

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

WASHINGTON, D.C.

COMPARATIVE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

KENDALL, PREBOLA AND JONES

Certified Public Accountants

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
District of Columbia International School
3220 16th Street NW
Washington, DC 20010

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the District of Columbia International School, (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

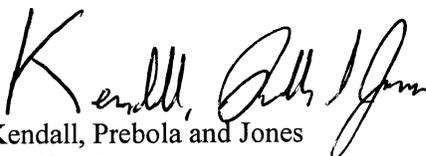
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia International School as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting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

Other Matters

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. In addition, the accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, on our consideration of the District of Columbia International 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District of Columbia International School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 22, 2016

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
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	\$ 3,061,008	\$ 1,180,735
Accounts Receivable	87,302	26,614
Grants Receivable	473,794	108,883
Promises Receivable	5,500	4,010
Prepaid Expenses	<u>201,945</u>	<u>129,885</u>
Total Current Assets	<u>\$ 3,829,549</u>	<u>\$ 1,450,127</u>
<u>Fixed Assets:</u>		
Furniture and Equipment	\$ 247,228	\$ 127,444
Computer Equipment	279,711	185,920
Website Design	4,175	2,875
Leasehold Improvements	23,616	15,491
Construction in Progress	1,265,421	-
Less: Accumulated Depreciation and Amortization	<u>(173,248)</u>	<u>(54,807)</u>
Total Fixed Assets	<u>\$ 1,646,903</u>	<u>\$ 276,923</u>
<u>Other Assets:</u>		
Deposits	\$ 75,400	\$ 82,410
Loan Financing Costs, Net	<u>32,500</u>	<u>-</u>
Total Other Assets	<u>\$ 107,900</u>	<u>\$ 82,410</u>
TOTAL ASSETS	<u>\$ 5,584,352</u>	<u>\$ 1,809,460</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 484,203	\$ 64,379
Payroll and Related Liabilities	192,822	102,886
Deferred Revenue	<u>-</u>	<u>668</u>
Total Current Liabilities	<u>\$ 677,025</u>	<u>\$ 167,933</u>
Total Liabilities	<u>\$ 677,025</u>	<u>\$ 167,933</u>
<u>Net Assets:</u>		
Unrestricted	\$ 4,752,443	\$ 1,641,527
Temporarily Restricted	<u>154,884</u>	<u>-</u>
Total Net Assets	<u>\$ 4,907,327</u>	<u>\$ 1,641,527</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,584,352</u>	<u>\$ 1,809,460</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
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 and Other Support:</u>						
Per-Pupil Funding Allocation	\$ 5,644,445	\$ -	\$ 5,644,445	\$ 3,003,985	\$ -	\$ 3,003,985
Per-Pupil Funding - Facilities Allowance	1,262,096	-	1,262,096	645,120	-	645,120
Federal Entitlements and Grants	1,766,699	-	1,766,699	570,589	-	570,589
State Government Grants	53,472	-	53,472	5,138	-	5,138
Private Grants and Contributions	354,350	252,500	606,850	317,218	100,000	417,218
Student Activity Fees	235,404	-	235,404	93,957	-	93,957
Interest and Other Income	7,150	-	7,150	-	-	-
Donated Services and Materials	2,258	-	2,258	45,289	-	45,289
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>97,616</u>	<u>(97,616)</u>	<u>-</u>	<u>125,628</u>	<u>(125,628)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 9,423,490</u>	<u>\$ 154,884</u>	<u>\$ 9,578,374</u>	<u>\$ 4,806,924</u>	<u>\$ (25,628)</u>	<u>\$ 4,781,296</u>
<u>Expenses and Losses:</u>						
Educational Services	\$ 5,665,982	\$ -	\$ 5,665,982	\$ 3,060,340	\$ -	\$ 3,060,340
General and Administrative	598,051	-	598,051	385,232	-	385,232
Fundraising	<u>48,541</u>	<u>-</u>	<u>48,541</u>	<u>50,274</u>	<u>-</u>	<u>50,274</u>
Total Expenses	<u>\$ 6,312,574</u>	<u>\$ -</u>	<u>\$ 6,312,574</u>	<u>\$ 3,495,846</u>	<u>\$ -</u>	<u>\$ 3,495,846</u>
Changes in Net Assets	\$ 3,110,916	\$ 154,884	\$ 3,265,800	\$ 1,311,078	\$ (25,628)	\$ 1,285,450
Net Assets, Beginning of Year	<u>1,641,527</u>	<u>-</u>	<u>1,641,527</u>	<u>330,449</u>	<u>25,628</u>	<u>356,077</u>
Net Assets, End of Year	<u>\$ 4,752,443</u>	<u>\$ 154,884</u>	<u>\$ 4,907,327</u>	<u>\$ 1,641,527</u>	<u>\$ -</u>	<u>\$ 1,641,527</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
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	\$ 3,265,800	\$ 1,285,450
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	130,284	54,324
Accounts Receivable - (Increase)/Decrease	(60,688)	(24,389)
Grants Receivable - (Increase)/Decrease	(364,911)	(31,455)
Promises Receivable - (Increase)/Decrease	(1,490)	(4,010)
Prepaid Expenses - (Increase)/Decrease	(72,060)	(96,401)
Deposits - (Increase)/Decrease	7,010	(33,660)
Loan Financing Costs - (Increase)/Decrease	(32,500)	-
Accounts Payable and Accrued Expenses - Increase/(Decrease)	78,196	51,624
Payroll and Related Liabilities - Increase/(Decrease)	89,936	89,817
Deferred Revenue - Increase/(Decrease)	<u>(668)</u>	<u>668</u>
Net Cash Flows from Operating Activities	<u>\$ 3,038,909</u>	<u>\$ 1,291,968</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	<u>\$ (1,158,636)</u>	<u>\$ (300,884)</u>
Net Cash Flows from Investing Activities	<u>\$ (1,158,636)</u>	<u>\$ (300,884)</u>
Net Increase in Cash and Cash Equivalents	\$ 1,880,273	\$ 991,084
Cash and Cash Equivalents at Beginning of Year	<u>1,180,735</u>	<u>189,651</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,061,008</u>	<u>\$ 1,180,735</u>

