

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS

WASHINGTON, DC

COMPARATIVE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
William E. Doar, Jr. Public Charter School
for the Performing Arts
705 Edgewood Avenue, NE
Washington, DC 20017

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the William E. Doar, Jr. Public Charter School for the Performing Arts (a nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

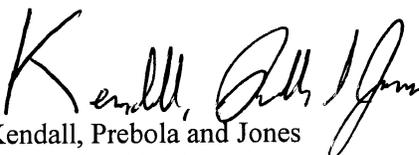
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the William E. Doar, Jr. Public Charter School for the Performing Arts as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of the William E. Doar, Jr. Public Charter School for the Performing Arts' 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 William E. Doar, Jr. Public Charter School for the Performing Arts' internal control over financial reporting and compliance.


Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 16, 2016

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|
| <u>ASSETS</u> | | |
| <u>Current Assets:</u> | | |
| Cash and Cash Equivalents | \$ 2,096,991 | \$ 1,832,945 |
| Accounts Receivable | 136,377 | 160,386 |
| Grants Receivable | 123,885 | 345,137 |
| Promises Receivable | 90 | 15,165 |
| Prepaid Expenses | <u>26,074</u> | <u>39,857</u> |
| Total Current Assets | <u>\$ 2,383,417</u> | <u>\$ 2,393,490</u> |
| <u>Fixed Assets:</u> | | |
| Fixed Assets, Net of Accumulated Depreciation | <u>\$ 746,617</u> | <u>\$ 976,708</u> |
| Total Fixed Assets | <u>\$ 746,617</u> | <u>\$ 976,708</u> |
| <u>Other Assets:</u> | | |
| Deposits | <u>\$ 475,000</u> | <u>\$ 475,291</u> |
| Total Other Assets | <u>\$ 475,000</u> | <u>\$ 475,291</u> |
| TOTAL ASSETS | <u>\$ 3,605,034</u> | <u>\$ 3,845,489</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>Current Liabilities:</u> | | |
| Accounts Payable | \$ 353,621 | \$ 289,636 |
| Accrued Salaries and Payroll Withholdings | 371,502 | 285,808 |
| Accrued Interest Payable | 3,165 | 4,171 |
| Current Portion - Long-Term Debt | 502,556 | 490,187 |
| Current Portion - Capital Lease Payable | <u>4,391</u> | <u>-</u> |
| Total Current Liabilities | <u>\$ 1,235,235</u> | <u>\$ 1,069,802</u> |
| <u>Long-Term Liabilities:</u> | | |
| Notes Payable | \$ 1,328,996 | \$ 1,819,183 |
| Less: Current Portion | (502,556) | (490,187) |
| Capital Lease Payable | 9,857 | - |
| Less: Current Portion | <u>(4,391)</u> | <u>-</u> |
| Total Long-Term Liabilities | <u>\$ 831,906</u> | <u>\$ 1,328,996</u> |
| Total Liabilities | <u>\$ 2,067,141</u> | <u>\$ 2,398,798</u> |
| <u>Net Assets/(Deficit):</u> | | |
| Unrestricted | \$ 1,537,893 | \$ 1,446,691 |
| Temporarily Restricted | <u>-</u> | <u>-</u> |
| Total Net Assets/(Deficit) | <u>\$ 1,537,893</u> | <u>\$ 1,446,691</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,605,034</u> | <u>\$ 3,845,489</u> |

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | June 30, 2016 | | | June 30, 2015 | | |
|---|------------------|---------------------------|------------------|------------------|---------------------------|------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| <u>Revenues, Gains and Other Support:</u> | | | | | | |
| Per Pupil Funding Allocation | \$ 6,145,041 | \$ - | \$ 6,145,041 | \$ 6,109,841 | \$ - | \$ 6,109,841 |
| Per Pupil Funding - Facilities Allowance | 1,449,536 | - | 1,449,536 | 1,348,608 | - | 1,348,608 |
| Federal Entitlements and Grants | 696,504 | - | 696,504 | 576,828 | - | 576,828 |
| State Grants - District of Columbia | 147,652 | - | 147,652 | 17,077 | - | 17,077 |
| Other Grants and Contributions | 25,816 | 3,500 | 29,316 | 23,847 | 2,700 | 26,547 |
| Student Fees | 75,937 | - | 75,937 | 119,858 | - | 119,858 |
| Interest and Dividends | 1,550 | - | 1,550 | 1,762 | - | 1,762 |
| Other Revenue | 1,930 | - | 1,930 | 3,139 | - | 3,139 |
| Gain/(Loss) on Disposal of Fixed Assets | 631 | - | 631 | (5,974) | - | (5,974) |
| Recovery of Prior Year Expense | - | - | - | 9,012 | - | 9,012 |
| Net Assets Released from Restrictions (Satisfaction of Program Restrictions) | 3,500 | (3,500) | - | 4,200 | (4,200) | - |
| Total Revenues and Other Support | \$ 8,548,097 | \$ - | \$ 8,548,097 | \$ 8,208,198 | \$ (1,500) | \$ 8,206,698 |
| <u>Expenses:</u> | | | | | | |
| Educational Services | \$ 7,182,913 | \$ - | \$ 7,182,913 | \$ 6,484,549 | \$ - | \$ 6,484,549 |
| General and Administrative | 1,202,864 | - | 1,202,864 | 1,023,624 | - | 1,023,624 |
| Fundraising | 71,118 | - | 71,118 | 68,525 | - | 68,525 |
| Total Expenses | \$ 8,456,895 | \$ - | \$ 8,456,895 | \$ 7,576,698 | \$ - | \$ 7,576,698 |
| Changes in Net Assets | \$ 91,202 | \$ - | \$ 91,202 | \$ 631,500 | \$ (1,500) | \$ 630,000 |
| Net Assets, Beginning of Year | \$ 1,446,691 | \$ - | \$ 1,446,691 | \$ 815,191 | \$ 1,500 | \$ 816,691 |
| Net Assets/(Deficit), End of Year | \$ 1,537,893 | \$ - | \$ 1,537,893 | \$ 1,446,691 | \$ - | \$ 1,446,691 |

