

EARLY CHILDHOOD ACADEMY PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
Early Childhood Academy Public Charter School
4025 9th Street, SE
Washington, DC 20032

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Early Childhood Academy Public Charter School, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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 Early Childhood Academy Public Charter School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of the Early Childhood Academy 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 solely 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 the Early Childhood Academy Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
October 18, 2017

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 4,292,731	\$ 4,667,227
Accounts Receivable	26,127	27,262
Grants Receivable	184,547	84,517
Promises Receivable	4,500	45,000
Prepaid Expenses	<u>20,829</u>	<u>12,952</u>
Total Current Assets	<u>\$ 4,528,734</u>	<u>\$ 4,836,958</u>
<u>Fixed Assets:</u>		
Furniture and Equipment	\$ 166,607	\$ 164,614
Computer Equipment	285,299	287,440
Leasehold Improvements	75,235	69,916
Construction in Progress	550,000	50,000
Less: Accumulated Depreciation and Amortization	<u>(432,193)</u>	<u>(410,004)</u>
Total Fixed Assets	<u>\$ 644,948</u>	<u>\$ 161,966</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 56,857</u>	<u>\$ 30,772</u>
Total Other Assets	<u>\$ 56,857</u>	<u>\$ 30,772</u>
TOTAL ASSETS	<u>\$ 5,230,539</u>	<u>\$ 5,029,696</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 66,496	\$ 22,965
Accrued Salary and Vacation	142,239	139,890
Payroll Withholdings and Related Liabilities	3,372	15,468
Deferred Revenues	-	2,795
Current Portion: Long-Term Debt	<u>6,423</u>	<u>3,750</u>
Total Current Liabilities	<u>\$ 218,530</u>	<u>\$ 184,868</u>
<u>Long Term Liabilities:</u>		
Capital Lease Payable	\$ 9,354	\$ 3,750
Less: Current Portion	<u>(6,423)</u>	<u>(3,750)</u>
Total Long Term Liabilities	<u>\$ 2,931</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 221,461</u>	<u>\$ 184,868</u>
<u>Net Assets:</u>		
Unrestricted	\$ 5,009,078	\$ 4,808,765
Temporarily Restricted	<u>-</u>	<u>36,063</u>
Total Net Assets	<u>\$ 5,009,078</u>	<u>\$ 4,844,828</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,230,539</u>	<u>\$ 5,029,696</u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>						
Per-Pupil Funding Allocation	\$ 3,291,774	\$ -	\$ 3,291,774	\$ 3,583,284	\$ -	\$ 3,583,284
Per-Pupil Funding - Facilities Allowance	715,396	-	715,396	843,381	-	843,381
Federal Entitlements and Grants	515,653	-	515,653	357,512	-	357,512
Donated Federal Commodities	14,037	-	14,037	28,103	-	28,103
State Grants	58,440	-	58,440	82,090	-	82,090
Private Grants and Contributions	22,364	-	22,364	1,637	99,150	100,787
Service Fees	17,862	-	17,862	-	-	-
Student Fees	68,969	-	68,969	88,610	-	88,610
Interest	4,140	-	4,140	4,393	-	4,393
Special Events (Net)	4,923	-	4,923	4,077	-	4,077
Loss on Disposal of Fixed Assets	(1,745)	-	(1,745)	-	-	-
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>36,063</u>	<u>(36,063)</u>	<u>-</u>	<u>63,087</u>	<u>(63,087)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 4,747,876</u>	<u>\$ (36,063)</u>	<u>\$ 4,711,813</u>	<u>\$ 5,056,174</u>	<u>\$ 36,063</u>	<u>\$ 5,092,237</u>
<u>Expenses and Losses:</u>						
Educational Services	\$ 4,160,162	\$ -	\$ 4,160,162	\$ 4,190,382	\$ -	\$ 4,190,382
Fundraising	4,287	-	4,287	4,018	-	4,018
General and Administrative	<u>383,114</u>	<u>-</u>	<u>383,114</u>	<u>453,904</u>	<u>-</u>	<u>453,904</u>
Total Expenses	<u>\$ 4,547,563</u>	<u>\$ -</u>	<u>\$ 4,547,563</u>	<u>\$ 4,648,304</u>	<u>\$ -</u>	<u>\$ 4,648,304</u>
Changes in Net Assets	\$ 200,313	\$ (36,063)	\$ 164,250	\$ 407,870	\$ 36,063	\$ 443,933
Net Assets, Beginning of Year	<u>4,808,765</u>	<u>36,063</u>	<u>4,844,828</u>	<u>4,400,895</u>	<u>-</u>	<u>4,400,895</u>
Net Assets, End of Year	<u>\$ 5,009,078</u>	<u>\$ -</u>	<u>\$ 5,009,078</u>	<u>\$ 4,808,765</u>	<u>\$ 36,063</u>	<u>\$ 4,844,828</u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 164,250	\$ 443,933
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	62,945	70,988
Loss on Disposal of Fixed Assets	1,745	-
Accounts Receivable - (Increase)/Decrease	1,135	8,555
Grants Receivable - (Increase)/Decrease	(100,030)	14,795
Promises Receivable - (Increase)/Decrease	40,500	(45,000)
Prepaid Expenses - (Increase)/Decrease	(7,877)	(2,047)
Deposits - (Increase)/Decrease	23,915	(890)
Accounts Payable - Increase/(Decrease)	43,531	(29,610)
Accrued Salary and Vacation - Increase/(Decrease)	2,349	(1,468)
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	(12,096)	15,915
Refundable Advance - Increase/(Decrease)	-	(4,550)
Deferred Revenues - Increase/(Decrease)	<u>(2,795)</u>	<u>(9,107)</u>
Net Cash Flows from Operating Activities	<u>\$ 217,572</u>	<u>\$ 461,514</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (84,937)	\$ (63,792)
Payments for Construction in Progress	(500,000)	(50,000)
Proceeds on Sale of Certificates of Deposit	<u>-</u>	<u>2,000,000</u>
Net Cash Flows from Investing Activities	<u>\$ (584,937)</u>	<u>\$ 1,886,208</u>
<u>Cash Flows from Financing Activities:</u>		
Payments on Capital Lease	<u>\$ (7,131)</u>	<u>\$ (4,500)</u>
Net Cash Flows from Financing Activities	<u>\$ (7,131)</u>	<u>\$ (4,500)</u>
Net Increase in Cash and Cash Equivalents	\$ (374,496)	\$ 2,343,222
Cash and Cash Equivalents at Beginning of Year	<u>4,667,227</u>	<u>2,324,005</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,292,731</u>	<u>\$ 4,667,227</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2017 and 2016.
- b) Cash paid for interest during the years ended June 30, 2017 and 2016 was \$852 and \$-0-, respectively.