Supplemental Disclosures:

- a) No interest was paid during the years ended June 30, 2016 and 2015.
- b) No income taxes were paid during the years ended June 30, 2016 and 2015.

Non-Cash Disclosure:

- a) During the year ended June 30, 2016, acquisition of fixed assets in the amount of \$341,628 was incurred and charged to accounts payable.

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

The District of Columbia International School (the School), a District of Columbia not-for-profit corporation was incorporated on October 4, 2012, exclusively for educational purposes. The School operates as part of the District of Columbia Public School System and was chartered under the authority of the DC Public Charter School Board. The School is a Middle and High School offering language immersion and inquiry-based learning. The School currently offers the world-renowned International Baccalaureate Middle Years Program for students in the 6th, 7th, 8th and 9th grades. Advanced language programs are offered for Chinese, French and Spanish.

DCI is a cooperative, collaborative school founded by 5 language immersion public charter schools. These schools have amended their charters to include a secondary program for grades 6-12 at a new educational campus and as a new entity.

The DCI member schools are:

- DC Bilingual Public Charter School
- Elsie Whitlow Stokes Community Freedom Public Charter School
- Latin American Montessori Bilingual Public Charter School
- Mundo Verde Bilingual Public Charter School
- Washington Yu Ying Public Charter School

It is the mission of the School to inspire inquiring, engaged, knowledgeable and caring secondary students who are multi-lingual, culturally competent, and committed to proactively creating a socially just and sustainable world.

The School's primary sources of support are local appropriations for charter schools from the District of Columbia Government. The School also receives federal entitlement funding through the Office of the State Superintendent of Education.

Basic Programs:

District of Columbia International School provides advanced language learning in Chinese, French and Spanish, and the International Baccalaureate Middle Years and Diploma Programs in a 1:1 technology environment to DC public middle and high school students. The school was founded by the elementary language immersion schools in DC to provide a pathway for their PreK - 5th grade students.

Cornerstones of the DCI Education:

- International Baccalaureate for all
- Fluency in a second language: Chinese, Spanish or French
- 1:1 technology to provide personalized learning beyond a traditional school day/year.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

Basic Programs: (Continued)

DCI opened in 2014-2015. Our current demographics:

- 42% African American, 17% American Indian, 33% Caucasian, 6% Asian, 1% PI
- 40% Identify as Hispanic
- 179 6th Graders, 125 7th Graders and 101 8th graders
- 218 studying Spanish, 121 studying Chinese, 66 studying French
- 54% of students qualify for FARMS
- 78% from Wards 1, 4 and 5, but from all over the city.

In SY 2014-15, DCI served 210 students, 145 students from member schools and approximately 65 lottery spaces. In 2015-16, DCI had 405 students, while serving 519 students in 16-17. The school will continue to grow to 1500 students in 6-12th grade and graduate its first class in 2020.

Current Leadership:

- Mary Shaffner, Executive Director
- Simon Rodberg, Principal
- Rachel Sussman, Asst. Principal
- Deidra Bailey, Asst. Principal
- Dean Harris, IB Coordinator
- Melody Maitland, Director of Student Services
- Cody Long, Director of ACE
- Denise Lyons, Director Business and Compliance
- Gregg Albright, Director of Athletics
- Nicole Welsh, Director of EdTech
- Allison Sandusky, Director of Student Culture
- Alison Auerbach, Director of Language Learning

External funding sources:

- New Schools Venture Fund
- City Bridge: Breakthrough Schools

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 financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
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. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any on the contribution. An allowance for uncollectible contributions receivable is provided based upon 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 recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance.

