EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Financial Statements and Supplemental Schedules Together with Reports of Independent Public Accountants

For the Years Ended June 30, 2018 and 2017

SB & COMPANY, LLC
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JUNE 30, 2018 AND 2017

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To he Board of Trustees
Eagle Academy Public Charter School

Report on the Financial Statements

We have audited the accompanying statements of financial position of Eagle Academy Public Charter School (the School) as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, 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 controls 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; and the auditing standards established pursuant to the District of Columbia School Reform Act, Public law No. 104-134, 110 Stat. 1321-121, 2204(C)(11)(B)(ix)(1996); D.C. Official Code 38-1802.04(ii)(B)(2001, as amended). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 controls 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 controls. 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 School as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other 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 are presented for purposes of additional analysis as required by the District of Columbia Public Charter School and the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 in the schedules of functional expenses and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic 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 30, 2018, on our consideration of the School's internal controls 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls 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 School's internal controls over financial reporting and compliance.

Washington, DC
November 30, 2018

SB & Company, LLC

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Statements of Financial Position
As of June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 405,471	$ 270,082
Restricted cash	4,405,183	3,951,408
Grants and accounts receivable, net	2,716,380	2,683,456
Employee loans	17,668	15,129
Prepaid expenses	60,908	33,705
Total Current Assets	7,605,610	6,953,780
Deposits	30,463	72,440
Property and equipment, net	22,294,821	22,097,061
Total Assets	$ 29,930,894	$ 29,123,281
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,385,888	$ 2,227,820
Deferred revenue	-	-
Line of credit	500,000	-
Notes payable, current portion	918,691	538,069
Total Current Liabilities	2,804,579	2,765,889
Notes payable, net of current portion	19,250,097	20,158,540
Total Liabilities	22,054,676	22,924,429
Net Assets		
Unrestricted	6,660,452	4,958,711
Temporarily Restricted	1,215,766	1,240,141
Total Net Assets	7,876,218	6,198,852
Total Liabilities and Net Assets	$ 29,930,894	$ 29,123,281

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

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2018 and 2017

	2018	2017
CHANGE IN UNRESTRICTED NET ASSETS		
Revenue and Support:		
Per pupil funding	**$ 15,872,364**	$ 13,605,100
DC facilities allowance	**3,067,953**	2,742,869
Federal grants	**1,911,526**	2,166,139
Federal entitlements	**581,866**	584,600
Grants and contributions	**18,571**	23,353
Before and after care	**664,544**	627,160
Student fees	**103,492**	31,597
Interest income	**14,689**	1,765
Other income	**213,781**	351,619
Satisfaction of restrictions	**685,637**	-
Total Revenue and Support	**23,134,423**	20,134,202
Expenses		
Program services	**16,989,939**	17,049,834
Supporting services:		
General and administrative	**4,207,598**	3,818,574
Fundraising	**235,145**	203,897
Total Supporting Services	**4,442,743**	4,022,471
Total Expenses	**21,432,682**	21,072,305
Change in Unrestricted Net Assets	**1,701,741**	(938,103)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Grants	**661,262**	1,240,141
Satisfaction of restrictions	**(685,637)**	-
Change in Temporarily Restricted Net Assets	**(24,375)**	1,240,141
Changes in net assets	**1,677,366**	302,038
Net assets, beginning of year	**6,198,852**	5,896,814
Net Assets, End of Year	**$ 7,876,218**	$ 6,198,852

