

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

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

For the Years Ended June 30, 2016 and 2015



S B & COMPANY, LLC
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JUNE 30, 2016 AND 2015

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
SUPPLEMENTARY INFORMATION	
Schedules of Functional Expenses	16
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The 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, 2016 and 2015, and the related statements of activities and change 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 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; 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 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.



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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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in conformity 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 basic 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 Board and are 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 audits 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 accompanying statements of functional expenses is 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 January 6, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Washington, DC
January 6, 2017

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

**Statements of Financial Position
As of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 180,085	2,182,502
Grants and accounts receivable, net	2,238,054	1,283,775
Employee loans	21,924	30,911
Prepaid expenses	50,125	37,115
Total Current Assets	<u>2,490,188</u>	<u>3,534,303</u>
Deposits	72,440	53,695
Deferred financing costs, net	28,563	77,525
Property and equipment, net	19,942,770	19,539,512
Total Assets	<u>\$ 22,533,961</u>	<u>\$ 23,205,035</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,511,878	\$ 1,732,412
Deferred revenue	12,200	2,131
Capital lease payable, current portion	-	39,808
Notes payable, current portion	15,113,069	1,322,900
Total Current Liabilities	<u>16,637,147</u>	<u>3,097,251</u>
Notes payable, net of current portion	-	15,019,942
Total Liabilities	<u>16,637,147</u>	<u>18,117,193</u>
Net Assets		
Unrestricted	5,896,814	5,087,842
Total Liabilities and Net Assets	<u>\$ 22,533,961</u>	<u>\$ 23,205,035</u>

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

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

**Statements of Activities and Change in Net Assets
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
CHANGE IN UNRESTRICTED NET ASSETS		
Revenue and Support:		
Per pupil funding	\$ 14,128,083	\$ 14,412,876
DC facilities allowance	2,874,080	2,826,240
Federal grants	3,069,158	1,695,533
Federal entitlements	501,146	449,495
Grants and contributions	43,541	31,342
Before and after care	162,712	305,009
Student fees	4,663	28,314
Interest income	845	654
Other income	375,328	539,477
Total Revenue and Support	<u>21,159,556</u>	<u>20,288,940</u>
Expenses		
Program Services	16,322,248	15,265,084
Supporting Services:		
General and administrative	3,906,444	3,684,971
Fundraising	121,892	90,096
Total Supporting Services	<u>4,028,336</u>	<u>3,775,067</u>
Total Expenses	<u>20,350,584</u>	<u>19,040,151</u>
Change in net assets	808,972	1,248,789
Net assets, beginning of year	5,087,842	3,839,053
Net Assets, End of Year	<u>\$ 5,896,814</u>	<u>\$ 5,087,842</u>

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 808,972	\$ 1,248,789
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	805,222	771,916
Write-off of grants and accounts receivable	66,594	75,000
Forgiveness of capital lease obligations	(39,808)	-
Effect of changes in non-cash operating assets and liabilities:		
Grants and accounts receivable, net	(1,020,873)	(52,385)
Employee loans	8,987	47,841
Prepaid expenses	(13,010)	(13,860)
Deposits	(18,745)	(2,280)
Accounts payable and accrued expenses	(220,534)	483,801
Deferred revenue	10,069	(12,564)
Net Cash from Operating Activities	<u>386,874</u>	<u>2,546,258</u>
Cash Flows from Investing Activities		
Principal payments on capital leases	-	(149,191)
Purchases of property and equipment	(1,159,518)	(275,537)
Net Cash from Investing Activities	<u>(1,159,518)</u>	<u>(424,728)</u>
Cash Flows from Financing Activities		
Principal payments on notes payable	(1,229,773)	(1,521,505)
Net change in cash and cash equivalents	(2,002,417)	600,025
Cash and cash equivalents, beginning of year	2,182,502	1,582,477
Cash and Cash Equivalents, End of Year	<u>\$ 180,085</u>	<u>\$ 2,182,502</u>
Supplemental Disclosure		
Cash paid during the year for interest	<u>\$ 484,796</u>	<u>\$ 522,281</u>

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2016 and 2015

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 expires on August 18, 2018. The District of Columbia transferred regulatory oversight of all public charter schools chartered by the Board of Education to the District of Columbia Public Charter School Board on July 1, 2007.

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.

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2016 and 2015, consisted of money market funds.

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, 2016 and 2015. 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 an allowance for doubtful accounts of \$224,971, as of June 30, 2016. There was no allowance for doubtful accounts as of June 30, 2015.