Federal entitlements are recognized based on the allowable costs incurred.

Afterschool Program

The School offers fee-based extended day programming for all students. The hours of operation are structured to coincide with the typical workday of parents of the students. 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 and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the School effective October 4, 2012.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes: (Continued)

Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The School 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:

Foundation Grants:

Grant revenues result primarily from foundation grants and are recognized as increases in unrestricted net assets unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as net assets released from restrictions between the applicable classes of net assets.

Government Grants:

The School receives grants from federal and state governmental agencies for various purposes in the form of exchange transactions. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue. 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.

(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:

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions and over which the Board of Trustees 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. Temporarily restricted net assets were available at year end for the following purposes:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
New School Collaboration	\$ 152,799	\$ -
School Supplies	<u>2,085</u>	<u>-</u>
Total Released	<u>\$ 154,884</u>	<u>\$ -</u>

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 activities:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
New School Collaboration	\$ 97,201	\$ 125,628
School Supplies	<u>415</u>	<u>-</u>
Total Released	<u>\$ 97,616</u>	<u>\$ 125,628</u>

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that require 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 Facilities:

Donated services and facilities 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.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services and Facilities: (Continued)

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 Trustees 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.

The estimated value of donated services and facilities at June 30, 2016 and 2015 has been recorded in the financial statements as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Legal Services	\$ -	\$ 13,189
Design and Tech Services	2,000	21,600
Summer Fellow	-	10,500
Meals	<u>258</u>	<u>-</u>
Total	<u>\$ 2,258</u>	<u>\$ 45,289</u>

(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 costs 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.

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, student and family support, etc.) and then a percentage of time spent on program services, general and administrative activities, and fundraising activities is applied. All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for personnel expenses is utilized for cost allocation purposes.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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, 2016, 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.

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 School 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 equivalents as of June 30, 2016 and 2015, totaled \$3,061,008 and \$1,180,735, respectively, and consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Checking Account - Interest Bearing	\$ 480,547	\$ 1,180,535
Money Market Accounts	811,187	-
Repurchase Agreement	1,769,034	-
Petty Cash	<u>240</u>	<u>200</u>
Total	<u>\$ 3,061,008</u>	<u>\$ 1,180,735</u>

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS: (Continued)

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

The School maintains its operating funds in one financial institution in the form of a business checking account. This account is 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 is insured up to \$250,000.

As of June 30, 2016 and 2015, \$2,830,259 and \$938,079, 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.

Repurchase Agreement:

The School entered into a repurchase agreement with Eagle Bank in which the bank agreed to transfer to the School an interest in securities issued or guaranteed by the United States or an agency thereof against the transfer of funds from the School to the respective bank.

Per the repurchase agreement, funds in excess of \$1,000 are transferred out on a daily basis and transferred back in the following day along with interest earned. 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.

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	\$ 22,753	\$ 23,761
Student Activity Fees	16,245	-
Other	<u>48,304</u>	<u>2,853</u>
Total	<u>\$ 87,302</u>	<u>\$ 26,614</u>

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

Accounts and Grants Receivable: (Continued)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Grants Receivable</u>		
No Child Left Behind - Entitlement Funds	\$ 386	\$ 12,587
Special Education, IDEA 611, Grants to Local Education Agencies	1,418	-
Scholarship for Opportunity and Results Act (SOAR)	457,359	87,140
National School Lunch and Breakfast Programs	13,612	8,471
Healthy Schools Act	<u>1,019</u>	<u>685</u>
Total	<u>\$ 473,794</u>	<u>\$ 108,883</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 due to the type of organization for the balance of the accounts and grants receivable as of June 30, 2016 and 2015.

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 as of 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.

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. Balances at year end consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Other - Unrestricted	<u>\$ 5,500</u>	<u>\$ 4,010</u>
Total Promises Receivable	<u>\$ 5,500</u>	<u>\$ 4,010</u>

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

Promises Receivable: (Continued)

The above unconditional promises receivable are all due in less than one year. In addition, the School received the following conditional promises to give that are not recognized as assets in the financial statements:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
New School Collaboration	\$ _____ -	\$ <u>286,250</u>
Total Conditional Promises Receivable	\$ _____ -	\$ <u>286,250</u>

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 lives of the assets. 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 \$130,284 and \$54,324, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2016

