0	3,253,418
Staff recruiting and development	13,688	0	13,688
Total personnel, salary, and benefits	<u>3,740,169</u>	<u>0</u>	<u>3,740,169</u>
Direct student costs:			
Computer expenses	30,587	0	30,587
Contractors	800,870	0	800,870
Equipment rental	17,687	0	17,687
Student transportation and field trips	689,510	0	689,510
Food service fees	180,929	0	180,929
Supplies	234,960	0	234,960
Total direct student costs	<u>1,954,543</u>	<u>0</u>	<u>1,954,543</u>
Occupancy costs:			
Depreciation	341,044	0	341,044
Rent expense	1,130,351	0	1,130,351
Repairs and maintenance	25,490	0	25,490
Telephone	9,557	0	9,557
Utilities	170,047	0	170,047
Total occupancy costs	<u>1,676,489</u>	<u>0</u>	<u>1,676,489</u>
Office expenses			
Consultants	5,380	0	5,380
Dues and subscriptions	7,245	0	7,245
Office supplies	72,134	18,008	90,142
Postage and delivery	3,506	0	3,506
Printing and publications	620	0	620
Uniforms	2,130	0	2,130
Total office expenses	<u>91,015</u>	<u>18,008</u>	<u>109,023</u>
General expenses:			
Accounting fees	0	26,963	26,963
Insurance	0	9,185	9,185
Legal fees	105,767	0	105,767
Management fees	0	985,637	985,637
Meals and entertainment	1,695	0	1,695
Miscellaneous	6,297	0	6,297
Professional fees	106,712	43,935	150,647
Public relations and recruiting	84,878	0	84,878
Travel expenses	1,087	0	1,087
Total general expenses	<u>306,436</u>	<u>1,065,720</u>	<u>1,372,156</u>
TOTAL	<u>\$ 7,768,652</u>	<u>\$ 1,083,728</u>	<u>\$ 8,852,380</u>

**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**

Board of Directors
The Children's Guild Public Charter School D.C. Campus

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 The Children's Guild Public Charter School D.C. Campus, 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, and have issued our report thereon dated November 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Children's Guild Public Charter School D.C. Campus'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 Children's Guild Public Charter School D.C. Campus's internal control. Accordingly, we do not express an opinion on the effectiveness of The Children's Guild Public Charter School D.C. Campus'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Children's Guild Public Charter School D.C. Campus'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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katz Abosch Windesheim Gershman & Freedman, PA

Timonium, Maryland
November 21, 2017