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|
| <u>Cash Flows from Operating Activities:</u> | | |
| Changes in Net Assets | \$ 91,202 | \$ 630,000 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities: | | |
| Depreciation | 302,276 | 309,329 |
| (Gain)/Loss on Disposal of Fixed Assets | (631) | 5,974 |
| Deposits - (Increase)/Decrease | 291 | (65,322) |
| Accounts Receivable - (Increase)/Decrease | 24,009 | (56,258) |
| Grants Receivable - (Increase)/Decrease | 221,252 | (129,633) |
| Promises Receivable - (Increase)/Decrease | 15,075 | (15,165) |
| Prepaid Expenses - (Increase)/Decrease | 13,783 | 17,590 |
| Accounts Payable - Increase/(Decrease) | 63,985 | (116,259) |
| Accrued Interest Payable - Increase/(Decrease) | (1,006) | (980) |
| Accrued Salary and Payroll Withholdings - Increase/(Decrease) | 85,694 | (680) |
| Deferred Revenues - Increase/(Decrease) | <u>-</u> | <u>(350,984)</u> |
| Net Cash Flows from Operating Activities | <u>\$ 815,930</u> | <u>\$ 227,612</u> |
| <u>Cash Flows from Investing Activities:</u> | | |
| Acquisition of Fixed Assets | \$ (59,783) | \$ (24,861) |
| Proceeds on Disposal of Fixed Assets | <u>1,550</u> | <u>4,259</u> |
| Net Cash Flows from Investing Activities | <u>\$ (58,233)</u> | <u>\$ (20,602)</u> |
| <u>Cash Flows from Financing Activities:</u> | | |
| Repayment on Notes | \$ (490,187) | \$ (478,299) |
| Payments on Capital Lease | <u>(3,464)</u> | <u>-</u> |
| Net Cash Flows from Financing Activities | <u>\$ (493,651)</u> | <u>\$ (478,299)</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | \$ 264,046 | \$ (271,289) |
| Cash and Cash Equivalents at Beginning of Year | <u>1,832,945</u> | <u>2,104,234</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 2,096,991</u> | <u>\$ 1,832,945</u> |

Supplemental Disclosures:

- a) Cash paid for interest for the years ended June 30, 2016 and 2015 was \$45,601 and \$57,489, respectively.
- b) No income taxes were paid during the years ended June 30, 2016 and 2015.

Non-Cash Activities:

During the year ended June 30, 2016, the School purchased a Ricoh MPC3503 photocopier in the amount of \$13,321 by financing through a capital lease.

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

The William E. Doar, Jr. Public Charter School for the Performing Arts, Inc., a nonprofit organization incorporated in the District of Columbia in 2004, has been granted 501(c)(3) status by the Internal Revenue Service, and has been granted a charter as a DC public charter school by the District of Columbia Public Charter School Board, as authorized by the DC School Reform Act.

As a DC public charter school, William E. Doar, Jr. Public Charter School for the Performing Arts has a guaranteed funding stream from the District of Columbia (uniform per student funding) and the U.S. federal government (federal grants for education and other programs) provided it meets certain compliance requirements. A DC public charter school is considered a Local Educational Agency (LEA) under federal education guidelines. As a DC public charter school, the William E. Doar, Jr. Public Charter School for the Performing Arts enjoys significant freedom from the budget and operational restrictions placed on traditional public schools, allowing it to create a unique educational mission and approach.