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	5 Years	\$ 247,228	\$ 59,738	\$ 187,490
Computer Equipment	3 Years	279,711	89,591	190,120
Website Design	5 Years	4,175	1,650	2,525
Leasehold Improvements	2 Years	23,616	22,269	1,347
Construction in Progress		<u>1,265,421</u>	-	<u>1,265,421</u>
Total		<u>\$ 1,820,151</u>	<u>\$ 173,248</u>	<u>\$ 1,646,903</u>

June 30, 2015

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	5 Years	\$ 127,444	\$ 17,924	\$ 109,520
Computer Equipment	3 Years	185,920	29,535	156,385
Website Design	5 Years	2,875	815	2,060
Leasehold Improvements	2 Years	<u>15,491</u>	<u>6,533</u>	<u>8,958</u>
Total		<u>\$ 331,730</u>	<u>\$ 54,807</u>	<u>\$ 276,923</u>

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. FIXED ASSETS: (Continued)

During the year ended June 30, 2016, the School incurred costs related to architectural services for the development of a new school located at the Delano Hall on the former Walter Reed campus. The new school is projected to be completed and ready for use for the 2017-2018 school year. Total costs incurred as of June 30, 2016, were \$1,265,421 and are classified as Construction in Progress.

7. LINE OF CREDIT:

On January 29, 2015, the School entered into a variable rate revolving \$200,000 line of credit arrangement with Eagle Bank. The purpose of the line of credit is to provide short-term working capital. The line is collateralized with a first priority interest on all corporate assets of the School. The line is payable on demand and calls for monthly interest payments at the Prime Rate as published in the Wall Street Journal on a daily basis plus .50% and subject to a floor of 6.00%. There was no balance outstanding on this credit line as of June 30, 2016.

8. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The School was approved by the District of Columbia Public Charter School Board as a jointly operated co-located campus of the middle-high school campuses of five language immersion charter schools 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 agreement effective July 1, 2014, provides for a 15-year term of operation. If not renewed, the agreement will expire on or about July 1, 2029. The contract may be renewed for successive 15-year periods if the DCPCSB deems that the School is in compliance with its contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the School every five years, with the first review expected to occur in 2019. The DCPCSB may revoke (or not renew) a school contract if a school violates applicable law, materially violates the 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 operational agreement.

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 \$89,676 and \$43,188, respectively, in administrative fees.

The contract provides that the School 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 School enrollment ceiling for the year ended June 30, 2016, was not permitted to be greater than 415 students. Audit enrollment for the 2015/2016 year was 404 students.

9. 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 \$11,580 for the education allotment and \$3,124 for the facility allotment.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. PER-PUPIL FUNDING ALLOCATION: (Continued)

For the year ended June 30, 2015, the per-student rate ranged from \$9,492 to \$11,580 for the educational allotment and \$3,072 for the facility allotment. Additional allotments were made for Special Education Services. 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>
Grades 6-8	\$ 4,141,549	\$ 2,152,786
Special Education	1,114,803	638,795
English as a Second Language	209,299	120,928
Facilities Allowance	1,262,096	645,120
At-Risk Students	<u>178,794</u>	<u>91,476</u>
Total	<u>\$ 6,906,541</u>	<u>\$ 3,649,105</u>

10. FEDERAL ENTITLEMENTS AND GRANTS:

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
National School Lunch and School Breakfast Programs	\$ 92,889	\$ 50,365
No Child Left Behind - Entitlement Funds	144,105	100,862
Scholarship for Opportunity and Results Act (SOAR)	1,418,757	391,824
Special Education, IDEA 611, Grants to Local Education Agencies	<u>110,948</u>	<u>27,538</u>
Total	<u>\$ 1,766,699</u>	<u>\$ 570,589</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 the 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.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS:

Building Lease (3220 and 3224 16th Street, NW):

The School entered into a rental agreement effective August 1, 2014, with the Charter School Incubator Initiative for the rental of a school facility located at 3220 and 3224 16th Street, NW, in Washington, DC. The term of this agreement shall continue until July 31, 2016, with an option to renew the agreement for one option period of two years by providing the landlord with one-month prior written notice. As a requirement of this lease, a total rental security deposit of \$5,000 is to be made. The annual usage fee represents an amount equal to the number of students enrolled on each census date (every October) multiplied by the per pupil facilities allowance received from the DC Government. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, and property management. Rent expense on this lease for the years ended June 30, 2016 and 2015, was \$1,210,681 and \$591,360, respectively, and was based on a student enrollment of 404 and 210 students, respectively.

Future estimated required minimum rental lease payments based on estimated student enrollment are as follows:

<u>Year Ending June 30,</u>	<u>Required Lease Payment</u>
2017	\$ 1,562,000
2018	<u>130,167</u>
Total	<u>\$ 1,692,167</u>

Building Lease (1500 Harvard Street, NW):

The School entered into a rental agreement effective July 15, 2015, with the Charter School Incubator Initiative for the rental of certain classroom space and other premises at 1500 Harvard Street, NW, in Washington, DC. The term of this agreement shall continue until July 15, 2018. As a requirement of this lease, a total rental security deposit of \$10,000 is to be made. Currently, the School does not owe any usage fees under this agreement.