Deferred Financing Costs

Deferred financing costs consist of debt issuance costs, such as bank fees and legal costs, associated with obtaining debt from BB&T, Building Hope, and the DC Office of Public Chartered Schools. During the year ended June 30, 2013, the School incurred loan financing costs of \$224,406, which have been capitalized and are being amortized over the life of the loan using the straight line method, which approximates the effective interest rate method. Net deferred financing costs were \$28,563 and \$77,525, as of June 30, 2016 and 2015, respectively. Amortization expense was \$48,960 and \$48,961, for the years ended June 30, 2016 and June 30, 2015, respectively.

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

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.

Deferred Revenue

Deferred revenue consists of payments received in advance for summer camp. Deferred revenue was \$12,200 and \$2,131, as of June 30, 2016 and 2015.

Advertising Costs

The costs of advertising are expensed when the services are received. Advertising expense for the years ended June 30, 2016 and 2015, were \$193,628 and \$147,979, 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. There were no temporarily restricted net assets as of June 30, 2016 and 2015.

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, 2016 and 2015.

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. Funding received in advance of the school term is recorded as deferred revenue in the accompanying statements of financial position. Revenue from other sources is recognized as earned.

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenue and Support (continued)

Contributions 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.

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 change 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 change 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.

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 for the year ended June 30, 2016, 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. For the year ended June 30, 2016, the statute of limitations for fiscal years 2013 through 2016 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.

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification

Certain 2015 amounts have been reclassified to conform to the 2016 financial statement presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Subsequent Events

The School's management evaluated subsequent events and transactions through January 6, 2017, the date the financial statements were available for issue, and have determined that no material subsequent events have occurred, except as disclosed in Note 4, that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. PROPERTY AND EQUIPMENT

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Life</u>
Land	\$ 276,301	\$ 226,301	N/A
Building	20,771,292	19,991,635	39 years
Construction in progress	32,292	-	N/A
Leasehold improvements	729,595	667,636	1 to 9 years
Playground	63,756	63,756	7 years
Computers	512,804	298,048	3 years
Classroom furnishings	83,059	75,975	7 years
Office equipment and furnishings	132,793	126,523	7 years
Instructional equipment	108,305	108,305	7 years
Vehicles	10,820	3,320	3 years
Assets under capital leases	403,433	403,433	3 years
Total	<u>23,124,450</u>	<u>21,964,932</u>	
Less: accumulated depreciation	<u>3,181,680</u>	<u>2,425,420</u>	
Property and Equipment, Net	<u>\$ 19,942,770</u>	<u>\$ 19,539,512</u>	

Depreciation was \$756,260 and \$722,953, for the years ended June 30, 2016 and 2015, respectively.

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

4. NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note payable from BB&T Bank dated February 22, 2012, for borrowings up to \$15,825,000. This note bears interest at LIBOR plus 2.75%, payable in monthly payments and began in March 2012. Principal is payable monthly and began in February 2014, with a balloon payment of remaining accrued and unpaid interest and principal due on February 22, 2017. This note has an option to renew for an additional 15 years at a re-negotiated rate of interest.	\$ 14,478,383	\$ 15,068,166
Note payable from Building Hope dated February 22, 2012. This note bears interest at 6.00%, payable in monthly payments of \$6,250 and began in March 2012. Principal is payable monthly and began in August 2013. The monthly payment, including interest, is \$33,070, with a balloon payment of remaining accrued and unpaid interest and principal due on February 22, 2017.	258,707	627,918
Note payable from DC Office of Public Chartered Schools dated February 22, 2012, bearing interest of 4.00%, payable in quarterly payments of \$12,500 beginning in May 2012. The quarterly payment, including interest, is \$96,126, with a balloon payment of remaining principal and unpaid interest due on February 22, 2017.	<u>375,979</u>	<u>646,758</u>
Total Notes Payable	<u>\$ 15,113,069</u>	<u>\$ 16,342,842</u>

Interest expense was \$498,852, and \$536,495, for the years ended June 30, 2016 and 2015, respectively.

The entire notes payable balance of \$15,113,069, is payable during the year ended June 30, 2017.

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

4. NOTES PAYABLE (continued)

These notes are collateralized by a general business security agreement. The Building Hope and DC Office of Public Chartered Schools notes are subordinated to the BB&T note. Prepayments on the District of Columbia and Building Hope notes are not allowed without obtaining permission from BB&T. The BB&T note subjects the School to certain financial covenants and is subject to a prepayment penalty based on the date of prepayment.

These notes have certain financial covenants that require annual financial statements within a minimum of 120 days after year end, unrestricted net assets of \$2,500,000 as of the end of each fiscal year, and cash flow coverage to debt service ratio of at least 1.40 to 1.00 with respect to the BB&T note and 1.10 to 1.00 with respect to all long term debt. The School did not meet the financial statement due date covenant and is in the process of obtaining a waiver from the bank. The debt is classified as a current liability as it is due by February 2017.