Non-Cash Activities:

During the year ended June 30, 2017, the Charter School purchased thirty (30) Chromebooks in the amount of \$12,735 by financing through a capital lease.

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

Early Childhood Academy Public Charter School, Inc. (ECA), a District of Columbia not-for-profit corporation was incorporated on November 12, 2004 exclusively for educational purposes. The public charter 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. ECA is a tuition-free public school, designed to ultimately serve 300 Washington, DC, children in grades prekindergarten through grade three. ECA focuses heavily on language and literacy, with instruction also provided in math, social studies, science, music, and physical education.

It is the mission of Early Childhood Academy Public Charter School to foster the academic and social/emotional growth and development of each student in a safe and holistic learning environment that will equip all students with the knowledge and tools to become high achievers, proficient readers, and critical thinkers who will thrive for a lifetime as productive and caring citizens.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter 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.

(b) Revenue Recognition:

Contributions

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

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

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

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Federal and Charter School Funding

The Charter 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 Charter 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.

Before and After Care Fees

The Charter School offers fee-based extended day programming for students in grades prekindergarten through third grade. The hours of operation are structured to coincide with the typical workday of parents of the students. Both the before and after care programs offer food services. Tuition is collected based on a monthly fee and has been reflected as student fees.

(c) Corporate Taxes:

The Charter School is exempt from federal and state income taxes (other than on unrelated business income) 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 Charter School effective June 13, 2007. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The Charter 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 Charter School did not have any net unrelated business income for the years ended June 30, 2017 and 2016.

The Charter 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.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Grants: (Continued)

Government Grants

The Charter 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.

(e) Net Assets:

The Charter 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 Charter 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 Charter School and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions and over which the Board of 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 Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets available at June 30, 2017. Temporarily restricted net assets were available as of June 30, 2016, for the following purpose:

	<u>June 30, 2016</u>
Afterschool Enrichment	\$ <u>36,063</u>
Total	\$ <u>36,063</u>

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets (Continued)

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Afterschool Enrichment	\$ 36,063	\$ 8,937
Summer Program	-	29,150
Reading Textbooks and Materials	-	25,000
Total Released	\$ 36,063	\$ 63,087

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that require the net assets be maintained permanently by the Charter 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 Charter School did not have any permanently restricted net assets as of June 30, 2017 and 2016.

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter 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. There were no donated services or materials for the years ended June 30, 2017 and 2016.