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

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Changes in net assets	**$ 1,677,366**	$ 302,038
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	**776,472**	769,038
Bad debt expense	**-**	562,024
Effect of changes in non-cash operating assets and liabilities:		
Grants and accounts receivable, net	**(32,924)**	(1,007,426)
Employee loans	**(2,539)**	6,795
Prepaid expenses	**(27,203)**	16,420
Deposits	**41,977**	-
Accounts payable and accrued expenses	**(841,932)**	715,942
Deferred revenue	**-**	(12,200)
Net Cash from Operating Activities	**1,591,217**	1,352,631
Cash Flows from Investing Activities		
Purchases of property and equipment	**(946,053)**	(2,894,766)
Net Cash from Investing Activities	**(946,053)**	(2,894,766)
Cash Flows from Financing Activities		
Payment of deferred financing costs	**-**	(732,627)
Proceeds from line of credit, net	**500,000**	-
Proceeds from issuance of notes payable	**-**	21,429,236
Principal payments on notes payable	**(556,000)**	(15,113,069)
Net Cash from Financing Activities	**(56,000)**	5,583,540
Net change in cash and cash equivalents	**589,164**	4,041,405
Cash and cash equivalents, beginning of year	**4,221,490**	180,085
Cash and Cash Equivalents, End of Year	**$ 4,810,654**	$ 4,221,490
Supplemental Disclosure		
Cash paid during the year for interest	**$ 810,235**	$ 528,939
Reconciliation of cash and cash equivalents to statement of financial position		
Cash and cash equivalents	**$ 405,471**	$ 270,082
Restricted cash	**4,405,183**	3,951,408
Total Cash and Cash Equivalents	**$ 4,810,654**	**$ 4,221,490**

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

1. ORGANIZATION AND PROGRAM

Eagle Academy Public Charter School (the School), a nonprofit organization incorporated in the District of Columbia, has been granted 501(c)(3) status by the Internal Revenue Service. On August 18, 2003, the School entered into a contract with the District of Columbia Board of Education granting the School a charter for the establishment of a public charter school in Washington, DC, as authorized by the DC School Reform Act. The charter was set to expire on August 18, 2018. In June 2018, the District of Columbia Public Charter School Board renewed the School's charter for another fifteen years.

As a DC public charter school, the School has a funding stream from the District of Columbia (uniform per pupil funding) and the U.S. Federal government (Federal grants for education and other programs) provided it meets certain compliance requirements. DC public charter schools are considered a Local Educational Agency (LEA) under Federal education guidelines. As a DC public charter school, the School enjoys significant freedom from the budget and operational restrictions placed on traditional public schools, allowing it to create a unique educational mission and approach.

The School provides educational opportunities to children from preschool to third grade in poverty-impacted households and economically distressed communities in the District of Columbia. The School is Washington DC's first exclusively early childhood specialty public school. It seeks to develop a solid academic foundation for each student, believing that through play, children will learn pre-reading and pre-math skills that will enable them to understand more complex skills. Educational goals include: (i) enabling each student to achieve grade-level maturity; (ii) encouraging parent participation regularly in school and home assigned activities in order to achieve a holistic academic environment, and (iii) establishing a solid community relationship so that children understand the importance of becoming a responsible member of their community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The School considers all cash in the bank and other short-term investments with original maturities of less than 90 days to be cash and cash equivalents. Cash equivalents as of June 30, 2018 and 2017, consisted of money market funds.

Restricted Cash

Escrow accounts were maintained associated with the bonds and notes payable. The balance in the escrow accounts was $4,405,183 and $3,951,408 as of June 30, 2018 and 2017, respectively.

Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and notes payable. The carrying value of the School's financial instruments in the accompanying statements of financial position approximated their respective fair values as of June 30, 2018 and 2017. Fair values are estimated based on current market rates, prices or liquidation value.

Grants and Accounts Receivable

Grants and accounts receivable represent revenue earned, but not collected as of the year end. Receivables are recorded at their net realizable value. The School provides an allowance for doubtful accounts equal to the estimated uncollectible accounts. The School's estimate is based on historical collection experience and a review of the current status of specific accounts and grants receivable. There was no allowance for doubtful accounts as of June 30, 2018 and 2017.