The School is currently in the process of the Middle States Association of Colleges and Schools (MSA) accreditation and has been granted candidacy status. MSA is among the premier accrediting associations in the world and pioneered the accreditation of colleges and schools in the United States more than a century ago. Middle States accreditation remains a prestigious validation of educational excellence and dynamic school improvement in traditional and nontraditional schools worldwide. The accreditation is in the final stage of completion. The accreditation will be issued during the fiscal year ended June 30, 2018.

The School's primary sources of support are local appropriations for Charter Schools from the District of Columbia Government.

Basic Programs:

The William E. Doar, Jr. Public Charter School for the Performing Arts is the District's only college-preparatory public charter that integrates rigorous academic instruction with world-class performing arts programs to propel young people towards success in school and in life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents the statement of financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition:

Contributions

The School has adopted Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history and type of contribution.

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

Federal and Charter School Funding

The School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The School recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue.

Federal entitlements are recognized based on the allowable costs incurred.

Before and After Care Fees

The School offers fee-based extended day programming for students. The hours of operation are structured to coincide with the typical workday of parents of the students. Both the before and after care programs offer food services. Tuition is collected based on a monthly fee. The amount of tuition ranges from full tuition to reduced tuition based on the National School Lunch Program guidelines.

(c) Corporate Taxes:

The School is exempt from federal income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code. Exemption from District of Columbia income taxes was also granted to the School. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes: (Continued)

The organization has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The School did not have any net unrelated business income for the year ended June 30, 2016. The School is also exempt from District of Columbia sales and personal property taxes.

(d) Grants:

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

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

(e) Net Assets:

The School has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the School is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets available at year end.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets (Continued)

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

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|
| Educational Program Services - Use Restricted | \$ 3,500 | \$ 4,200 |
| Total Released | <u>\$ 3,500</u> | <u>\$ 4,200</u> |

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The School did not have any permanently restricted net assets as of June 30, 2016 and 2015.

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the School's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the Statement of Activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There were no donated services and materials recorded in the financial statements during the years ended June 30, 2016 and 2015.

(g) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Functional Expense Allocation Policies and Procedures: (Continued)

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment material, contract educational services, and field trips) are allocated entirely to program services.

Personnel expenses for salaries, payroll taxes and employee benefit plans are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (executive, teachers, other educational staff, etc.) and then a percentage of time spent on program services, general and administrative activities, and fundraising activities is applied. All other personnel expenses (benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

Other expenses that are not directly identifiable by program are allocated based on management estimates of use of resources.

(h) Use of Estimates:

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

(i) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(j) Fair Value of Certain Financial Instruments:

Some of the School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(k) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets or to total net assets from the prior years.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

3. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The William E. Doar, Jr. Public Charter School for the Performing Arts performed an evaluation of uncertain tax positions for the year ended June 30, 2016, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2016, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the organization files tax returns. It is the School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2016, the School had no accruals for interest and/or penalties.

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalent at year end consisted of the following:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|
| Interest Bearing Checking Accounts | \$ 1,290,521 | \$ 1,136,146 |
| Non-Interest Bearing Accounts | 347,626 | 238,414 |
| Money Market Accounts - Interest Bearing | 458,628 | 458,169 |
| Cash on Hand | <u>216</u> | <u>216</u> |
| Total | <u>\$ 2,096,991</u> | <u>\$ 1,832,945</u> |

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

The School maintains its cash in two separate financial institutions, with most of the cash being held by one banking institution. These cash accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per banking institution. Deposits held in non-interest-bearing transaction accounts are aggregated with interest bearing deposits and the combined total insured up to \$250,000.

As of June 30, 2016 and 2015, \$1,841,037 and \$1,582,985, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The School was at risk for the funds held in excess of the insured amounts. The School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable:

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2016 and 2015 consisted of the following:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|
| <u>Accounts Receivable</u> | | |
| Per Pupil Funding | \$ 32,344 | \$ 55,783 |
| Reimbursable Expenses | <u>104,033</u> | <u>104,603</u> |
| Total | <u>\$ 136,377</u> | <u>\$ 160,386</u> |
| <u>Grants Receivable</u> | | |
| National School Lunch and Breakfast Program | \$ 46,343 | \$ 39,920 |
| Federal Entitlement Grants | 41,038 | 274,615 |
| Increasing Academic Quality | 18,790 | 17,991 |
| Physical Education Grant | 7,935 | 442 |
| E-rate (USAC) | 7,333 | 2,831 |
| Healthy Schools Act | 2,446 | 2,218 |
| Addressing Special Populations | <u>-</u> | <u>7,120</u> |
| Total | <u>\$ 123,885</u> | <u>\$ 345,137</u> |

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

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required based on its evaluation of collectability of receivables for the years ended June 30, 2016 and 2015.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable when payment has not been received after 180 days.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

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

Promises Receivable:

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the School. The School uses the allowance method to determine uncollectible promises to give. Promises receivable at year end consisted of the following:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---------------------------|----------------------|----------------------|
| Other - Unrestricted | \$ 90 | \$ 15,165 |
| Total Promises Receivable | <u>\$ 90</u> | <u>\$ 15,165</u> |

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

6. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$302,276 and \$309,329, respectively. Maintenance and repairs are charged to expenses as incurred.