Total rent expense for the years ended June 30, 2016 and 2015 was \$1,217,181 and \$596,860, respectively. Included in rent expense for the years ended June 30, 2016 and 2015 are payments for the rental of a gym totaling \$6,500 and \$5,500, respectively.

12. 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, seventy-two percent (72%) and seventy-six percent (76%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. CONCENTRATIONS: (Continued)

Revenues: (Continued)

In addition to the revenue received through the Uniform Per Student Funding, the School receives state and federal 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 School is limited to enrolling students that are residents of the District of Columbia. As such, the School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

13. CONTINGENCIES:

The School was approved to operate 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 the School's ability to finance ongoing operations.

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 trustees 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 and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

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 operation of public charter schools.

14. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 22, 2016, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts represented in the accompanying financial statements.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. SUBSEQUENT EVENTS: (Continued)

Enrollment:

Enrollment for the 2016/2017 school year is projected to be approximately five hundred (500) students. These enrollment numbers are up from the current enrollment number of four hundred and five (405) students during the 2015/2016 school year.

15. RELATED PARTY TRANSACTIONS:

Grant Revenues:

A board member of the School is affiliated with the New Schools Venture Fund. During December 2013, this organization granted \$936,250 to the School. This grant is being accounted for as a conditional grant by the School. During the year ended June 30, 2016, the final installment of \$286,250 was recognized as revenue in relation to this grant by the School.

There was another board member affiliated with a foundation that granted \$8,000 to the School during the year ended June 30, 2015.

Donated Legal Services:

The firm of one of the School's board members provided general legal services to the School for which a value of \$9,861 was assigned and recognized in the financial statements during the year ended June 30, 2015.

Member Schools:

DCI is a cooperative, collaborative school founded by 5 language immersion public charter schools. These schools have amended their charters to include DCI as a secondary program for grades 6-12. Certain federal government grants were received from the Department of Education and passed through these member schools to DCI. These federal grants are listed on DCI's Schedule of Expenditures of Federal Awards.

16. FUNDRAISING:

During the years ended June 30, 2106 and 2015, expenses incurred for the purpose of fundraising were \$48,541 and \$50,274, respectively.

17. ADVERTISING:

Advertising was conducted for the purpose of promoting open enrollment and student recruiting to the school and to provide outreach to the community. Advertising costs are expensed when incurred. Direct advertising expenses were \$27,608 and \$31,338 for the years ended June 30, 2016 and 2015, respectively.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

18. RETIREMENT PLAN:

Teachers Retirement Plan:

As authorized by the Title 38 of the Code of the District of Columbia, teachers of the DC Public School System may participate in a defined benefit plan named the “Teacher’s Retirement Plan.” The District of Columbia Retirement Board (DCRB) is responsible for paying benefits attributable to teacher service.

An employee may elect to remain in the Teacher’s Retirement Plan if that individual leaves employment with the District of Columbia Public School system and becomes an employee of a DC Public Charter School provided the election is made within 60 days of departure. To remain in the plan, the teacher must make the required employee retirement contributions and the school must make the match contributions that the District Government would have made to the plan. Employee contributions of 7% of annual salary are required to be made on a pre-tax basis to the plan.

401(k) Retirement Plan:

The School provides pension benefits for its employees through a defined contribution 401(k) retirement plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the Plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code. The School contributes, on a matching basis, an amount up to 3% of an employee's base annual salary for employees with one or more years of employment. In addition to the traditional 401(k) contributions, the Plan accepts Roth 401(k) contributions.

The combined amount of employer contributions for the years ended June 30, 2016 and 2015, was \$42,249 and \$14,360, respectively.

19. EMPLOYEE BENEFITS:

The cost of 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	\$ 198,213	\$ 117,358
Health Insurance	252,546	113,736
Life and Disability Insurance	11,815	6,980
Retirement	42,249	14,360
Unemployment	26,816	15,091
Mass Transit	23,932	-
Workers Compensation	<u>6,638</u>	<u>5,715</u>
Total	<u>\$ 562,209</u>	<u>\$ 273,240</u>

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO FINANCIAL STATEMENTS

20. 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	\$ 1,217,181	\$ 596,860
Maintenance and Repairs	12,771	6,284
Janitorial Supplies	5,133	3,674
Contracted Building Services	3,574	1,898
Depreciation - Facilities	<u>15,736</u>	<u>6,533</u>
Total	<u>\$ 1,254,395</u>	<u>\$ 615,249</u>