Deferred Financing Costs

Deferred financing costs consist of debt issuance costs, such as bank fees and legal costs, associated with obtaining its debt. During the year ended June 30, 2017 the School incurred loan financing costs of $732,627. These deferred financing costs are being amortized over the life of the applicable debt using the effective interest rate method. Accounting principles generally accepted in the United States of America requires that debt issuance costs be presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability. Net deferred financing costs were $704,448 and $732,627, as June 30, 2018 and 2017, respectively. Amortization expense was $28,179 and $28,563, for the years ended June 30, 2018 and 2017, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment, net

Property and equipment valued in excess of $1,000, with an estimated useful life of more than one year, are capitalized and recorded at cost if purchased or estimated fair market value as of the date of gift, if donated. Depreciation is recorded using the straight line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to expense as incurred.

Advertising Costs

The costs of advertising are expensed when the services are received. Advertising expense for the years ended June 30, 2018 and 2017, were $226,415 and $240,466, respectively.

Net Assets

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose use by the School has been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets. The temporarily restricted net assets was $1,215,766 and $1,240,141, as of June 30, 2018 and 2017, respectively, which are related to instruction program, nutrition program, facilities improvement program, and time restricted spending.

Permanently restricted net assets are those that are restricted by donors to be maintained by the School in perpetuity. There were no permanently restricted net assets as of June 30, 2018 and 2017.

Restricted and Unrestricted Revenue and Support

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. The School also receives revenue from Department of Health Care Finance (DHCF) related to Medicaid. DHCF revenue is recorded using a percentage of the most recent closed cost report. Revenue from other sources is recognized as earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenue and Support (continued)

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Conditional contribution and grants, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. A conditional contribution or grant is considered unconditional if the possibility that the condition will not be met is remote.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Revenue from other government sources is recognized as earned. In addition, the School recognizes revenue for student activities, such as field trips, as the activities take place.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the School.

Income Taxes

The School is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), as well as applicable District of Columbia tax laws.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity'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 as of June 30, 2018, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of June 30, 2018, the statute of limitations for fiscal years 2015 through 2018 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the School 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.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the entity to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provide further clarity and transition options for adoption of FASB ASU No. 2016-02. These standards will be effective for periods beginning after December 15, 2019.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU No 2016-14 provides updated guidance on the reporting model for not-for-profits and is effective for periods beginning after December 15, 2017. ASU No. 2016-15 provides guidance on the statement of cash flows and is effective for periods beginning after December 15, 2018.

In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)*, that provides clarification on certain topics related to these topics. These standards are effective when the related previous amended standards become effective.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprise. This standard is effective for periods beginning after December 15, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

Management is evaluating the effects of these pronouncements on the financial statements, and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

Subsequent Events

The School's management evaluated subsequent events and transactions through November 30, 2018, the date the financial statements were available for issue, and have determined that no material subsequent events have occurred, other than disclosed in Note 4 and Note 8, that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. PROPERTY AND EQUIPMENT

As of June 30, 2018 and 2017, property and equipment consisted of the following:

	2018	2017	Estimated Useful Life
Land	**$ 522,049**	$ 522,049	N/A
Building	**22,925,035**	22,503,913	39 years
Construction in progress	**579,108**	420,668	N/A
Building improvements	**1,098,794**	910,009	1 to 9 years
Playground	**80,618**	80,618	7 years
Computers	**815,265**	674,907	3 years
Equipment and furnishings	**516,753**	492,989	7 years
Vehicles	**24,404**	10,820	3 years
Total	**26,562,026**	25,615,973	
Less: accumulated depreciation	**4,267,205**	3,518,912	
Property and Equipment, Net	**$ 22,294,821**	$ 22,097,061	

Depreciation expense was $748,293 and $740,475, for the years ended June 30, 2018 and 2017, respectively.

4. NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2018 and 2017:

	2018	2017
Note payable from District of Columbia Office of the State Superintendent of Education (DC OSSE) dated May 25, 2017, bearing interest of 4.50%, payable in quarterly payments in year 1 of $22,500 and year 2 and onward of $70,700, beginning on August 15, 2017, with a balloon payment of remaining principal and unpaid interest due on May 25, 2022.	**$ 2,000,000**	$ 2,000,000
Note payable from DC Revenue Bonds Series A dated May 25, 2017 for borrowings up to $15,000,000, and Series B dated May 25, 2017 for borrowings up to $3,500,000, for which John Marshall Bank is the banker and trustee. These notes bear interest at LIBOR plus 3.52%, payable in monthly payments beginning July 1, 2017. Principal is payable monthly and shall begin June 1, 2018. The bonds are to be paid on a monthly interest and principal basis based on a 26-year amortization schedule with a maturity date of May 1, 2043.	**18,458,236**	18,458,236
Note payable from Tropimac, LLC. Dated June 23, 2017 for $200,000. This note bore interest of 10% when due with a maturity date of July 24, 2017. The note was paid in full during the year ended June 30, 2018.	**-**	200,000
Notes payable to an employee include two loans: $301,000 dated June 14, 2017 with interest payable on the unpaid principal at a rate of 4.00% per annum. The loan had a maturity date of July 14, 2017 and was repaid in fiscal year 2018. $325,000 dated October 12, 2017 with interest payable on the unpaid principal at a rate of 4.00% per annum. The loan had a maturity date of July 16, 2018.	**325,000**	626,000
Notes payable to the Chief Executive Officer include two loans for: $20,000 dated June 22, 2017 with interest payable on the unpaid principal at a rate of 4.00% per annum. The loan was due in full on July 24, 2017. $125,000 dated October 12, 2016 with interest payable on the unpaid principal at a rate of 4.00% per annum. The loan was repaid in full on October 25, 2018.	**90,000**	145,000
Total Notes Payable	**$ 20,873,236**	$ 21,429,236

4. NOTES PAYABLE (continued)

Notes payable, net consisted of the following as of June 30,

	2018	2017
Principal amount	**$ 20,873,236**	$ 21,429,236
Less: unamortized debt issuance cost	**704,448**	732,627
Note payable, net	**$ 20,168,788**	$ 20,696,609

The future minimum payment on the notes payable as of June 30, 2018, were as follows:

Years Ending June 30,	Interest	Principal	Total
2019	**$ 734,098**	**$ 918,691**	**$ 1,652,789**
2020	**713,003**	**537,469**	**1,250,472**
2021	**693,285**	**557,187**	**1,250,472**
2022	**672,839**	**577,633**	**1,250,472**
2023	**651,639**	**598,834**	**1,250,473**
2024 and thereafter	**13,870,490**	**17,683,422**	**31,553,912**
Total	**$ 17,335,354**	**$ 20,873,236**	**$ 38,208,590**

The notes from DC OSSE and from the DC Revenue Bonds are collateralized by a general business security agreement. The DC OSSE note is subordinated to the DC Revenue Bonds Series A and Series B. Prepayments on these notes are not allowed without obtaining permission from the Bank. The DC OSSE note subjects the School to certain financial covenants and submission of the audited financial statements no later than December 1.

During fiscal year 2017, the School refinanced its notes payable. The School received $18,500,000 in tax-exempt District of Columbia 501(c)3 Revenue bonds, which was used to pay-off the existing notes payable, along with $2,000,000 in new funding for new building construction and planned improvements to the existing properties and closing costs for the new financing. Interest expense was $786,251 and $496,826, for the years ended June 30, 2018 and 2017, respectively.

During fiscal year 2018, the School repaid $356,000, which it had borrowed in 2017 for operational activities from its CEO and one other employee. It also borrowed funds from a third party, Tropimac LLC. The amount owed totaled $415,000 and $971,000 as of June 30, 2018 and 2017, respectively. The School incurred interest expense of $22,000 and $20,156 on these borrowings for the years ended June 30, 2018 and 2017, respectively.