Major classifications of fixed assets and their estimated useful lives are as summarized below:

| <u>June 30, 2016</u> | <u>Depreciable Life</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|-------------------------------|-----------------------------|---------------------|-------------------------------------|---------------------------|
| Leasehold Improvements | Remaining Life of Lease | \$ 3,784,607 | \$ 3,225,154 | \$ 559,453 |
| Furniture and Fixtures | 7 Years | 247,023 | 158,012 | 89,011 |
| Computer and Office Equipment | 4-7 Years | 530,103 | 431,950 | 98,153 |
| Vehicles | 3 Years | <u>2,500</u> | <u>2,500</u> | <u>-</u> |
| Total | | <u>\$ 4,564,233</u> | <u>\$ 3,817,616</u> | <u>\$ 746,617</u> |

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

6. FIXED ASSETS: (Continued)

| <u>June 30, 2015</u> | <u>Depreciable Life</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|-------------------------------|-----------------------------|---------------------|-------------------------------------|---------------------------|
| | Remaining | | | |
| Leasehold Improvements | Life of Lease | \$ 3,779,659 | \$ 3,049,170 | \$ 730,489 |
| Furniture and Fixtures | 7 Years | 232,018 | 130,458 | 101,560 |
| Computer and Office Equipment | 4-7 Years | 479,815 | 335,156 | 144,659 |
| Vehicles | 3 Years | <u>2,500</u> | <u>2,500</u> | <u>-</u> |
| Total | | <u>\$ 4,493,992</u> | <u>\$ 3,517,284</u> | <u>\$ 976,708</u> |

7. CAPITAL LEASE PAYABLE:

During the year ended June 30, 2016, the William E. Doar, Jr. Public Charter School entered into a capital lease for the rental of a Ricoh MPC3503 photocopier with Meridian Imaging Solutions. The original balance was in the amount of \$13,321, and is payable over thirty-six (36) months with a monthly payment of \$405 and a maturity on August 28, 2018. The capital lease was provided at no interest to the Charter School. The lease is secured by the photocopy equipment that cost \$13,321, and is presented as part of Furniture and Equipment. For the year ended June 30, 2016, amortization expense in the amount of \$3,700, on the photocopier is included in depreciation expense. Accumulated amortization was \$3,700 at June 30, 2016. Total interest expense related to this lease for the year ended June 30, 2016 was \$589. The balance of the capital lease at June 30, 2016 was \$9,857. The Charter School is committed under this capital lease to make future minimum payments as follows:

| <u>Year Ending June 30,</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|--|------------------|------------------|-----------------|
| 2017 | \$ 4,863 | \$ 4,391 | \$ 472 |
| 2018 | 4,863 | 4,662 | 201 |
| 2019 | <u>812</u> | <u>804</u> | <u>8</u> |
| Total Future Minimum Lease Payments | <u>\$ 10,538</u> | <u>\$ 9,857</u> | <u>\$ 681</u> |

8. LOANS PAYABLE:

United Bank:

On October 9, 2007, the School obtained a loan from United Bank for \$1,600,000 to pay for leasehold improvements to the school building located at 705 Edgewood Avenue, NE, Washington, DC. The loan bears interest at 2.5% per annum over the prevailing 5-year CMT index. On December 3, 2012, the School entered into a comprehensive Loan Modification and Note Bifurcation agreement (the agreement) with the lender. Subject to the terms of the agreement, the original loan has been bifurcated into two sub-notes in December 2012. At that date, sub-note A balance due was \$730,887, and bears an interest rate of 3.25%. Sub-note B balance due was \$438,532, and bears an interest rate of 4.25%. Principal and interest payments are due monthly over eight years.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

8. LOANS PAYABLE: (Continued)

United Bank: (Continued)

The sub-notes are secured by assets and revenues of the School. The balances of these sub-notes at June 30, 2016 and 2015, were \$699,708 and \$840,045, respectively. Future minimum payments on this loan based on current interest rates are as follows:

| <u>Year Ending June 30,</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|-------------------|-------------------|------------------|
| 2017 | \$ 168,967 | \$ 145,655 | \$ 23,312 |
| 2018 | <u>563,707</u> | <u>554,053</u> | <u>9,654</u> |
| Total | <u>\$ 732,674</u> | <u>\$ 699,708</u> | <u>\$ 32,966</u> |

The Charter School entered into a Credit Enhancement agreement with the Office of Public Charter School Financing and Support on October 9, 2007. Per the terms of this agreement, the Office of Public Charter School Financing and Support has provided a limited guarantee up to the amount of \$1,000,000 to induce United Bank to loan the Charter School funds to renovate the facility located at 705 Edgewood Street, NW, Washington DC. The term of the guarantee was for a ten-year (10) period and expires in December 2017.