(g) Basic Programs:

Educational Approach

ECA has a strong curricular focus on language and literacy, given the tremendous impact of early language development on nearly all other aspects of development. Instruction is based upon the Early Learning Standards for prekindergarten and the national Common Core standards for reading and math, kindergarten through grade three.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Educational Approach (Continued)

Early Childhood Academy Public Charter School has selected *Pearson Opening the World of Learning (OWL)* as its instructional tool for pre-kindergarten and *Houghton Mifflin Science* and *Social Studies*, as well as *McGraw Hill My Math* and *Reading Wonders* for kindergarten to grade three.

Opening the World of Learning is a comprehensive curriculum that covers all domains of early learning. The content of each unit is built around a carefully crafted daily routine within activity centers. Themes, skills, and concepts are developed through quality children's fiction and nonfiction trade books.

Houghton Mifflin Science and *Social Studies* are comprehensive learning programs that include a variety of products to help maximize teaching effectiveness, including textbooks, workbooks, teachers' guides and resources, audio-visual aids, and computer software.

McGraw-Hill My Math and *Reading Wonders* provide students with research-based content aligned with the Common Core State Standards. Differentiated instruction allows teachers to reach every student and ensure success on state and standardized tests. Together, these curriculum tools will ensure an appropriate and challenging educational program focusing on children's developmental progress and mastery of content knowledge and skills.

Assessment

ECA believes that the purpose of assessment is to inform instruction and assess student progress. Through implementation of a variety of formal and informal assessments, teachers obtain useful information about each child's knowledge, skills, and progress by observing, documenting, analyzing, and reviewing work samples over time. Teachers at Early Childhood Academy Public Charter School are given specific instructions on how to analyze data and use it to plan for instruction.

Baseline and benchmark formative and summative assessments for prekindergarten include the Phonological Awareness Literacy Screening (PALS) and the Every Child Ready Assessment provided by the AppleTree Institute for Education Innovation. Prekindergarten classroom environments are also evaluated using the Classroom Assessment Scoring System (CLASS). Formative and summative assessments for kindergarten through grade three include the Northwest Evaluation Association Measures of Academic Progress (MAP) and the Developmental Reading Assessment (DRA). Third-grade students also complete the Partnership for Assessment of Readiness for College and Careers (PARCC), which is the required statewide assessment.

Data from these assessments guide planning and instruction for all students to ensure that goals and standards are met.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Discipline

ECA promulgates clear, school-wide expectations for student and adult behavior, as well as consistent, respectful, and developmentally appropriate consequences administered as necessary. By implementing a school-wide behavior support plan and providing on-going staff training in positive behavior facilitation, ECA creates and maintains a learning environment that is nurturing, age-appropriate, and culturally sensitive.

Professional Development

ECA believes that high-quality professional development and ongoing feedback and support from administrators provide teachers with the knowledge base and skills needed to promote children's learning. Therefore, each year, the executive director, principal, and a representative group of teachers draft a Professional Development Plan that articulates goals, activities, resources, and evidence of success.

Experts in their fields are contracted to support high student achievement in reading and math. Robyn Silbey, ECA's math coach, taught for 36 years in Montgomery County, Maryland, a large, urban/suburban school district with a widely diverse population. Ms. Silbey holds a Master of Science degree in Mathematics Education and a Bachelor's of Science degree in Elementary Education. For over 30 years, Robyn has authored and co-authored books, computer software, workbooks, and articles.

Melodie Barron has worked as a literacy coach across the country for the last decade. She has a master's degree in teacher leadership and has worked as a teacher and school administrator for over 25 years. Ms. Barron currently works with a number of charter schools in the DC area, including ECA and DC Prep.

Parent Involvement

ECA is dedicated to encouraging strong and consistent parent involvement in all aspects of the child's educational, social, and emotional development. Orientation meetings are held during which parents receive *Parent Handbooks* and sign a "School-Parent Compact." Parent meetings, phone calls, written progress reports, and regularly scheduled meetings are implemented to discuss children's progress, notify parents of ECA's performance in meeting yearly academic goals, and to ensure open communication with parents on a regular basis. In addition, ECA offers free quarterly parent education workshops. The principal facilitates the establishment of a Parent Leadership Team and all parents are members of the Parent School Association.

Community Involvement

The executive director will promote partnerships and collaborative ventures with school personnel and other public and private stakeholder organizations to facilitate service delivery. ECA will also develop a continually updated list of opportunities for parents and other community members to participate in school activities.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Community Involvement (Continued)

ECA currently partners with Family Matters of Greater Washington, Reading is Fundamental, EDspired, the Richard E. and Nancy P. Marriott Foundation, Friends of Choice in Urban Schools, the Special Education Cooperative, the DC Association of Chartered Public Schools, AppleTree Institute for Education Innovation, eyemaginED, and the Community of Hope Conway Health and Resource Center.

