

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2017 AND 2016**

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## Independent Auditor's Report

The Board of Trustees  
Creative Minds International Public Charter School  
Washington, DC

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Creative Minds International Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **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 Creative Minds International Public Charter School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of Creative Minds International Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Creative Minds International Public Charter School's internal control over financial reporting and compliance.

*Jane Marston & McQuade PA*

Washington, DC  
October 31, 2017

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	2017	2016
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 640,410	\$ 942,962
Accounts receivable	69,151	62,994
Grants receivable	39,058	26,947
Prepaid expenses	26,109	52,318
Total Current Assets	774,728	1,085,221
<b>PROPERTY AND EQUIPMENT, NET</b>	3,381,072	2,800,872
<b>TOTAL ASSETS</b>	\$ 4,155,800	\$ 3,886,093
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 87,251	\$ 176,735
Accrued expenses	314,376	220,838
Credit card payable	15,810	10,329
Deferred revenue	51,032	46,490
Loan payable, current portion	46,967	44,912
Total Current Liabilities	515,436	499,304
<b>LONG TERM LIABILITIES</b>		
Deferred rent	1,766,960	857,893
Loan payable, net	1,885,361	1,928,020
Total Long Term Liabilities	3,652,321	2,785,913
Total Liabilities	4,167,757	3,285,217
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted	(11,957)	600,876
Total Net Assets (Deficit)	(11,957)	600,876
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 4,155,800	\$ 3,886,093

The accompanying notes are an integral part of these financial statements.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>UNRESTRICTED REVENUE AND OTHER SUPPORT</b>		
Per pupil appropriations	\$ 5,526,831	\$ 3,900,552
Per pupil facility allowance	1,065,284	740,388
Federal entitlements and other grants	125,201	160,396
Other public grants	131,258	93,704
Private gifts and contributions	89,844	95,077
Activity fees	592,851	489,458
In kind contributions	81,054	70,353
Fundraising event	162,629	130,623
Other income	10	1,000
Total Revenue and Other Support	7,774,962	5,681,551
<b>EXPENSES</b>		
Program educational services	7,407,885	5,310,833
General and administrative	881,751	731,320
Fundraising	98,159	87,549
Total Expenses	8,387,795	6,129,702
<b>CHANGE IN NET ASSETS</b>	(612,833)	(448,151)
<b>NET ASSETS</b> , beginning of year	600,876	1,049,027
<b>NET ASSETS</b> , end of year	\$ (11,957)	\$ 600,876

The accompanying notes are an integral part of these financial statements.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	<u>Program Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>Personnel Expenses</b>				
Salaries	\$ 3,693,772	\$ 280,273	\$ -	\$ 3,974,045
Benefits	418,511	31,755	-	450,266
Payroll taxes	297,960	22,608	-	320,568
Recruiting and development	313,089	5,780	-	318,869
Total Personnel Expenses	<u>4,723,332</u>	<u>340,416</u>	<u>-</u>	<u>5,063,748</u>
<b>Direct Student Costs</b>				
Supplies and material	86,446	-	-	86,446
Contracted instruction fees	588,786	-	-	588,786
Food service	195,760	-	-	195,760
Textbooks	17,737	-	-	17,737
Student assessment fees	23,807	-	-	23,807
Other	35,596	-	-	35,596
Total Direct Student Costs	<u>948,132</u>	<u>-</u>	<u>-</u>	<u>948,132</u>
<b>Occupancy Expense</b>				
Rent	885,042	221,261	-	1,106,303
Maintenance and repairs	30,302	7,576	-	37,878
Contracted building services	96,211	24,053	-	120,264
Total Occupancy Expense	<u>1,011,555</u>	<u>252,890</u>	<u>-</u>	<u>1,264,445</u>
<b>Office Expense</b>				
Telephone	9,633	2,408	-	12,041
Supplies	33,562	8,390	-	41,952
Printing	117	29	-	146
Equipment rental	21,726	5,431	-	27,157
Postage and delivery	669	167	-	836
Total Office Expense	<u>65,707</u>	<u>16,425</u>	<u>-</u>	<u>82,132</u>
<b>General Expense</b>				
Depreciation and amortization	348,608	87,152	-	435,760
Miscellaneous	3,709	927	-	4,636
Insurance	26,781	6,695	-	33,476
Professional fees	189,662	154,646	-	344,308
Interest	74,452	18,613	-	93,065
Auction items and fees	-	-	98,159	98,159
Dues, fees and fines	15,947	3,987	-	19,934
Total General Expense	<u>659,159</u>	<u>272,020</u>	<u>98,159</u>	<u>1,029,338</u>
<b>Total Expenses</b>	<u><u>\$ 7,407,885</u></u>	<u><u>\$ 881,751</u></u>	<u><u>\$ 98,159</u></u>	<u><u>\$ 8,387,795</u></u>