Office of the State Superintendent of Education (OSSE):

On September 4, 2004, the School entered into a loan agreement with the Office of the State Superintendent of Education for the District of Columbia (OSSE) for the amount of \$2,000,000. The original term was through September 1, 2009, with a balloon payment of \$2,000,000 due on that maturity date. A \$509,000 principal-only payment was made during December 2010. This payment was a result of grant funding received by the School in the same amount of \$509,000 for the purpose of making a one-time principal payment on this loan.

At the beginning of each year, the School was allowed a temporary forbearance of the payment until September 30 of the following year. Interest only payments of 3% per annum were required each quarter. This continued until December 3, 2012, when, the School entered into a comprehensive Loan Modification and Note Bifurcation agreement (the agreement) with the lender. Subject to the terms of the agreement, the original loan had been modified. Specifically, the \$1,491,000 balance due was to be repaid with interest only payments for the first twelve months. Thereafter, principal and interest payments are required on a quarterly basis beginning on March 1, 2014. The new interest rate is 2% per annum. The balance of this loan at June 30, 2016 and 2015 was \$629,288 and \$979,138, respectively. Future minimum payments on this loan based on current interest rates are as follows:

| <u>Year Ending June 30,</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|-------------------|-------------------|------------------|
| 2017 | \$ 366,820 | \$ 356,901 | \$ 9,919 |
| 2018 | <u>274,668</u> | <u>272,387</u> | <u>2,281</u> |
| Total | <u>\$ 641,488</u> | <u>\$ 629,288</u> | <u>\$ 12,200</u> |

The total interest expense on the above loans for the years ended June 30, 2016 and 2015 was \$44,594 and \$56,509, respectively.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

9. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the School’s fiscal management and academic acceptability. The contract dated August 25, 2004, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about August 25, 2019. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the William E. Doar, Jr. Public Charter School for the Performing Arts is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the School may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2016 and 2015, the School incurred \$85,168 and \$81,404, respectively, in administrative fees.

The charter contract provides that the William E. Doar, Jr. Public Charter School for the Performing Arts may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2016, was not permitted to be greater than 905 students. Audit enrollment for the 2015/2016 year was 464 students and enrollment for the 2014/2015 year was 439 students.

10. PER-PUPIL FUNDING ALLOCATION:

The School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2016, the per-student rate ranged from \$9,492 to \$12,719 for education allotment and \$3,124 for the facility allotment. For the year ended June 30, 2015, the per-student rate ranged from \$9,492 to \$12,719 for education allotment and \$3,072 for the facility allotment. Additional allotments were made for Special Education Services and English as a Second Language. Per-pupil funding for the years ended June 30, 2016 and 2015 was as follows:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|
| Grade Level - Pre-School - 8 th Grade | \$ 4,905,276 | \$ 4,652,219 |
| Special Education | 636,189 | 579,878 |
| English as a Second Language | 65,115 | 69,973 |
| At Risk Funds | 538,461 | 397,091 |
| Facilities Allowance | 1,449,536 | 1,348,608 |
| Summer School | <u>-</u> | <u>410,680</u> |
| Total | <u>\$ 7,594,577</u> | <u>\$ 7,458,449</u> |

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

11. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2016 and 2015, the School participated in the following federal award programs:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|------------------------------|------------------------------|
| National School Lunch and Breakfast Program | \$ 276,159 | \$ 233,245 |
| Elementary and Secondary Education Act (Title I) | 227,688 | 236,881 |
| Increasing Academic Quality | 131,653 | 42,216 |
| Elementary and Secondary Education Act (Title II) | 61,004 | 56,108 |
| State Fiscal Stabilization Fund - Race to the Top | - | 1,258 |
| Special Population Grant | - | 7,120 |
| | <u> -</u> | <u> -</u> |
| Total | <u>\$ 696,504</u> | <u>\$ 576,828</u> |

Federal formula grants are allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

12. COMMITMENTS:

Building Leases:

The School entered into a lease agreement with 705 Edgewood Ave Associates, LLC, effective for a ten-year period commencing on September 1, 2004, for the rental of a building located at 705 Edgewood Avenue, NE, Washington, DC. As a result of five different lease amendments, the lease is currently scheduled to expire on August 31, 2019. One of the provisions of the lease requires the School to obtain a loan in the amount of \$2,000,000 from the District of Columbia's Department of Banking and Financial Institutions, Office of Public Charter School Financing and Support (see note 8 for additional information).