Leadership

ECA is overseen by the eleven-member Board of Trustees, who is responsible for the governance of the school. On-site leadership is provided by the executive director, who has overall responsibility for the operation of the school and the educational program; and by the school principal, who provides instructional leadership and program and building management. ECA's executive director holds a master's degree in educational psychology and has over thirty years of experience as a teacher, special education coordinator, assistant principal, principal, and executive director. The school's principal holds two master's degrees in teaching and early childhood special education and has over twenty years of experience as a teacher, special education coordinator, assistant principal, and principal. ECA's financial manager, a CPA and instructor at the University of the District of Columbia, provides the financial and HR expertise for the leadership team.

Early Childhood Academy Public Charter School's school leadership is composed of a highly competent team of stakeholders from the Washington, DC, community who are knowledgeable about the educational and developmental needs of children, understand the communities which they serve, and are connected with the resources and services of government and nonprofits. They know law and accounting, and they are all committed to and invigorated by this endeavor. The leadership team, along with the teaching staff of ECA, shares an understanding that the ability of children to learn is affected by many outside factors, such as socioeconomic backgrounds, family stability, parental employment and education, and influences from the community. Although the school alone cannot successfully address all of the negative societal exposure many children face, ECA can and does serve as a foundation for their strong academic and emotional growth and development, and as a nurturing and safe haven for its students.

(h) 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 soliciting of contributions.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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

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

(i) 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.

(j) Recognition of Salary Expense:

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

(k) Fair Value of Certain Financial Instruments:

Some of the Charter 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.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(l) Reclassifications:

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

2. 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 Charter 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 Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2017, 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, 2017, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2017, the Charter School had no accruals for interest and/or penalties.

3. CASH AND CASH EQUIVALENTS:

The carrying amount of cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Non-Interest Bearing Checking Accounts	\$ 480,182	\$ 658,686
Money Market Accounts	3,812,049	4,008,041
Petty Cash	<u>500</u>	<u>500</u>
Total	<u>\$ 4,292,731</u>	<u>\$ 4,667,227</u>

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

The Charter School maintains its operating funds in three separate financial institutions. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per account category. 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, 2017 and 2016, \$3,846,710 and \$4,204,710, 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 Charter School was at risk for the funds held in excess of the insured amounts. The Charter 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.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

Accounts and grants receivable are current and are considered to be fully collectible by management. Balances as of June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Accounts Receivable:</u>		
Per Pupil Funding	\$ 20,687	\$ 27,200
Service Fees	5,440	-
Reimbursable Expenses	<u>-</u>	<u>62</u>
 Total	 <u>\$ 26,127</u>	 <u>\$ 27,262</u>
<u>Grants Receivable:</u>		
Scholarships for Opportunity and Results	\$ 71,600	\$ -
No Child Left Behind - Entitlement	50,439	38,546
National School Food Program	37,285	35,212
E-Rate	13,532	7,562
DC Physical Activities for Youth	10,000	674
National School Food - Healthy Schools Act	1,691	1,623
Farm Field Trip Grant	<u>-</u>	<u>900</u>
 Total	 <u>\$ 184,547</u>	 <u>\$ 84,517</u>

The Charter 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 Charter School does not require collateral, it is at credit risk for the amounts owed to it through the year and at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required based on its evaluation of collectability of receivables for the years ended June 30, 2017 and 2016.

Trade receivables related to program service fees (activity fees, before and after care, etc.) 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.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

Promises Receivable

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Afterschool Enrichment	\$ 4,500	\$ 45,000
Total	<u>\$ 4,500</u>	<u>\$ 45,000</u>

The above promises receivable are due to be received within one year.

5. 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 \$500 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 gains or losses are reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expenses as incurred. Depreciation and amortization expense for the years ended June 30, 2017 and 2016, was \$62,945 and \$70,988, respectively. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2017:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	7-10 Years	\$ 166,607	\$ 145,448	\$ 21,159
Computer Equipment	3-5 Years	285,299	216,929	68,370
Leasehold Improvements	5 Years	75,235	69,816	5,419
Construction in Progress	-	<u>550,000</u>	<u>-</u>	<u>550,000</u>
Total		<u>\$ 1,077,141</u>	<u>\$ 432,193</u>	<u>\$ 644,948</u>