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016				June 30, 2015			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Leadership Salaries	\$ 373,633	\$ 306,550	\$ 45,876	\$ 21,207	\$ 328,104	\$ 268,178	\$ 38,628	\$ 21,298
Teaching Staff Salaries	2,071,939	2,071,939	-	-	901,423	900,118	1,249	56
Student Support Salaries	448,363	445,414	2,739	210	192,500	192,500	-	-
Office and Administrative Staff	296,543	116,901	172,084	7,558	186,234	104,203	74,799	7,232
Employee Benefits	337,180	310,795	23,324	3,061	140,791	128,249	10,040	2,502
Payroll Taxes	225,029	207,419	15,566	2,044	132,449	120,651	9,444	2,354
Staff Development Expense	90,823	83,716	6,283	824	31,401	28,604	2,239	558
Other Personnel Expenses	72,781	66,912	5,379	490	35,948	32,746	2,563	639
Total Personnel, Salaries and Benefits	\$ 3,916,291	\$ 3,609,646	\$ 271,251	\$ 35,394	\$ 1,948,850	\$ 1,775,249	\$ 138,962	\$ 34,639
<u>Direct Student Costs:</u>								
Textbooks	\$ 46,959	\$ 46,959	\$ -	\$ -	\$ 59,284	\$ 59,284	\$ -	\$ -
Student Supplies and Materials	159,474	159,474	-	-	92,387	92,387	-	-
Student Assessment Materials	18,446	18,446	-	-	11,406	11,406	-	-
Food Service	141,287	141,287	-	-	80,525	80,525	-	-
Contracted Instruction	200,706	200,706	-	-	143,793	143,793	-	-
Student Travel/Transportation	27,577	27,577	-	-	9,216	9,216	-	-
Other Student Costs	48,969	48,969	-	-	22,458	22,458	-	-
Total Direct Student Costs	\$ 643,418	\$ 643,418	\$ -	\$ -	\$ 419,069	\$ 419,069	\$ -	\$ -
<u>Occupancy Costs:</u>								
Rent	\$ 1,217,181	\$ 1,121,930	\$ 84,197	\$ 11,054	\$ 596,860	\$ 543,692	\$ 42,559	\$ 10,609
Contracted Building Services	3,574	3,296	246	32	1,898	1,729	135	34
Maintenance and Repairs	12,771	11,772	883	116	6,284	5,724	448	112
Janitorial Supplies	5,133	4,729	357	47	3,674	3,347	262	65
Depreciation - Facilities	15,736	14,505	1,088	143	6,533	5,951	466	116
Total Occupancy Costs	\$ 1,254,395	\$ 1,156,232	\$ 86,771	\$ 11,392	\$ 615,249	\$ 560,443	\$ 43,870	\$ 10,936
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 28,682	\$ 26,438	\$ 1,984	\$ 260	\$ 27,935	\$ 25,446	\$ 1,992	\$ 497
Equipment Rental and Maintenance	15,736	14,504	1,089	143	7,165	6,527	511	127
Telephone/Telecommunications	13,065	12,042	904	119	4,830	4,400	344	86
Postage and Shipping	4,600	4,240	318	42	1,602	1,460	114	28
Computer Support Fees	30,359	27,983	2,100	276	50,279	45,800	3,585	894
Printing and Duplication	3,628	3,344	251	33	1,480	1,348	105	27
Total Office Expenses	\$ 96,070	\$ 88,551	\$ 6,646	\$ 873	\$ 93,291	\$ 84,981	\$ 6,651	\$ 1,659
<u>General Expenses:</u>								
Insurance	\$ 19,340	\$ 17,827	\$ 1,337	\$ 176	\$ 14,336	\$ 13,058	\$ 1,022	\$ 256
Authorizer Fee	89,676	-	89,676	-	43,188	-	43,188	-
Accounting, Auditing and Payroll	100,291	-	100,291	-	57,655	-	57,655	-
Legal Fees	8,195	5,000	3,195	-	25,347	3,658	21,689	-
Business Fees and Dues	25,256	21,083	4,173	-	17,762	11,260	6,502	-
Other Professional Fees	29,091	1,853	26,789	449	182,019	154,577	24,658	2,784
Other Expenses	16,003	8,659	7,087	257	31,289	-	31,289	-
Depreciation	114,548	113,713	835	-	47,791	38,045	9,746	-
Total General Expenses	\$ 402,400	\$ 168,135	\$ 233,383	\$ 882	\$ 419,387	\$ 220,598	\$ 195,749	\$ 3,040
TOTAL FUNCTIONAL EXPENSES	\$ 6,312,574	\$ 5,665,982	\$ 598,051	\$ 48,541	\$ 3,495,846	\$ 3,060,340	\$ 385,232	\$ 50,274

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
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	\$ 5,665,982	\$ 14,025
General and Administrative	598,051	1,480
Fundraising	<u>48,541</u>	<u>120</u>
Total	<u>\$ 6,312,574</u>	<u>\$ 15,625</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 404 students.

