

**CREATIVE MINDS INTERNATIONAL
PUBLIC CHARTER SCHOOL**

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

JUNE 30, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 23, 2018, 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 23, 2018

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,546,781	\$ 640,410
Accounts receivable	130,345	69,151
Grants receivable	35,713	39,058
Prepaid expenses	6,297	26,109
Total Current Assets	1,719,136	774,728
PROPERTY AND EQUIPMENT, NET	3,231,509	3,381,072
TOTAL ASSETS	\$ 4,950,645	\$ 4,155,800
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 78,056	\$ 87,251
Accrued expenses	288,118	314,376
Credit card payable	4,780	15,810
Deferred revenue	7,629	51,032
Loan payable, current portion	49,114	46,967
Total Current Liabilities	427,697	515,436
LONG TERM LIABILITIES		
Deferred rent	2,611,785	1,766,960
Loan payable, net	1,840,550	1,885,361
Total Long Term Liabilities	4,452,335	3,652,321
Total Liabilities	4,880,032	4,167,757
NET ASSETS (DEFICIT)		
Unrestricted	70,613	(11,957)
Total Net Assets (Deficit)	70,613	(11,957)
TOTAL LIABILITIES AND NET ASSETS	\$ 4,950,645	\$ 4,155,800

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

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
UNRESTRICTED REVENUE AND OTHER SUPPORT		
Per pupil appropriations	\$ 7,849,737	\$ 5,526,831
Per pupil facility allowance	1,407,993	1,065,284
Federal entitlements and other grants	259,411	125,201
Other public grants	56,182	131,258
Private gifts and contributions	16,456	89,844
Activity fees	536,244	592,851
In kind contributions	100,272	81,054
Fundraising event	96,052	162,629
Other income	1,132	10
Total Revenue and Other Support	10,323,479	7,774,962
EXPENSES		
Program educational services	9,151,045	7,407,885
General and administrative	1,026,776	881,751
Fundraising	63,088	98,159
Total Expenses	10,240,909	8,387,795
CHANGE IN NET ASSETS	82,570	(612,833)
NET (DEFICIT) ASSETS, beginning of year	(11,957)	600,876
NET (DEFICIT) ASSETS, end of year	\$ 70,613	\$ (11,957)

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, 2018

	Program Educational	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	\$ 4,703,418	\$ 307,828	\$ -	\$ 5,011,246
Benefits	476,473	31,184	-	507,657
Payroll taxes	379,005	24,805	-	403,810
Recruiting and development	534,323	-	-	534,323
Total Personnel Expenses	<u>6,093,219</u>	<u>363,817</u>	<u>-</u>	<u>6,457,036</u>
Direct Student Costs				
Supplies and material	76,357	-	-	76,357
Contracted instruction fees	552,742	-	-	552,742
Food service	223,223	-	-	223,223
Textbooks	54,184	-	-	54,184
Student assessment fees	25,027	-	-	25,027
Other	35,329	-	-	35,329
Total Direct Student Costs	<u>966,862</u>	<u>-</u>	<u>-</u>	<u>966,862</u>
Occupancy Expense				
Rent	878,510	219,628	-	1,098,138
Maintenance and repairs	42,448	10,612	-	53,060
Facility consulting expense	3,509	877	-	4,386
Utilities and garbage removal	2,280	570	-	2,850
Contracted building services	166,262	41,566	-	207,828
Total Occupancy Expense	<u>1,093,009</u>	<u>273,253</u>	<u>-</u>	<u>1,366,262</u>
Office Expense				
Telephone	6,581	1,645	-	8,226
Supplies	44,296	11,074	-	55,370
Printing	90	23	-	113
Equipment rental	22,493	5,623	-	28,116
Postage and delivery	732	183	-	915
Total Office Expense	<u>74,192</u>	<u>18,548</u>	<u>-</u>	<u>92,740</u>
General Expense				
Depreciation and amortization	412,593	103,148	-	515,741
Miscellaneous	2,168	542	-	2,710
Insurance	32,820	8,205	-	41,025
Professional fees	366,178	234,262	-	600,440
Interest	72,805	18,201	-	91,006
Contributions to CFA	10,000	-	-	10,000
Auction items and fees	-	-	63,088	63,088
Dues, fees and fines	27,199	6,800	-	33,999
Total General Expense	<u>923,763</u>	<u>371,158</u>	<u>63,088</u>	<u>1,358,009</u>
Total Expenses	<u><u>\$ 9,151,045</u></u>	<u><u>\$ 1,026,776</u></u>	<u><u>\$ 63,088</u></u>	<u><u>\$ 10,240,909</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, 2017