June 30, 2016:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	7-10 Years	\$ 164,614	\$ 136,867	\$ 27,747
Computer Equipment	3-5 Years	287,440	209,825	77,615
Leasehold Improvements	5 Years	69,916	63,312	6,604
Construction in Progress	-	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total		<u>\$ 571,970</u>	<u>\$ 410,004</u>	<u>\$ 161,966</u>

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL LEASE PAYABLE:

During the year ended June 30, 2014, the Charter School entered into a capital lease for the purchase of a Sharp MX-5141N photocopier with De Lage Landen Financial Services. The original balance was in the amount of \$13,499, and is payable over thirty-six (36) months with a monthly payment of \$375 and a maturity on April 11, 2017. The capital lease was provided at no interest to the Charter School. The lease is secured by the photocopy equipment that cost \$13,499, and is presented as part of Furniture and Equipment. For the years ended June 30, 2017 and 2016, amortization expense in the amount of \$3,375 and \$3,375, respectively, on the photocopier is included in depreciation expense. Accumulated amortization was \$10,687 and \$7,312, respectively, at June 30, 2017 and 2016. The balance of the capital lease at June 30, 2017 and 2016 was \$-0- and \$3,750, respectively.

During the year ended June 30, 2017, the Charter School entered into a capital lease for the purchase of thirty (30) Chromebooks. The amount financed on the capital lease was \$12,735 payable over 24 months with a monthly payment of \$606. Maturity is scheduled for November 30, 2018. Interest expense was \$852 for the year ended June 30, 2017, using an implicit rate of 13.01%. The lease is secured by the Chromebooks, that cost \$12,735, and is presented as part of Fixed Assets. For the year ended June 30, 2017, depreciation expense in the amount of \$2,476 on the Chromebooks has been included in depreciation expense. Accumulated depreciation was \$2,476 at June 30, 2017. The balance of the capital lease was \$9,354 at June 30, 2017. The Charter School is committed under a capital lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 7,266	\$ 6,423	\$ 843
2019	<u>3,027</u>	<u>2,931</u>	<u>96</u>
Total Future Minimum Lease Payments	<u>\$ 10,293</u>	<u>\$ 9,354</u>	<u>\$ 939</u>

7. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Schools fiscal management and academic acceptability. The contract dated September 2, 2005, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about January 1, 2020. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Early Childhood Academy Public Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the Early Childhood Academy Public Charter School's charter every five years, with the most recent review having occurred in 2015. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

As part of the agreement with the DCPCSB, the Charter 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, 2017 and 2016, the Charter School incurred \$47,414 and \$49,676, respectively, in administrative fees.

The charter contract provides that Early Childhood Academy may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2017, was not permitted to be greater than 300 students. Audit enrollment for the 2016/2017 year was 265 students and enrollment for the 2015/2016 year was 261 students.

8. PER-PUPIL FUNDING ALLOCATION:

The Charter 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, 2017, the per-student rate ranged between \$9,682 and \$12,974 for the educational allotment and \$3,124 for the facility allotment. For the year ended June 30, 2016, the per-student rate ranged between \$9,492 and \$12,719 for the educational allotment and \$3,124 for the facility allotment. Additional allotments were made for Special Educational Services and Summer Schooling. Per-pupil funding for the years ended June 30, 2017 and 2016 were as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Pre-Kindergarten - 3 rd Grade	\$ 2,593,808	\$ 2,893,731
Special Education	332,764	304,938
At-Risk Students	360,458	384,615
English as a Second Language	4,744	-
Facilities Allowance	<u>715,396</u>	<u>843,381</u>
Total	<u>\$ 4,007,170</u>	<u>\$ 4,426,665</u>

9. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2017 and 2016, the Charter School participated in the following federal awards programs:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
National School Food Program	\$ 210,572	\$ 206,967
Scholarships for Opportunities and Results	154,396	-
Title I - Grants to Local Educational Agencies	123,132	116,884
Title IIA - Preparing, Training and Recruiting		
High Quality Teachers and Principals	27,553	29,111
Donated Commodities	14,037	28,103
City Build Incentive Grant	<u>-</u>	<u>4,550</u>
Total	<u>\$ 529,690</u>	<u>\$ 385,615</u>

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. PER-PUPIL FUNDING ALLOCATION: (Continued)

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 Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

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

10. COMMITMENTS:

Building Lease - 4025 9th Street, SE

The Early Childhood Academy Public Charter School entered into a lease agreement with the District of Columbia Baptist Convention effective for a one-year period commencing on July 1, 2014, and ending on June 30, 2015, for the rental of a building located at 4025 9th Street, SE, Washington, DC (Johanning Campus). This lease was renewed through the period ending June 30, 2016. On July 1, 2016, the Charter School signed a two-year extension of this lease for the period of July 1, 2016, through June 30, 2018. This lease called for monthly lease payments of \$32,984 and a rental deposit of \$32,984. Rental expense for the years ended June 30, 2017 and 2016 was \$391,470 and \$224,304, respectively.