June 30, 2015

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 3,060,340	\$ 14,574
General and Administrative	385,232	1,834
Fundraising	<u>50,274</u>	<u>239</u>
Total	<u>\$ 3,495,846</u>	<u>\$ 16,647</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 210 students.

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Period of Award</u>	<u>Grant Receivable at 7/1/15</u>	<u>Refundable Advance at 7/1/15</u>	<u>Current Year Activity</u>		<u>Grant Receivable at 6/30/16</u>	<u>Refundable Advance at 6/30/16</u>
							<u>Receipts</u>	<u>Disbursements Expenditures</u>		
<u>U.S. Department of Education:</u>										
<u>Passed Through the District of Columbia Government:</u>										
Title I, Part A, Grants to Local Education Agencies	84.010A	52010A	\$ 158,773	07/01/15 to 09/30/16	\$ -	\$ -	\$ 107,257	\$ 106,306	\$ -	\$ (951)
Title I, Part A, Grants to Local Education Agencies	84.010A	52010A	\$ 79,756	07/01/14 to 09/30/15	10,500	-	14,485	3,985	-	-
Title II, Part A, Preparing, Training and Recruiting High Quality Teachers and Principals	84.367A	52367A	\$ 45,959	07/01/15 to 09/30/16	-	-	26,641	27,880	1,239	-
Title III, English Language Acquisition Grants	84.365A	N/A	\$ 10,908	07/01/15 to 09/30/16	-	-	5,836	5,934	98	-
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	52027A	\$ 112,332	07/01/15 to 09/30/16	-	-	109,530	110,948	1,418	-
Scholarship for Opportunity and Results Act (SOAR)	84.370C	N/A	\$ 498,500	07/10/15 to 07/10/17	-	-	135,453	169,141	33,688	-
Scholarship for Opportunity and Results Act (SOAR)	84.370C	N/A	\$ 750,000	07/10/15 to 07/10/16	-	-	271,427	547,584	276,157	-
Subtotal Passed through District of Columbia Government					\$ 10,500	\$ -	\$ 670,629	\$ 971,778	\$ 312,600	\$ (951)
<u>Passed Through Bridges Public Charter School:</u>										
Title III, English Language Acquisition Grants	84.365A	N/A	\$ 2,087	07/01/14 to 09/30/15	\$ 2,087	\$ -	\$ 2,087	\$ -	\$ -	\$ -
<u>Passed Through E.W. Stokes Public Charter School:</u>										
Scholarship for Opportunity and Results Act (SOAR)	84.370C	N/A	\$ 56,250	07/10/15 to 07/10/16	\$ -	\$ -	\$ 35,000	\$ 55,073	\$ 20,073	\$ -
Scholarship for Opportunity and Results Act (SOAR)	84.370C	N/A	\$ 300,000	02/21/14 to 02/20/15	25,094	-	25,094	-	-	-
Subtotal Passed through E.W. Stokes Public Charter School					\$ 25,094	\$ -	\$ 60,094	\$ 55,073	\$ 20,073	\$ -
<u>Passed Through Mundo Verde Public Charter School:</u>										
Scholarship for Opportunity and Results Act (SOAR)	84.370C	N/A	\$ 75,000	07/10/15 to 07/10/16	\$ -	\$ -	\$ 64,958	\$ 75,000	\$ 10,042	\$ -
<u>Passed Through Latin American Montessori Bilingual Public Charter School:</u>										
Scholarship for Opportunity and Results Act (SOAR)	84.370C	N/A	\$ 75,000	07/10/15 to 07/10/16	\$ -	\$ -	\$ 4,645	\$ 75,000	\$ 70,355	\$ -
<u>Passed Through Washington Yu Ying Public Charter School:</u>										
Scholarship for Opportunity and Results Act (SOAR)	84.370C	N/A	\$ 525,000	02/21/14 to 02/20/16	\$ 62,046	\$ -	\$ 403,314	\$ 341,268	\$ -	\$ -
Scholarship for Opportunity and Results Act (SOAR)	84.370C	N/A	\$ 75,000	07/10/15 to 07/10/16	-	-	50,400	73,459	23,059	-
Subtotal Passed through Washington Yu Ying Public Charter School:					\$ 62,046	\$ -	\$ 453,714	\$ 414,727	\$ 23,059	\$ -