The School is in process of refinancing its notes payable with BB&T. In August 2016, the DC Office of Public Chartered Schools and Building Hope notes were paid off and assumed by BB&T. Subsequent to year end, the School was approved for \$18,500,000, in a tax-exempt District of Columbia 501(c)3 Revenue bonds, which will be used to pay-off the existing notes payable, along with \$2,000,000 in new funding for planned improvements to the existing property, and closing costs for the proposed financing. The School expects to finalize the financing during the first quarter of 2017.

5. 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 \$99,389 and \$21,607, were made during the years ended June 30, 2016 and 2015, respectively.

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 475 School Street, S.W., Washington, DC under a lease that expires on September 30, 2016. The School also leases a building located at 1017 New Jersey Avenue, SE, Washington, DC under a lease that expires on August 14, 2018. The future minimum lease payments required under the building leases as of June 30, 2016, were as follows:

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

**Notes to the Financial Statements
June 30, 2016 and 2015**

Years Ending June 30,	Amount
2017	\$ 228,231
2018	187,033
2019	15,624
Total	\$ 430,888

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

6. COMMITMENTS AND CONTINGENCIES (continued)

The School leases certain office equipment under non-cancellable operating lease agreements. The leases expire at various dates through 2019, with certain leases containing options to renew. The future minimum lease payments required under the office equipment leases, as of June 30, 2016, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	50,436
2018	49,618
2019	-
Total	<u>\$ 100,054</u>

Lease expense under the operating leases totaled \$448,299 and \$462,961, for the years ended June 30, 2016 and 2015, 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. 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. As of June 30, 2016, cost reports for fiscal years 2014 through 2016 remain open, subject to audit by the Department of Health Care Finance (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.

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, 2016 and 2015, the School earned revenue of \$20,572,467 and \$19,384,144 respectively, from the Government of the District of Columbia, which was 98% and 96% of the total revenue and support. These amounts are reflected as per pupil funding, DC facilities allowance, Federal grants, and Federal entitlements in the accompanying statements of activities and change in net assets.

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

6. COMMITMENTS AND CONTINGENCIES (continued)

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.

SUPPLEMENTARY INFORMATION

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Schedule of Functional Expenses For the Year Ended June 30, 2016 with Comparative Totals for 2015

	2016			Total	2015 Totals
	Program	General and Administrative	Fundraising		
Personnel Expenses:					
Instructional staff	\$ 7,143,196	\$ -	\$ -	\$ 7,143,196	\$ 4,651,331
School administration	665,735	2,052,684	55,478	2,773,897	2,289,403
Support services	1,071,030	189,005	-	1,260,035	3,535,665
Employee benefits	1,701,041	457,973	21,808	2,180,822	1,963,424
Total Personnel Expenses:	<u>10,581,002</u>	<u>2,699,662</u>	<u>77,286</u>	<u>13,357,950</u>	<u>12,439,823</u>
Direct Student Costs:					
Food service	725,026	-	-	725,026	769,432
Contracted staff & consultants	119,570	-	-	119,570	126,084
Classroom furnishings and equipment	8,516	-	-	8,516	21,324
Technology, computers and materials	148,413	-	-	148,413	170,842
Contracted student services	908,261	-	-	908,261	781,085
Library and media materials	12,698	-	-	12,698	34,038
Miscellaneous student costs	91,205	-	-	91,205	220,260
Other instructional equipment	-	-	-	-	667
Student assessment materials	19,470	-	-	19,470	31,203
Summer school expenses	3,117	-	-	3,117	2,913
Student supplies and materials	195,821	-	-	195,821	122,060
Parent and staff programs	3,760	-	-	3,760	5,435
Textbooks and curriculum	52,364	-	-	52,364	139,898
Depreciation expense	86,702	-	-	86,702	64,400
Total Direct Student Costs	<u>2,374,923</u>	<u>-</u>	<u>-</u>	<u>2,374,923</u>	<u>2,489,641</u>
Occupancy Expenses:					
Amortization	36,722	11,751	489	48,962	48,961
Mortgage interest expense	374,139	119,724	4,989	498,852	536,496
Contracted building services	209,567	67,061	2,794	279,422	143,960
Equipment rental and maintenance	12,863	4,116	172	17,151	2,595
Janitorial supplies	26,058	8,339	347	34,744	67,932
Maintenance and repairs	28,791	9,213	384	38,388	15,898
Miscellaneous occupancy expenses	-	-	-	-	2,657
Operating expense	-	-	-	-	172
Rent expense	288,864	92,436	3,852	385,152	378,427
Taxes	144,325	46,184	1,924	192,433	192,761
Utilities	192,811	61,700	2,571	257,082	216,288
Depreciation expense	491,083	157,146	6,548	654,777	644,271
Total Occupancy Expenses	<u>1,805,223</u>	<u>577,670</u>	<u>24,070</u>	<u>2,406,963</u>	<u>2,250,418</u>
General and Office Expenses:					
Professional services	437,519	132,407	5,757	575,683	532,645
Staff development	251,572	76,134	3,310	331,016	191,126
Administrative fees	150,436	45,526	1,979	197,941	186,512
Insurance	130,183	39,398	1,713	171,294	106,585
Credit card fees	84	25	-	109	5,189
Bad debt expense	-	156,675	-	156,675	75,000
Miscellaneous general services	70,933	21,466	933	93,332	144,735
Travel	73,093	22,120	962	96,175	88,086
Depreciation expense	11,234	3,400	147	14,781	14,282
Copying and printing	36,921	11,173	485	48,579	15,180
Equipment rental and maintenance	47,992	14,524	631	63,147	61,531
Marketing and advertising	153,837	46,556	2,024	202,417	147,979
Miscellaneous office expenses	6,772	2,050	89	8,911	11,282
Office furnishings and equipment	2,909	880	38	3,827	22,182
Postage and shipping	2,541	769	33	3,343	4,270
Supplies and materials	64,756	19,597	852	85,205	76,571
Telephone and communications	120,318	36,412	1,583	158,313	177,114
Total General and Office Expenses	<u>1,561,100</u>	<u>629,112</u>	<u>20,536</u>	<u>2,210,748</u>	<u>1,860,269</u>
Total Expenses	<u>\$ 16,322,248</u>	<u>\$ 3,906,444</u>	<u>\$ 121,892</u>	<u>\$ 20,350,584</u>	<u>\$ 19,040,151</u>