Future required minimum lease payments at June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	
2018	\$ <u>403,724</u>
Total	\$ <u>403,724</u>

Building Lease - 4301 9th Street, SE

The Early Childhood Academy Public Charter School entered into a lease agreement with Crawford Edgewood Mangers, Inc., on June 1, 2008, effective for a one-year period commencing on July 1, 2008, and ending on June 30, 2009, for the rental of a building located at 4301 9th Street, SE, Washington, DC (Walter Washington Campus). This lease has automatically renewed on a yearly basis through the year ended June 30, 2016. On June 27, 2016, the Charter School signed a two-year extension of this lease for the period of July 1, 2016, through June 30, 2018. This agreement also allows the Charter School to extend the lease term for an additional one-year period through June 30, 2019, if the option is exercised. This lease calls for monthly lease payments of \$15,217 and a security deposit of \$11,000. Rental expense for the years ended June 30, 2017 and 2016 was \$182,606 and \$175,583, respectively.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS: (Continued)

Building Lease - 4301 9th Street, SE (Continued)

Future required minimum lease payments at June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	
2018	\$ <u>191,737</u>
Total	\$ <u>191,737</u>

11. RELATED PARTY TRANSACTIONS:

Guarantee of Indebtedness

The Early Childhood Academy Public Charter School utilizes a credit card issued by Capital One F.S.B. for purchases related to the organization's activity. The credit card is issued in the name of the Charter School with a credit limit of \$30,000, however the debt is guaranteed by the Executive Director of the School. In addition, the Charter School also utilizes a credit card issued by Costco. This card has an approved limit of \$31,000.

Board of Trustees

Two of the trustees appointed to serve on the Board of Trustees are parents of students attending the Early Childhood Academy Public Charter School. Parent trustees are elected by a majority vote of the board members from a list of qualified individuals submitted to the board by an advisory committee.

12. CONCENTRATIONS:

Revenues

The Charter 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, 2017 and 2016, eighty-five percent (85%) and eighty-seven percent (87%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

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

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. CONTINGENCIES:

The Early Childhood Academy Public Charter School was granted its charter 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 Charter 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 Charter School's ability to finance ongoing operations.

The Charter 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 Charter School. While the Charter School's Board of Trustees and management believes the Charter 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. For instance, the Charter School receives funding from various federal and state grant reimbursement programs, which are governed by various rules and regulations of the respective grantor agencies. To the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. The Charter 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. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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. 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 October 18, 2017, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

Additional Funding - Washington Teacher's Union Contract

On October 1, 2017, the City Council approved the Washington Teacher's Union Contract. This contract will result in additional funds to both DC Public Schools and DC Public Charter Schools through an increase in the Uniform per Student Funding Formula. These additional funds result in a 5.9% increase above the original per pupil funding amounts. The Charter School will receive an additional one-time payment during the year ended June 30, 2018 to reflect the increase to the 2017 fiscal year per pupil funding base rate. The amount paid to the Charter School will be calculated based on the final enrollment audit count, supplemental payments and extended school year funding for the year ended June 30, 2017. The 2017 fiscal year base rate will increase by an amount of \$203 over the original base rate of \$9,682 to a revised base rate of \$9,885.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

15. FUNDRAISING:

During the years ended June 30, 2017 and 2016, expenses incurred for the purpose of fundraising were \$4,287 and \$4,018, respectively.

16. ADVERTISING COSTS:

Marketing activities were conducted for the purpose of promoting open enrollment to the school and to provide outreach to the community. Advertising and marketing costs are expensed when incurred. Advertising and marketing expenses were \$16,526 and \$9,029 for the years ended June 30, 2017 and 2016, respectively.

17. RETIREMENT PLAN:

403(b) Retirement Plan

The Charter School provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by Principal Financial Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to the statutory limits set by the Internal Revenue Code. On the plan effective date, which was September 1, 2007, all current employees were eligible to participate in the retirement plan. All future employees will be eligible to participate upon hiring. Plan provisions call for a dollar for dollar match up to six percent (6%). Plan provisions and contribution requirements are established and may be amended by the board members of the Charter School. There is no unfunded past service liability. The amount of employer contributions for the years ended June 30, 2017 and 2016 were \$60,611 and \$67,066, respectively.