Per the terms of the Fifth Amendment to the lease, in the event the per pupil amount allocated by the District of Columbia for Facility Funds increases above \$2,930 on a per pupil basis, the School is required to pay the landlord the incremental increase in Facility Funds for each pupil enrolled. Another provision of the agreement states that if the School's enrollment exceeds 558 students, the School is required to pay the landlord the total Facility Funds attributable to the student enrollment in excess of 558 students.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

12. COMMITMENTS: (Continued)

Building Leases: (Continued)

The monthly payments on this lease as of June 30, 2016, are \$96,764 in base rent, \$27,637 in monthly operating expenses and \$6,055 of additional rent costs related to improvements made by the landlord on behalf of the school. Therefore, the total monthly payment on this lease is presently \$130,456. This payment is scheduled to increase over the life of the lease through August 31, 2019. As of June 30, 2016, there is a security deposit of \$400,000 associated with the lease.

The rent expense for the years ended June 30, 2016 and June 30, 2015 was \$1,505,100 and \$1,199,781, respectively. Included in rent expense for the years ended June 30, 2016 and 2015 are credits for real estate tax rebates in the amounts of \$137,452 and \$138,206, respectively.

Future commitments on this lease for the four (4) years subsequent to the balance sheet date are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|---------------------|
| 2017 | \$ 1,562,000 |
| 2018 | 1,562,000 |
| 2019 | 1,577,620 |
| 2020 | <u>268,143</u> |
| Total | <u>\$ 4,969,763</u> |

The loan commitments are described in Note 8.

Photocopier Lease:

The Charter School entered into an operating lease with the General Electric Capital Corporation, on June 19, 2013, for the rental of a photocopier. This lease calls for thirty-six (36) monthly payments of \$445, commencing on July 1, 2013. Rental expense for the years ending June 30, 2016 and 2015 was \$4,814 and \$5,778, respectively.

13. CONCENTRATIONS:

Revenues:

The School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2016 and 2015, eighty-nine percent (89%) and ninety-one percent (91%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

13. CONCENTRATIONS: (Continued)

Revenues: (Continued)

In addition to the revenue received through the Uniform Per Student Funding, the School receives state and federal foundation grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DC PCSB). The DC PCSB may revoke the charter for material violations of laws and the terms of its charter agreement or if the School fails to meet established goals and student achievement expectations.

The School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

14. CONTINGENCIES:

The School was granted its initial charter by the District of Columbia Board of Education and then later reaffirmed by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding of funds) could adversely affect ability to finance ongoing operations. The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

The School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the School. While the School's board of directors and management believes the School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

Laws and regulations governing charter schools are complex and subject to interpretation. The School believes that it is in compliance with all applicable laws and regulations.

15. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 16, 2016, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

15. SUBSEQUENT EVENTS: (Continued)

Name Change:

Subsequent to the year ended June 30, 2016, the School began the process to legally change their name from the William E. Doar, Jr. Public Charter School for the Performing Arts, Inc., to City Arts and Prep Public Charter School.

Enrollment:

Enrollment for the 2016/2017 school year is projected to be approximately 532 students. These enrollment numbers are up from the current enrollment number of 464 during the 2015/2016 school year.

16. FUNDRAISING:

During the years ended June 30, 2016 and 2015, expenses incurred for the purpose of fundraising were \$71,118 and \$68,525, respectively.

17. ADVERTISING:

Marketing activities were conducted for the purpose of promoting open enrollment to the school. Advertising and marketing costs are expensed when incurred. Advertising and marketing expenses were \$26,350 and \$11,887 for the years ended June 30, 2016 and 2015, respectively.

18. EMPLOYEE BENEFITS:

The cost of payroll taxes and fringe benefits incurred for the years ended June 30, 2016 and 2015 consisted of the following:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|-----------------------------------|----------------------|----------------------|
| Social Security/Medicare | \$ 263,821 | \$ 231,675 |
| Health Insurance | 233,779 | 278,627 |
| Life and Disability Insurance | 23,353 | 16,511 |
| Unemployment | 61,666 | 55,623 |
| Worker's Compensation | 18,217 | 20,149 |
| Benefit Plans Administration Fees | <u>2,253</u> | <u>-</u> |
| Total | <u>\$ 603,089</u> | <u>\$ 602,585</u> |

Flexible Benefits Plan:

The School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health insurance premiums.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

19. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2016 and 2015 consisted of the following:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|
| Rent | \$ 1,505,100 | \$ 1,199,781 |
| Depreciation Expense - Building | 175,984 | 171,677 |
| Interest Expense - Leasehold Improvements | 44,594 | 56,509 |
| Building Maintenance and Repairs | 42,732 | 8,853 |
| Utilities | 109,491 | 101,155 |
| Janitorial Supplies | 8,963 | 5,287 |
| Contracted Building Services | <u>89,302</u> | <u>88,553</u> |
| Total | <u>\$ 1,976,166</u> | <u>\$ 1,631,815</u> |