5. LINE OF CREDIT

In October 2017, the School entered in an agreement with a financial institution under which it can borrow up to $500,000. The line of credit bears interest at an interest rate per annum equal at all times to the rate of interest published daily in the Wall Street Journal as its prime interest rate, plus 1%. As of June 30, 2018, the rate was 6.0%. Interest expense on the line of credit was $1,984 for the year ended June 30, 2018. The balance on the line of credit was $500,000, as of June 30, 2018. The line of credit was set to expire on November 25, 2018, but was renewed through February 25, 2019.

6. COMMITMENTS AND CONTINGENCIES

Operating Leases

The School has various non-cancellable operating leases for buildings and office equipment. The School leases a building located at 1017 New Jersey Avenue, SE, Washington, DC under a lease that expires on August 14, 2019.

The future minimum lease payments required under the building leases as of June 30, 2018, were as follows:

Years Ending June 30,	Amount
2019	$ 231,172
2020	54,282
Total	**$ 285,454**

Lease expense under the operating leases totaled $486,718 and $503,897, for the years ended June 30, 2018 and 2017, respectively.

In addition, the School does not own the land at 3400 Wheeler Road, SE, Washington, DC. The School is leasing the land from the District of Columbia for 25 years, with an option to renew up to two additional 25-year terms. The School does not pay rent under this lease.

Grants

The School receives financial assistance from Federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the School.

6. COMMITMENTS AND CONTINGENCIES (continued)

Grants (continued)

As of June 30, 2018, cost reports for fiscal years 2017 and 2018 remain open, subject to audit by DHCF. Management periodically reviews and adjusts recorded amounts due to or from third-party payors. The School's management believes such disallowance, if any, would be immaterial. Laws and regulations governing the Medicaid programs are complex and subject to interpretation. There is a reasonable possibility that estimates could change by material amounts.

The School receives a substantial portion of its revenue from the Government of the District of Columbia. If a significant reduction in this revenue should occur, it may have an effect on the School's programs. During the years ended June 30, 2018 and 2017, the School earned revenue of $21,433,709 and $19,098,708, respectively, from the Government of the District of Columbia, which was 92% and 95%, respectively, of the total revenue and support for both years. These amounts are reflected as per pupil funding, DC facilities allowance, Federal grants, and Federal entitlements in the accompanying statements of activities and changes in net assets.

Litigation

The School may be subject to various claims and legal proceedings covering a wide range of matters that may arise in the ordinary course of its activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the School.

7. RELATED PARTIES TRANSACTIONS

As discussed in Note 4, the School executed notes with its CEO and one of its employees in the amount of $771,000. During the year ended June 30, 2018, the School made payments on the notes in the amount of $356,000. The notes payable to the CEO and the employee include 4% interest per annum, and payments are due in full on their maturity dates. Additionally, as of June 30, 2018 and 2017, there was $26,038 and $20,931, respectively, recorded as accounts payable to the CEO for reimbursable expenses paid by the CEO on behalf of the School.

As of July 31, 2018, the notes and accounts payable were repaid back to the CEO and the employee in full.

8. EMPLOYEE RETIREMENT PROFIT SHARING PLAN

The School has a qualified profit-sharing plan for all eligible employees. The plan provides that employees can elect to make contributions to the plan in accordance with the Internal Revenue Code. The School may, but is not required to, make discretionary matching or non-elective contributions to the plan. Discretionary matching contributions of $65,218 and $74,109, were made during the years ended June 30, 2018 and 2017, respectively.