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. The amount of employer contributions for the years ended June 30, 2017 and 2016, was \$17,740 and \$14,910, respectively.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

18. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Social Security/Medicare	\$ 171,305	\$ 188,205
Health and Dental Insurance	212,206	172,413
Retirement	78,351	81,976
Life	3,708	4,042
Disability	18,539	19,352
Unemployment	15,877	26,469
Workers Compensation	14,941	17,774
De Minimis	12,235	9,430
Benefit Fees	<u>4,361</u>	<u>3,935</u>
Total	<u>\$ 531,523</u>	<u>\$ 523,596</u>

Flexible Benefits Plan

The Early Childhood Academy Public Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health and dental insurance premiums and dependent childcare.

Transportation Plan

The Early Childhood Academy Public Charter School adopted a Section 132(f) Commuter Expense Reimbursement Plan. Under this plan, employees receive reimbursement for commuting to and from work on a tax favored (pre-tax) basis. The Charter School reimburses for commuter vehicle expense and transit passes.

19. OCCUPANCY COST

The cost of occupancy for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Rent	\$ 575,357	\$ 400,937
Utilities	47,570	38,683
Security Monitoring	620	2,165
Cleaning Supplies	13,983	11,472
Building Repairs	7,088	6,736
Depreciation	6,503	5,171
Contracted Building Services	<u>71,591</u>	<u>74,218</u>
Total	<u>\$ 722,712</u>	<u>\$ 539,382</u>

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

20. OTHER MATTERS

On December 14, 2016, the Charter School signed a lease agreement with the option to own the building and land located at 885 Barnaby Street, SE. Rental payments are scheduled to commence on the later of June 1, 2018, or the transfer of rights to the building for the period of twenty-two (22) years. Rent during the initial lease period is \$57,500 per month. This rate will escalate by the same percentage increase as the facilities allowance is increased and will take effect the first rental period following receipt by the Charter School of the increased amount of funding. At rent commencement the Charter School will be responsible for real estate taxes, property insurance, utilities and operating expenses.

Per this lease agreement, the Charter School has agreed to contribute \$2,000,000 as its investment to the building improvements. As of June 30, 2017, a total investment of \$550,000 has been made to this project and is reflected as construction in progress.