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | <u>For Year Ending June 30, 2016</u> | | | | <u>For Year Ending June 30, 2015</u> | | | |
|---|--------------------------------------|-------------------------|-----------------------------------|--------------------|--------------------------------------|-------------------------|-----------------------------------|--------------------|
| | <u>Total</u> | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> |
| <u>Personnel, Salaries and Benefits:</u> | | | | | | | | |
| Schoolwide Salaries | \$ 905,219 | \$ 295,768 | \$ 609,451 | \$ - | \$ 647,537 | \$ 144,490 | \$ 445,338 | \$ 57,709 |
| Academic Salaries | 2,315,379 | 2,315,379 | - | - | 2,090,790 | 2,090,790 | - | - |
| Special Education Salaries | 234,511 | 234,511 | - | - | 207,384 | 207,384 | - | - |
| Before/After Care Salaries | 36,243 | 36,243 | - | - | 48,430 | 48,430 | - | - |
| Substitute Salaries | 38,144 | 38,144 | - | - | 39,763 | 39,763 | - | - |
| Summer School and Saturday Academy Salaries | 24,540 | 24,540 | - | - | 73,684 | 73,684 | - | - |
| Benefits | 277,602 | 229,998 | 47,604 | - | 315,287 | 266,101 | 43,705 | 5,481 |
| Payroll Taxes | 325,487 | 269,672 | 55,815 | - | 287,298 | 240,791 | 41,172 | 5,335 |
| Contracted Staff | 988,042 | 886,545 | 33,672 | 67,825 | 915,342 | 814,654 | 100,688 | - |
| Staff Development Expense | 24,611 | 24,611 | - | - | 38,591 | 38,591 | - | - |
| Total Personnel, Salaries and Benefits | \$ 5,169,778 | \$ 4,355,411 | \$ 746,542 | \$ 67,825 | \$ 4,664,106 | \$ 3,964,678 | \$ 630,903 | \$ 68,525 |
| <u>Direct Student Costs:</u> | | | | | | | | |
| Textbooks | \$ 40,017 | \$ 40,017 | \$ - | \$ - | \$ 13,983 | \$ 13,983 | \$ - | \$ - |
| Student Supplies and Materials | 33,848 | 33,848 | - | - | 53,928 | 53,928 | - | - |
| Student Assessment Materials | 42,212 | 42,212 | - | - | 33,300 | 33,300 | - | - |
| Contracted Student Services | 115,514 | 115,514 | - | - | 305,932 | 305,932 | - | - |
| Teacher and Academic Staff Recruiting | - | - | - | - | 107,500 | 107,500 | - | - |
| Food Service | 319,824 | 319,824 | - | - | 108,663 | 108,663 | - | - |
| Student Information System | - | - | - | - | 13,266 | 13,266 | - | - |
| Field Trips/Student Activities | 49,608 | 49,608 | - | - | 32,005 | 32,005 | - | - |
| Student Uniforms | 13,215 | 13,215 | - | - | - | - | - | - |
| Other Student Costs | 26,500 | 26,500 | - | - | 16,222 | 16,222 | - | - |
| Total Direct Student Costs | \$ 640,738 | \$ 640,738 | \$ - | \$ - | \$ 684,799 | \$ 684,799 | \$ - | \$ - |