SUPPLEMENTARY SCHEDULES

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Schedule of Functional Expenses
For the Year Ended June 30, 2018 with Comparative Totals for 2017

	2018				
	Program	General and Administrative	Fundraising	Total	2017 Totals
Personnel Expenses:					
Instructional staff	$ 7,423,472	$ -	$ -	$ 7,423,472	$ 7,419,442
School administration	465,001	2,480,005	155,000	3,100,006	2,396,418
Support services	794,942	198,735	-	993,677	1,354,644
Employee benefits	1,526,436	470,889	27,247	2,024,572	2,134,457
Total Personnel Expenses:	10,209,851	3,149,629	182,247	13,541,727	13,304,961
Direct Student Costs:					
Food service	644,907	-	-	644,907	635,284
Contracted staff & consultants	456,740	-	-	456,740	289,998
Classroom furnishings and equipment	2,192	-	-	2,192	3,671
Technology, computers and materials	77,653	-	-	77,653	54,846
Contracted student services	1,025,683	-	-	1,025,683	850,744
Library and media materials	589	-	-	589	715
Miscellaneous student costs	71,890	-	-	71,890	61,554
Student assessment materials	19,383	-	-	19,383	1,970
Summer school expenses	2,969	-	-	2,969	127
Student supplies and materials	92,265	-	-	92,265	102,399
Parent and staff programs	12,071	-	-	12,071	6,189
Textbooks and curriculum	35,515	-	-	35,515	10,718
Other	1,000	-	-	1,000	1,500
Depreciation expense	158,259	-	-	158,259	137,319
Total Direct Student Costs	2,601,116	-	-	2,601,116	2,157,034
Occupancy Expenses:					
Amortization	22,261	5,636	282	28,179	28,563
Mortgage interest expense	621,138	157,250	7,863	786,251	496,826
Contracted building services	359,239	90,947	4,547	454,733	408,326
Equipment rental and maintenance	22,587	5,719	286	28,592	8,582
Janitorial supplies	17,193	4,353	218	21,764	20,451
Maintenance and repairs	53,252	13,481	674	67,407	18,232
Miscellaneous occupancy expenses	21,827	5,526	276	27,629	264
Rent expense	352,957	89,356	4,468	446,781	436,768
Taxes	260,255	65,888	3,295	329,438	255,634
Utilities	255,133	64,591	3,230	322,954	347,898
Depreciation expense	459,726	116,387	5,819	581,932	594,198
Total Occupancy Expenses	2,445,568	619,134	30,958	3,095,660	2,615,742
General and Office Expenses:					
Professional services	673,289	170,453	8,523	852,265	930,313
Staff development	194,193	49,163	2,458	245,814	335,420
Administrative fees	166,014	42,029	2,101	210,144	198,918
Insurance	112,521	28,486	1,424	142,431	135,297
Credit card fees	18,947	4,797	240	23,984	-
Bad debt expense	-	-	-	-	562,025
Miscellaneous general services	87,768	22,219	1,111	111,098	188,597
Travel	121,470	30,752	1,538	153,760	76,886
Depreciation expense	6,402	1,620	80	8,102	8,958
Copying and printing	21,227	5,374	269	26,870	40,526
Equipment rental and maintenance	31,550	7,987	399	39,936	67,129
Marketing and advertising	178,868	45,283	2,264	226,415	240,466
Miscellaneous office expenses	4,673	1,183	59	5,915	37,501
Office furnishings and equipment	6,071	1,537	77	7,685	1,678
Postage and shipping	1,079	273	14	1,366	2,152
Supplies and materials	35,416	8,966	448	44,830	58,774
Telephone and communications	73,916	18,713	935	93,564	109,928
Total General and Office Expenses	1,733,404	438,835	21,940	2,194,179	2,994,568
Total Expenses	$ 16,989,939	$ 4,207,598	$ 235,145	$ 21,432,682	$ 21,072,305

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Schedule of Functional Expenses
For the Year Ended June 30, 2017