The Charter School has the option to purchase the premises within twelve (12) months after the expiration of the New Market Tax Credit completion period, which is expected to be within eight years of closing on financing. The Charter School may elect not to purchase the property and as a result the rental rate would be adjusted at the 11th year of the lease term to the then market rate.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>				<u>June 30, 2016</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Principal/Executive Salaries	\$ 263,477	\$ 205,981	\$ 54,861	\$ 2,635	\$ 273,602	\$ 215,924	\$ 54,942	\$ 2,736
Teachers' Salaries	900,151	900,151	-	-	925,031	919,071	5,960	-
Teachers' Aides/Assistants' Salaries	332,912	332,912	-	-	440,896	440,896	-	-
Other Educational Professional Salaries	217,714	195,943	21,771	-	233,182	209,864	23,318	-
Substitute Teacher Salaries	40,301	40,301	-	-	753	753	-	-
Clerical Salaries	173,947	173,947	-	-	155,225	155,225	-	-
Custodial/Food Service Staff	109,835	90,725	19,110	-	105,145	86,472	18,673	-
Before and After Care Salaries	136,135	136,135	-	-	178,991	178,991	-	-
Business Operation Salaries	216,211	101,618	114,593	-	280,990	109,071	171,919	-
Employee Benefits	344,341	313,665	30,296	380	308,922	275,866	32,730	326
Payroll Taxes	187,182	170,508	16,468	206	214,674	191,703	22,745	226
Staff Development Costs	<u>57,077</u>	<u>52,050</u>	<u>5,027</u>	<u>-</u>	<u>55,596</u>	<u>49,699</u>	<u>5,897</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 2,979,283</u>	<u>\$ 2,713,936</u>	<u>\$ 262,126</u>	<u>\$ 3,221</u>	<u>\$ 3,173,007</u>	<u>\$ 2,833,535</u>	<u>\$ 336,184</u>	<u>\$ 3,288</u>
<u>Direct Student Costs:</u>								
Food Service	\$ 229,828	\$ 229,828	\$ -	\$ -	\$ 251,973	\$ 251,973	\$ -	\$ -
Student Supplies and Materials	85,247	85,247	-	-	116,353	116,353	-	-
Contracted Instructional/Student Services	108,095	108,095	-	-	143,073	143,073	-	-
Transportation	23,499	23,499	-	-	33,435	33,435	-	-
Other Student Costs	<u>17,913</u>	<u>17,913</u>	<u>-</u>	<u>-</u>	<u>23,987</u>	<u>23,987</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 464,582</u>	<u>\$ 464,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,821</u>	<u>\$ 568,821</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 575,357	\$ 524,102	\$ 50,621	\$ 634	\$ 400,937	\$ 358,035	\$ 42,479	\$ 423
Utilities	48,190	43,897	4,240	53	40,848	36,476	4,329	43
Cleaning and Maintenance	21,071	19,194	1,854	23	18,208	16,260	1,929	19
Depreciation	6,503	5,924	572	7	5,171	4,618	548	5
Contracted Building Services	<u>71,591</u>	<u>65,213</u>	<u>6,299</u>	<u>79</u>	<u>74,218</u>	<u>66,276</u>	<u>7,863</u>	<u>79</u>
Total Occupancy Costs	<u>\$ 722,712</u>	<u>\$ 658,330</u>	<u>\$ 63,586</u>	<u>\$ 796</u>	<u>\$ 539,382</u>	<u>\$ 481,665</u>	<u>\$ 57,148</u>	<u>\$ 569</u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>				<u>June 30, 2016</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 13,234	\$ 12,056	\$ 1,163	\$ 15	\$ 10,535	\$ 9,409	\$ 1,115	\$ 11
Consulting	103,075	94,249	8,717	109	95,647	84,244	11,403	-
Equipment Rental and Maintenance	1,871	1,704	165	2	376	335	41	-
Telecommunications	32,496	29,601	2,859	36	34,964	31,223	3,704	37
Postage and Shipping	531	483	47	1	418	374	44	-
Printing and Copying	10,712	9,758	942	12	9,192	8,207	975	10
Marketing and Promotion	<u>16,526</u>	<u>16,526</u>	<u>-</u>	<u>-</u>	<u>9,029</u>	<u>9,029</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 178,445</u>	<u>\$ 164,377</u>	<u>\$ 13,893</u>	<u>\$ 175</u>	<u>\$ 160,161</u>	<u>\$ 142,821</u>	<u>\$ 17,282</u>	<u>\$ 58</u>
<u>General Expenses:</u>								
Insurance	\$ 20,132	\$ 18,359	\$ 1,773	\$ -	\$ 19,608	\$ 17,529	\$ 2,079	\$ -
Licenses and Fees	663	604	58	1	2,289	2,044	243	2
Accounting and Legal Services	28,239	-	28,239	-	23,888	-	23,888	-
Payroll Service Fees	20,214	18,414	1,778	22	18,005	16,079	1,907	19
Administrative Fees	47,414	43,237	4,177	-	49,676	44,407	5,269	-
Depreciation	56,442	51,414	4,966	62	65,817	58,774	6,973	70
Dues and Subscriptions	19,173	17,484	1,689	-	16,791	15,010	1,781	-
Office Expense	9,412	8,573	829	10	10,859	9,697	1,150	12
Interest Expense	<u>852</u>	<u>852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Expenses	<u>\$ 202,541</u>	<u>\$ 158,937</u>	<u>\$ 43,509</u>	<u>\$ 95</u>	<u>\$ 206,933</u>	<u>\$ 163,540</u>	<u>\$ 43,290</u>	<u>\$ 103</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 4,547,563</u>	<u>\$ 4,160,162</u>	<u>\$ 383,114</u>	<u>\$ 4,287</u>	<u>\$ 4,648,304</u>	<u>\$ 4,190,382</u>	<u>\$ 453,904</u>	<u>\$ 4,018</u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

June 30, 2017

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 3,501,832	\$ 13,214
Occupancy Cost	722,712	2,727
General and Administrative	319,528	1,206
Fundraising	<u>3,491</u>	<u>13</u>
Total	<u>\$ 4,547,563</u>	<u>\$ 17,160</u>

The above is the average per student cost for the year ended June 30, 2017, and is based on a full time equivalent (FTE) enrollment of 265 students.

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 3,708,717	\$ 14,210
Occupancy Cost	539,382	2,067
General and Administrative	396,756	1,520
Fundraising	<u>3,449</u>	<u>13</u>
Total	<u>\$ 4,648,304</u>	<u>\$ 17,810</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 261 students.

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
Early Childhood Academy Public Charter School
4025 9th Street, SE
Washington, DC 20032

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 Early Childhood Academy Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 October 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Early Childhood Academy Public Charter 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 Early Childhood Academy Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Early Childhood Academy Public Charter 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 Early Childhood Academy Public Charter 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
October 18, 2017

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no audit findings in the prior year.

EARLY CHILDHOOD ACADEMY
PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Early Childhood Academy Public Charter 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 Early Childhood Academy Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

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

There were no findings in the current year.