	<u>Program Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses				
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>
Direct Student Costs				
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>
Occupancy Expense				
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>
Office Expense				
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>
General Expense				
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>
Total Expenses	<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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 82,570	\$ (612,833)
Adjustments to reconcile change in net assets provided by (used for) operating activities:		
Depreciation and amortization	515,741	435,760
Amortization of deferred financing costs	4,303	4,307
(Increase) decrease in assets:		
Accounts receivable	(61,194)	(6,157)
Grants receivable	3,345	(12,111)
Prepaid expenses	19,812	26,209
Increase (decrease) in liabilities:		
Accounts payable	(9,195)	(89,484)
Accrued expenses	(26,258)	93,538
Credit card payable	(11,030)	5,481
Deferred revenue	(43,403)	4,542
Deferred rent	844,825	909,067
Net Cash Provided by Operating Activities	1,319,516	758,319
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(366,178)	(1,015,960)
Net Cash Used for Investing Activities	(366,178)	(1,015,960)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment of loan	(46,967)	(44,911)
Net Cash Used for Financing Activities	(46,967)	(44,911)
NET CHANGE IN CASH	906,371	(302,552)
CASH, beginning of year	640,410	942,962
CASH, end of year	\$ 1,546,781	\$ 640,410
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 86,703	\$ 88,758

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

**CREATIVE MINDS INTERNATIONAL
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 was accepted on April 20, 2018. Until the tax exempt application was approved, the School had full discretion over CFA’s operations, therefore all assets, liabilities, and activities of CFA were included in the accompanying financial statements as of June 30, 2017 but have been excluded as of June 30, 2018.

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, 2018 and 2017.

**CREATIVE MINDS INTERNATIONAL
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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.

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.

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.

**CREATIVE MINDS INTERNATIONAL
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$2,701,337 and \$1,735,166 for enhancements, such as special education, at-risk students and English language learners, for the years ended June 30, 2018 and 2017, 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, 2018 AND 2017**

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 \$58,219 and \$81,054 of donated auction items for the years ended June 30, 2018 and 2017, respectively and \$42,053 in donated equipment and fixtures for the year ended June 30, 2018.

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.

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 (2014-2016), or expected to be taken in its 2017 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, 2018 AND 2017**

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Computers and materials	\$ 268,973	\$ 207,399
Classroom furniture	279,054	141,790
Leasehold improvements	4,158,886	3,991,547
	<u>4,706,913</u>	<u>4,340,736</u>
Less: accumulated depreciation and amortization	(1,475,404)	(959,664)
Property and Equipment, Net	<u>\$ 3,231,509</u>	<u>\$ 3,381,072</u>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017, totaled \$515,741 and \$435,760, 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, 2018 and 2017, the balance on this loan totaled \$1,897,204 and \$1,944,171, 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 2018 and 2017.

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

	<u>2018</u>	<u>2017</u>
Deferred financing costs	\$ 21,534	\$ 21,534
Less: accumulated amortization	(13,994)	(9,691)
	<u>\$ 7,540</u>	<u>\$ 11,843</u>

The School reports amortization of debt issuance costs as interest expense. The amortization of debt issuance costs as interest expense for the year ended June 30, 2018 and 2017, was \$4,303 and \$4,307, respectively.

**CREATIVE MINDS INTERNATIONAL
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE E - LOAN PAYABLE (continued)

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

2019	\$ 49,114
2020	1,848,090
Total	<u>\$ 1,897,204</u>

NOTE F - LEASE COMMITMENTS

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. There was another modification to this lease to extend the lease term from ten to thirty years with a new end date of July 31, 2025. As of June 30, 2018 and 2017, approved in-kind leasehold improvements totaled \$2,700,842 per year.

Rental expense for the years ended June 30, 2018 and 2017, totaled \$1,098,138 and \$1,106,303, respectively. The future minimum lease payments for the years ending June 30 are as follows:

2019	\$ 318,899
2020	1,117,177
2021	1,368,589
2022	1,574,489
2023	1,632,792
Thereafter	<u>50,068,332</u>
Total	<u>\$ 56,080,278</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, 2018 and 2017, pension expense totaled \$63,122 and \$55,966, respectively.

**CREATIVE MINDS INTERNATIONAL
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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.

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. As of June 30, 2018 and 2017, the School had cash that exceeded federally insured limits by approximately \$1,270,000 and \$370,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

The School is supported primarily through local and federal appropriations and grants. For the years ended June 30, 2018 and 2017, 94% and 89%, 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

In preparing these financial statements, the management of the School has evaluated subsequent events and transactions through the date of the auditors' report, October 23, 2018, which is the date these financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation 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, 2018, 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 23, 2018.

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 Maruca & M^aQuade PA

Washington, DC
October 23, 2018