	Program	General and Administrative	Fundraising	Total
Personnel Expenses:				
Instructional staff	$ 7,419,442	$ -	$ -	$ 7,419,442
School administration	359,463	1,910,505	126,450	2,396,418
Support services	1,151,447	203,197	-	1,354,644
Employee benefits	1,664,876	448,236	21,345	2,134,457
Total Personnel Expenses:	10,595,228	2,561,938	147,795	13,304,961
Direct Student Costs:				
Food service	635,284	-	-	635,284
Contracted staff & consultants	289,998	-	-	289,998
Classroom furnishings and equipment	3,671	-	-	3,671
Technology, computers and materials	54,846	-	-	54,846
Contracted student services	850,744	-	-	850,744
Library and media materials	715	-	-	715
Miscellaneous student costs	61,554	-	-	61,554
Student assessment materials	1,970	-	-	1,970
Summer school expenses	127	-	-	127
Student supplies and materials	102,399	-	-	102,399
Parent and staff programs	6,189	-	-	6,189
Textbooks and curriculum	10,718	-	-	10,718
Other	1,500	-	-	1,500
Depreciation expense	137,319	-	-	137,319
Total Direct Student Costs	2,157,034	-	-	2,157,034
Occupancy Expenses:				
Amortization	21,423	6,855	285	28,563
Mortgage interest expense	372,620	119,238	4,968	496,826
Contracted building services	306,245	97,998	4,083	408,326
Equipment rental and maintenance	6,436	2,060	86	8,582
Janitorial supplies	15,338	4,908	205	20,451
Maintenance and repairs	13,674	4,376	182	18,232
Miscellaneous occupancy expenses	198	63	3	264
Rent expense	327,576	104,824	4,368	436,768
Taxes	191,725	61,352	2,557	255,634
Utilities	260,923	83,496	3,479	347,898
Depreciation expense	445,648	142,608	5,942	594,198
Total Occupancy Expenses	1,961,806	627,778	26,158	2,615,742
General and Office Expenses:				
Professional services	725,644	195,366	9,303	930,313
Staff development	261,628	70,438	3,354	335,420
Administrative fees	155,156	41,773	1,989	198,918
Insurance	105,532	28,412	1,353	135,297
Bad debt expense	438,380	118,025	5,620	562,025
Miscellaneous general services	147,106	39,605	1,886	188,597
Travel	59,971	16,146	769	76,886
Depreciation expense	6,988	1,881	89	8,958
Copying and printing	31,611	8,510	405	40,526
Equipment rental and maintenance	52,361	14,097	671	67,129
Marketing and advertising	187,563	50,498	2,405	240,466
Miscellaneous office expenses	29,251	7,875	375	37,501
Office furnishings and equipment	1,309	352	17	1,678
Postage and shipping	1,678	452	22	2,152
Supplies and materials	45,843	12,343	588	58,774
Telephone and communications	85,745	23,085	1,098	109,928
Total General and Office Expenses:	2,335,766	628,858	29,944	2,994,568
Total Expenses	$ 17,049,834	$ 3,818,574	$ 203,897	$ 21,072,305

SUPPLEMENTARY INFORMATION

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Eagle Academy Public Charter School

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 Eagle Academy Public Charter School (the School), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2018.

Internal Controls over Financial Reporting

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

A *deficiency in internal controls* 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

Purpose of this Report

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

Washington, DC
November 30, 2018

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Trustees
Eagle Academy Public Charter School

Report on Compliance for Each Major Federal Program

We have audited the Eagle Academy Public Charter School's (the School) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the School's major Federal programs for the year ended June 30, 2018. The School's major Federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The 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 (CFR) 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 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 School's compliance.

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Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

Report on Internal Controls over Compliance

Management of the School is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The School's internal controls over compliance with the types of requirements that could have a direct and material effect on each major Federal program as a basis for designing 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 controls over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of The School's internal controls over compliance.

A *deficiency in internal controls 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 controls over compliance* is a deficiency, or combination of deficiencies, in internal controls 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 s*ignificant deficiency in internal controls* over compliance is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal controls over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls 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 controls over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal controls 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 controls over compliance is solely to describe the scope of our testing of internal controls 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.