See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Period of Award	Grant Receivable at 7/1/15	Refundable Advance at 7/1/15	Current Year Activity		Grant Receivable at 6/30/16	Refundable CFDA 6/30/16
							Receipts	Disbursements Expenditures		
Passed Through DC Bilingual Public Charter School:										
Scholarship for Opportunity and Results Act (SOAR)	84.370C	N/A	\$ 75,000	07/10/15 to 07/10/16	\$ -	\$ -	\$ 50,247	\$ 72,232	\$ 21,985	\$ -
Passed Through the Flamboyan Foundation:										
Scholarship for Opportunity and Results Act (SOAR)	84.370C	N/A	\$ 10,000	07/10/15 to 06/30/16	-	-	8,000	10,000	2,000	-
Total U.S. Department of Education					\$ 99,727	\$ -	\$ 1,314,374	\$ 1,673,810	\$ 460,114	\$ (951)
<u>U.S. Department of Agriculture:</u>										
Passed Through the District of Columbia:										
National School Lunch Program	10.555	N/A	N/A	07/01/15 to 06/30/16	\$ -	\$ -	\$ 67,534	\$ 79,335	\$ 11,801	\$ -
National School Lunch Program	10.555	N/A	N/A	07/01/14 to 06/30/15	7,099	-	6,493	(606)	-	-
School Breakfast Program	10.553	N/A	N/A	07/01/15 to 06/30/16	-	-	12,552	14,363	1,811	-
School Breakfast Program	10.553	N/A	N/A	07/01/14 to 06/30/15	1,372	-	1,169	(203)	-	-
Total U.S. Department of Agriculture					\$ 8,471	\$ -	\$ 87,748	\$ 92,889	\$ 13,612	\$ -
TOTAL FEDERAL AWARDS					\$ 108,198	\$ -	\$ 1,402,122	\$ 1,766,699	\$ 473,726	\$ (951)

Summary by CFDA

Program	CFDA Number	Amount of Expenditures
Title I, Part A, Grants to Local Education Agencies	84.010A	\$ 110,291
Title II, Part A, Preparing, Training and Recruiting High Quality Teachers and Principals	84.367A	27,880
Title III, English Language Acquisition Grants	84.365A	5,934
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	110,948
Scholarship for Opportunity and Results Act (SOAR)	84.370C	1,418,757
National School Lunch Program	10.555	78,729
School Breakfast Program	10.553	14,160
Total Federal Awards		\$ 1,766,699

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 110,291
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	27,880
Title III, English Language Acquisition Grants	84.365A	5,934
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	110,948
Scholarship for Opportunity and Results Act (SOAR)	84.370C	1,418,757*
National School Lunch Program	10.553	78,729
School Breakfast Program	10.555	<u>14,160</u>
Total Federal Awards		<u>\$ 1,766,699</u>

*Denotes Major Program

Note 3 - Major Program Disclosure:

Scholarship for Opportunity and Results Act (SOAR)

To provide low-income parents residing in the District of Columbia (District) with expanded options for the education of their children. This program is part of a broader school improvement effort in the District.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
District of Columbia International School
3220 16th Street NW
Washington, DC 20010

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 District of Columbia International School (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 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District of Columbia International 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 District of Columbia International School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

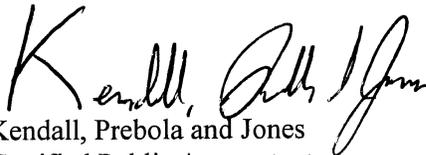
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 District of Columbia International 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 22, 2016

Kendall, Prebola and Jones, LLC
Certified Public Accountants

The Board of Trustees
District of Columbia International School
3220 16th Street NW
Washington, DC 20010

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the District of Columbia International School's (a nonprofit organization) compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of District of Columbia International School's major federal programs for the year ended June 30, 2016. The District of Columbia International School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and in the notes to the Schedule of Expenditures of Federal Awards.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District of Columbia International School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District of Columbia International School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Award Program

In our opinion, the District of Columbia International School, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

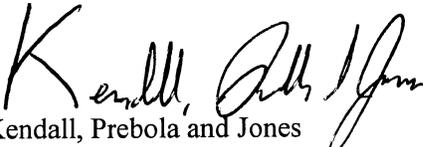
Report on Internal Control Over Compliance

Management of the District of Columbia International School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the District of Columbia International School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District of Columbia International School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 22, 2016

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

There were no findings reported in the prior year.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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 School 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 School, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award program have been reported.
- e. The Auditor's report on compliance for the major federal award program for the District of Columbia International School expresses an unmodified opinion.
- f. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a) of the Uniform Guidance in the Schedule of Findings and Questioned Costs.
- g. The major program of the District of Columbia International School was as follows:

<u>Program</u>	<u>CFDA #</u>
Scholarship for Opportunity and Results Act (SOAR)	84.370C

- h. The dollar threshold utilized to determine Type A programs was \$750,000.
- i. The District of Columbia International School did not qualify as a low-risk auditee.

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

None

III. Findings relating to federal awards, which are required to be reported in accordance with the Uniform Guidance

None