The accompanying notes are an integral part of these financial statements.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

	<u>Program Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>Personnel Expenses</b>				
Salaries	\$ 2,458,136	\$ 179,499	\$ -	\$ 2,637,635
Benefits	177,869	118,579	-	296,448
Payroll taxes	200,181	22,636	-	222,817
Recruiting and development	235,198	2,366	-	237,564
Total Personnel Expenses	<u>3,071,384</u>	<u>323,080</u>	<u>-</u>	<u>3,394,464</u>
<b>Direct Student Costs</b>				
Supplies and material	63,766	-	-	63,766
Contracted instruction fees	424,755	-	-	424,755
Food service	206,805	-	-	206,805
Textbooks	7,014	-	-	7,014
Student assessment fees	19,539	-	-	19,539
Other	19,616	-	-	19,616
Total Direct Student Costs	<u>741,495</u>	<u>-</u>	<u>-</u>	<u>741,495</u>
<b>Occupancy Expense</b>				
Rent	830,514	207,629	-	1,038,143
Maintenance and repairs	41,082	10,270	-	51,352
Contracted building services	83,050	20,763	-	103,813
Total Occupancy Expense	<u>954,646</u>	<u>238,662</u>	<u>-</u>	<u>1,193,308</u>
<b>Office Expense</b>				
Telephone	8,948	2,237	-	11,185
Supplies	17,962	4,491	-	22,453
Printing	245	61	-	306
Equipment rental	15,922	3,981	-	19,903
Postage and delivery	512	128	-	640
Total Office Expense	<u>43,589</u>	<u>10,898</u>	<u>-</u>	<u>54,487</u>
<b>General Expense</b>				
Depreciation and amortization	235,791	58,948	-	294,739
Miscellaneous	13,910	3,478	-	17,388
Insurance	30,672	7,668	-	38,340
Professional fees	159,988	39,997	-	199,985
Interest	48,446	45,861	-	94,307
Auction items and fees	-	-	87,549	87,549
Dues, fees and fines	10,912	2,728	-	13,640
Total General Expense	<u>499,719</u>	<u>158,680</u>	<u>87,549</u>	<u>745,948</u>
<b>Total Expenses</b>	<u><u>\$ 5,310,833</u></u>	<u><u>\$ 731,320</u></u>	<u><u>\$ 87,549</u></u>	<u><u>\$ 6,129,702</u></u>

The accompanying notes are an integral part of these financial statements.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (612,833)	\$ (448,151)
Adjustments to reconcile change in net assets provided by (used for) operating activities:		
Depreciation and amortization	435,760	294,738
Amortization of deferred financing costs	4,307	4,307
Loss on disposal of property and equipment	-	283
(Increase) decrease in assets:		
Accounts receivable	(6,157)	(3,122)
Grants receivable	(12,111)	16,512
Prepaid expenses	26,209	(9,088)
Security deposit	-	60,238
Increase (decrease) in liabilities:		
Accounts payable	(89,484)	(732,608)
Accrued expenses	93,538	44,888
Credit card payable	5,481	(8,285)
Deferred revenue	4,542	17,099
Deferred rent	909,067	857,893
Net Cash Provided by (Used for) Operating Activities	758,319	94,704
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,015,960)	(559,758)
Net Cash Used for Investing Activities	(1,015,960)	(559,758)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principles payment of loan	(44,911)	(10,916)
Net Cash Used for Financing Activities	(44,911)	(10,916)
<b>NET CHANGE IN CASH</b>	(302,552)	(475,970)
<b>CASH, beginning of year</b>	942,962	1,418,932
<b>CASH, end of year</b>	\$ 640,410	\$ 942,962
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 88,758	\$ 90,000

The accompanying notes are an integral part of these financial statements.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE A - ORGANIZATION AND NATURE OF BUSINESS**

Creative Minds International Public Charter School (the “School”) was incorporated as a non-stock and not-for-profit organization in 2011 under the laws of the District of Columbia. On July 1, 2012, the School entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board. The School’s mission is to provide young children with the skills required for successful participation in a global society. To accomplish the mission, the School designed a highly engaging program based on an international project and arts-based curriculum that includes foreign language instruction as well as standards-based literacy and mathematics.