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | <u>For Year Ending June 30, 2016</u> | | | | <u>For Year Ending June 30, 2015</u> | | | |
|---|--------------------------------------|-------------------------|-----------------------------------|--------------------|--------------------------------------|-------------------------|-----------------------------------|--------------------|
| | <u>Total</u> | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> |
| <u>Occupancy Costs:</u> | | | | | | | | |
| Rent | \$ 1,505,100 | \$ 1,399,743 | \$ 105,357 | \$ - | \$ 1,199,781 | \$ 1,115,796 | \$ 83,985 | \$ - |
| Depreciation Expense - Building | 175,984 | 163,665 | 12,319 | - | 171,677 | 159,660 | 12,017 | - |
| Interest Expense - Leasehold Improvements | 44,594 | 41,472 | 3,122 | - | 56,509 | 52,553 | 3,956 | - |
| Building Maintenance and Repairs | 42,732 | 39,740 | 2,992 | - | 8,853 | 8,233 | 620 | - |
| Utilities | 109,491 | 101,827 | 7,664 | - | 101,155 | 94,074 | 7,081 | - |
| Janitorial Supplies | 8,963 | 8,336 | 627 | - | 5,287 | 4,917 | 370 | - |
| Contracted Building Services | <u>89,302</u> | <u>83,051</u> | <u>6,251</u> | <u>-</u> | <u>88,553</u> | <u>82,354</u> | <u>6,199</u> | <u>-</u> |
| Total Occupancy Costs | <u>\$ 1,976,166</u> | <u>\$ 1,837,834</u> | <u>\$ 138,332</u> | <u>\$ -</u> | <u>\$ 1,631,815</u> | <u>\$ 1,517,587</u> | <u>\$ 114,228</u> | <u>\$ -</u> |
| <u>Office Expenses:</u> | | | | | | | | |
| Office Supplies and Materials | \$ 40,676 | \$ 32,540 | \$ 8,136 | \$ - | \$ 32,796 | \$ 26,237 | \$ 6,559 | \$ - |
| Office Equipment Rental and Maintenance | 10,466 | 8,373 | 2,093 | - | 17,395 | 13,916 | 3,479 | - |
| Telephone/Telecommunications | 49,870 | 39,896 | 9,974 | - | 21,419 | 17,135 | 4,284 | - |
| Professional and Payroll Services | 235,987 | 87,438 | 148,549 | - | 182,155 | 44,602 | 137,553 | - |
| Postage and Shipping | 11,185 | 8,948 | 2,237 | - | 2,718 | 2,175 | 543 | - |
| Other Office Expense | <u>4,289</u> | <u>3,431</u> | <u>858</u> | <u>-</u> | <u>604</u> | <u>483</u> | <u>121</u> | <u>-</u> |
| Total Office Expenses | <u>\$ 352,473</u> | <u>\$ 180,626</u> | <u>\$ 171,847</u> | <u>\$ -</u> | <u>\$ 257,087</u> | <u>\$ 104,548</u> | <u>\$ 152,539</u> | <u>\$ -</u> |
| <u>General Expenses:</u> | | | | | | | | |
| Insurance | \$ 31,676 | \$ - | \$ 31,676 | \$ - | \$ 41,862 | \$ 38,931 | \$ 2,931 | \$ - |
| Transportation | - | - | - | - | 8,037 | 7,474 | 563 | - |
| Authorizer Fee | 85,168 | - | 85,168 | - | 81,404 | - | 81,404 | - |
| Meals and Travel | 35,099 | 31,957 | 3,142 | - | - | - | - | - |
| Other Staff Recruiting | 17,579 | 16,512 | 1,067 | - | 31,666 | 6,333 | 25,333 | - |
| Depreciation Expense | 126,292 | 117,452 | 8,840 | - | 137,652 | 128,016 | 9,636 | - |
| Other General Expenses | <u>21,926</u> | <u>2,383</u> | <u>16,250</u> | <u>3,293</u> | <u>38,270</u> | <u>32,183</u> | <u>6,087</u> | <u>-</u> |
| Total General Expenses | <u>\$ 317,740</u> | <u>\$ 168,304</u> | <u>\$ 146,143</u> | <u>\$ 3,293</u> | <u>\$ 338,891</u> | <u>\$ 212,937</u> | <u>\$ 125,954</u> | <u>\$ -</u> |
| TOTAL FUNCTIONAL EXPENSES | <u>\$ 8,456,895</u> | <u>\$ 7,182,913</u> | <u>\$ 1,202,864</u> | <u>\$ 71,118</u> | <u>\$ 7,576,698</u> | <u>\$ 6,484,549</u> | <u>\$ 1,023,624</u> | <u>\$ 68,525</u> |

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

June 30, 2016

| | <u>Total Cost</u> | <u>Average Cost Per Student</u> |
|------------------------|---------------------|-------------------------------------|
| Instructional | \$ 5,345,079 | \$ 11,520 |
| Occupancy Cost | 1,976,166 | 4,259 |
| Management and General | 1,064,532 | 2,294 |
| Fundraising | <u>71,118</u> | <u>153</u> |
| Total | <u>\$ 8,456,895</u> | <u>\$ 18,226</u> |

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 464 students.

June 30, 2015

| | <u>Total Cost</u> | <u>Average Cost Per Student</u> |
|------------------------|---------------------|-------------------------------------|
| Instructional | \$ 4,966,962 | \$ 11,314 |
| Occupancy Cost | 1,631,815 | 3,717 |
| Management and General | 909,396 | 2,072 |
| Fundraising | <u>68,525</u> | <u>156</u> |
| Total | <u>\$ 7,576,698</u> | <u>\$ 17,259</u> |

The above is the average per student cost for the year ended June 30, 2015, and is based on a full time equivalent (FTE) enrollment of 439 students.

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
William E. Doar, Jr., Public Charter School
for the Performing Arts
705 Edgewood Avenue, NE
Washington, DC 20017

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the William E. Doar, Jr., Public Charter School for the Performing Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the William E. Doar, Jr., Public Charter School for the Performing Arts' 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 William E. Doar, Jr., Public Charter School for the Performing Arts' internal control. Accordingly, we do not express an opinion on the effectiveness of the William E. Doar, Jr., Public Charter School for the Performing Arts' internal control.

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

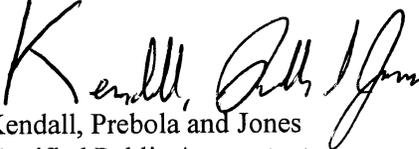
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the William E. Doar, Jr., Public Charter School for the Performing Arts' 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 16, 2016

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings in the prior year.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the William E. Doar, Jr. Public Charter School for the Performing Arts were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the William E. Doar, Jr. Public Charter School for the Performing Arts, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

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

There were no findings in the current year.