Washington, DC
November 30, 2018

SB & Company, LLC

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass Through to Subrecipients
U.S. Department of Health and Human Services				
Pass-through DC Public Schools				
Temporary Assistance for Needy Families	93.558	Unknown	$ 50,161	$ -
21st Century Grant	84.287C	Unknown	251,007	-
Medicaid	93.778	Unknown	197,416	-
Total U.S. Department of Health and Human Services			498,584	-
U.S. Department of Education				
Pass-through DC Public Schools				
Title I Grants to Local Educational Agencies	84.010A	Unknown	368,266	-
Title II Grants to Local Educational Agencies	84.395A	Unknown	78,068	-
Title IV Grants to Local Educational Agencies	84.424A	Unknown	14,707	-
Special Education Cluster (IDEA)				
Grants to States (IDEA, Part B)	84.027	Unknown	4,857	-
Grants to States (IDEA, Part B)	84.027	Unknown	116,229	-
Preschool Grants (IDEA Preschool)	84.173	Unknown	1,358	-
Preschool Grants (IDEA Preschool)	84.173	Unknown	4,596	-
Total Special Education Cluster (IDEA)			127,040	-
Education Agency Grants - School Climate	84.184G	Unknown	275,217	-
Education Agency Grants - CSP CMO	84.282M	Unknown	100,628	-
SOAR IAQ GRANT	84.370C	Unknown	47,500	-
SOAR IAQ GRANT	84.370C	Unknown	142,500	-
SOAR IAQ-EC GRANT	84.370C	Unknown	242,858	-
SOAR FACILITIES	84.370C	Unknown	78,000	-
SPED Enhancement Formula Grant	N/A	Unknown	31,491	-
Pass-through Office of State of Superintendent of Education				
School Technology Fund	84.Unknown	Unknown	19,665	-
Total U.S. Department of Education			1,525,940	-
U.S. Department of Agriculture				
Pass-through DC Public Schools				
Child Nutrition Cluster				
National School Breakfast/ Lunch Program	10.555	Unknown	515,191	-
School Breakfast Program	10.553	Unknown	349,068	-
			864,259	
Fresh Fruit and Vegetable Program	10.582	Unknown	65,055	-
Child and Adult Care Food Program	10.558	Unknown	183,000	-
USDA Food and Nutrition Service	10.575	Unknown	42,191	-
Total U.S. Department of Agriculture			1,154,505	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,179,029	$ -

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

All Federal grant operations of Eagle Academy Public Charter School (the School) are included in the scope of Title 2 U.S. Code of Federal Regulations part 200, Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant program noted below. This program represents Federal award programs for fiscal year 2018 cash and non-cash expenditures to ensure coverage of at least 20% of Federally granted funds. Actual coverage is 27% of total cash and non-cash Federal award program expenditures.

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* 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.

Major Program	Federal CFDA Number	Federal Expenditures
Child Nutrition Cluster:		
National School Breakfast/ Lunch Program	10.555	**$ 515,191**
School Breakfast Program	10.553	**349,068**
		$ 864,259

2. 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, 2018. 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*. Because the Schedule of Expenditures of Federal Awards 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.

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2018

3. MEDICAID ADMINISTRATION SUPPORT PROGRAM

Medicaid expenditure of $197,416 is not included in the threshold amount to require an entity to have a Single Audit because there is already separate and sufficient monitoring of this program being done. However, for the purposes of the schedule of expenditures of Federal awards reporting, the Medicaid payments must be reported.

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Financial Statements

Type of Independent Public Accountants' Report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of Independent Public Accountants' Report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Audit findings disclosed that are required to be reported in accordance with Section 200.516 of Uniform Guidance?	No

Identification of Major Programs

Major Program	Federal CFDA Number	Federal Expenditures
Child Nutrition Cluster:		
National School Breakfast/ Lunch Program	10.555	**$ 515,191**
School Breakfast Program	10.553	**349,068**
		$ 864,259

Threshold used to distinguish between type A and type B programs	$ 750,000
Auditee qualified as low-risk auditee?	Yes

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II –Financial Statement Findings

None noted.

Section III –Federal Award Findings

None noted.

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2018

There were no findings for the year ended June 30, 2017.