During April 2017, Creative Families Association (“CFA”) was incorporated in the District of Columbia. CFA was established to raise funds for the School’s betterment and will be governed by parents of students attending the School. CFA’s application to be recognized as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code is currently pending. Until the tax exempt application is approved, the School has full discretion over CFA’s operations, therefore all assets, liabilities, and activities of CFA are included in the accompanying financial statements.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The School’s financial statements have been prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit Entities*. In accordance with the topic, the School is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they maintained permanently by the school. There were no temporarily or permanently restricted net assets during the years ended June 30, 2017 and 2016.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of Estimates

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

Grants and Accounts Receivable

Grants and accounts receivable are recorded when billed or accrued and represents claims against third parties that will be settled in cash. Accounts receivable are reported net of the allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due accounts receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. Grants receivables are due from governmental agencies. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected. Therefore, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment having a cost of greater than \$1,000 and a useful life of greater than one year are stated at cost, or if donated, at fair value. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the asset are capitalized. Leasehold improvements are capitalized at cost and amortized over the lesser of the remaining life of the lease or the life of the asset. The cost of property and equipment is depreciated over their estimated useful lives, ranging from two to seven years. Depreciation and amortization is computed using the straight-line method. Construction in progress consists of ongoing renovation of the School's facility, which was completed during 2017. On construction completion, the construction costs were reclassified as leasehold improvements.

Debt Issuance Costs

Costs incurred for the issuance of debt have been capitalized and are reported in the statement of financial position as a direct deduction from the related debt liability. Debt issuance costs are amortized as interest expense over the remaining period of the debt using the straight-line method, which approximates the effective interest method.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Revenue

Deferred revenue result from the School recognizing grant and activity fee revenue in the period in which the work is performed. Accordingly, grant and activity fee revenue which is received in the current fiscal year is deferred until the fiscal year in which the work is performed.

Deferred Rent

The School recognizes rent expense, including incentives, on a straight-line basis over the term of the lease. Deferred rent liability records the rent expense recognized on a straight-line basis in excess of cash payments.

Contributions and Grants

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met within the same year as restricted funds are contributed, they are classified as unrestricted contributions.

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

Revenue Recognition

The School receives a student allocation on a per-pupil basis from the District of Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations include \$1,735,166 and \$1,292,720 for enhancements, such as special education, at-risk students and English language learners, for the years ended June 30, 2017 and 2016, respectively.

All income raised from fundraising events is recognized upon the occurrence of the event.

Activity fees are recognized at the time of the activity. Activity fee revenue is earned from students, but not restricted to, field trips, camps and other school related activities.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

In-kind Contributions

In-kind contributions consist of donated services and goods, and are recognized at fair value at the date of the donation. Donated services are recognized when the services donated require specialized skills, are provided by individuals with those skills, and would typically need to be purchased if the services had not been donated. The School received \$81,054 and \$70,353 of donated auction items for the years ended June 30, 2017 and 2016, respectively.

Functional Expenses

The costs of providing the School's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

Reclassifications

Certain amounts for the year ended June 30, 2016 have been reclassified to conform to current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

**NOTE C – INCOME TAXES**

The School qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

The School has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic of the FASB ASC. The topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2013-2015), or expected to be taken in its 2016 information return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE D - PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30:

	2017	2016
Computers and materials	\$ 207,397	\$ 144,744
Classroom furniture	141,790	93,361
Leasehold improvements	3,991,547	2,933,316
Construction in progress	-	153,353
	4,340,734	3,324,774
Less: accumulated depreciation and amortization	(959,662)	(523,902)
Property and Equipment, Net	\$ 3,381,072	\$ 2,800,872

Depreciation and amortization expense for the years ended June 30, 2017 and 2016, totaled \$435,760 and \$294,738, respectively.

**NOTE E - LOAN PAYABLE**

On March 26, 2015, the School signed a loan agreement with the District of Columbia Office of Public Charter School Financing and Support to finance up to \$2,000,000 of renovations. This loan was modified on June 20, 2016 for the schedule of payments. The terms of the loan are quarterly interest payments only, through March 2016, at 4.5% per annum. After that, loan payments shall be made quarterly for interest and principal based upon a 25 year amortization, with a balloon payment scheduled at maturity of March 2020. This loan is collateralized with a first lien on the leasehold improvements on the property located at 3700 North Capitol Street, NW, Washington, D.C. As of June 30, 2017 and 2016, the balance on this loan totaled \$1,944,171 and \$1,989,083, respectively.

The loan agreement contains certain restrictive, financial and nonfinancial covenants. In the opinion of the management the School has complied with the required covenants for 2017 and 2016.

In prior years, the School reported debt issuance costs as a deferred charge in the statement of financial position and amortization of such costs in the statement of activities as depreciation and amortization. To comply with new GAAP presentation requirements, in 2017 the School began reporting such costs as a direct deduction from the carrying amount of the related debt and reclassified prior year amounts, resulting in a reduction of total June 30, 2016 assets by \$16,151. The change did not affect net assets.

Similarly, the School now reports amortization of debt issuance costs as interest expense and reclassified 2016 amounts accordingly. As a result, reported interest expense in 2016 was increased (and depreciation and amortization decreased) by \$4,307, with no effect on the change in net assets. The amortization of debt issuance costs as interest expense for the year ended June 30, 2017, was \$4,307.

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE E - LOAN PAYABLE** (continued)

Deferred financing costs and accumulated amortization are as follows at June 30:

	2017	2016
Deferred financing costs	\$ 21,534	\$ 21,534
Less: accumulated amortization	(9,691)	(5,383)
	\$ 11,843	\$ 16,151

Amortization expense for the years ended June 30, 2017 and 2016, totaled \$4,307 and \$4,307, respectively.

Aggregate annual maturities of the loan for the year ending June 30:

2018	\$ 46,967
2019	49,114
2020	1,848,090
Total	\$ 1,944,171

**NOTE F - LEASE COMMITMENTS**

During April 2012, the School entered into a two year agreement with Capital City Charter School (a District of Columbia non-profit corporation) to sublease space in the buildings located at 3220 and 3224 16<sup>th</sup> Street, N.W., Washington D.C. The sublease ended in July 2014. In June 2014, the School entered into a one year lease with the building owner for the premises which expired July 2015.

On February 9, 2015, the School entered into a ten year agreement with the Armed Forces Retirement Home to lease space in the Sherman Building, located at 3700 North Capitol Street, N.W., Washington, D.C. This lease was amended in 2016 for additional space to meet the School's growing requirements. The monthly lease payments are based on the square footage area occupied by the School and decreased by the approved leasehold improvement incentives for repair, maintenance, renovation, remodel or upgrading the building. As of June 30, 2016, approved in-kind leasehold improvements totaled \$2,700,842.

**CREATIVE MINDS INTERNATIONAL  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE F - LEASE COMMITMENTS** (continued)

Rental expense for the years ended June 30, 2017 and 2016, totaled \$1,106,303 and \$1,038,143, respectively. The future minimum lease payments for the years ending June 30 are as follows:

2018	\$ 254,786
2019	992,908
2020	1,334,836
2021	1,371,658
2022	1,592,928
Thereafter	<u>5,046,624</u>
Total	<u>\$ 10,593,740</u>

**NOTE G – PENSION PLAN**

The Creative Minds International 401(K) Profit Sharing Plan and Trust (the “Plan”) was restated as of January 1, 2014. All employees who are at least 21 years of age and meet 1,000 hours of service per year are eligible to participate in the Plan. Employees may make elective deferral from their eligible earnings, up to the amount allowed by the Internal Revenue Service. The School matches the first three percent of a participant’s compensation that is deferred as an elective deferral. For the years ended June 30, 2017 and 2016, pension expense totaled \$55,966 and \$35,714, respectively.

**NOTE H - COMMITMENTS AND CONTINGENT LIABILITIES**

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

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE I - CONCENTRATIONS OF RISK**

The School places its cash with financial institutions which at times, may exceed the Federal Deposit Insurance Corporation's insurance limit of \$250,000. The School believes it is not exposed to any significant credit risk on cash or cash equivalents.

The School is supported primarily through local and federal appropriations and grants. For the years ended June 30, 2017 and 2016, 89% and 87%, respectively, of total revenue was provided from one local government agency. Reduction of this source of support would have a significant impact on the School's programs and activities.

**NOTE J - SUBSEQUENT EVENTS**

As required by the Subsequent Events topic of the FASB ASC, management of the School evaluated subsequent events through the date of the auditors' report, October 31, 2017, which is the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.



**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**

The Board of Trustees  
Creative Minds International Public Charter School  
Washington, DC

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 Creative Minds International Public Charter School, (a non-profit organization) (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Jane Murray & McQuade PA*

Washington, DC  
October 31, 2017