EAGLE ACADEMY PUBLIC CHARTER SCHOOL

Schedule of Functional Expenses For the Year Ended June 30, 2015

	2015			
	Program	General and Administrative	Fundraising	Total
Personnel Expenses:				
Instructional staff	\$ 4,651,331	\$ -	\$ -	\$ 4,651,331
School administration	545,496	1,687,007	56,900	2,289,403
Support services	3,005,357	530,308	-	3,535,665
Employee benefits	1,537,197	415,563	10,664	1,963,424
Total Personnel Expenses:	9,739,381	2,632,878	67,564	12,439,823
Direct Student Costs:				
Food service	769,432	-	-	769,432
Contracted staff & consultants	126,084	-	-	126,084
Classroom furnishings and equipment	21,324	-	-	21,324
Technology, computers and materials	170,842	-	-	170,842
Contracted student services	781,085	-	-	781,085
Library and media materials	34,038	-	-	34,038
Miscellaneous student costs	220,260	-	-	220,260
Other instructional equipment	667	-	-	667
Student assessment materials	31,203	-	-	31,203
Summer school expenses	2,913	-	-	2,913
Student supplies and materials	122,060	-	-	122,060
Parent and staff programs	5,435	-	-	5,435
Textbooks and curriculum	139,898	-	-	139,898
Depreciation expense	64,400	-	-	64,400
Total Direct Student Costs	2,489,641	-	-	2,489,641
Occupancy Expenses:				
Amortization	36,824	11,864	273	48,961
Mortgage interest expense	403,502	129,999	2,995	536,496
Contracted building services	108,273	34,883	804	143,960
Equipment rental and maintenance	1,951	629	15	2,595
Janitorial supplies	51,092	16,461	379	67,932
Maintenance and repairs	11,957	3,852	89	15,898
Miscellaneous occupancy expenses	1,998	644	15	2,657
Operating expense	129	42	1	172
Rent expense	284,618	91,697	2,112	378,427
Taxes	144,977	46,708	1,076	192,761
Utilities	162,672	52,409	1,207	216,288
Depreciation expense	484,561	156,114	3,596	644,271
Total Occupancy Expenses	1,692,554	545,302	12,562	2,250,418
General and Office Expenses:				
Professional services	400,606	129,066	2,973	532,645
Staff development	143,747	46,312	1,067	191,126
Administrative fees	140,277	45,194	1,041	186,512
Insurance	80,163	25,827	595	106,585
Interest expense	3,903	1,257	29	5,189
Bad debt expense	-	75,000	-	75,000
Miscellaneous general services	108,857	35,070	808	144,735
Travel	66,252	21,345	489	88,086
Depreciation expense	10,741	3,461	80	14,282
Copying and printing	11,417	3,678	85	15,180
Equipment rental and maintenance	46,277	14,910	344	61,531
Marketing and advertising	111,296	35,857	826	147,979
Miscellaneous office expenses	9,280	1,933	69	11,282
Office furnishings and equipment	16,683	5,375	124	22,182
Postage and shipping	3,211	1,035	24	4,270
Supplies and materials	57,590	18,554	427	76,571
Telephone and communications	133,208	42,917	989	177,114
Total General and Office Expenses:	1,343,508	506,791	9,970	1,860,269
Total Expenses	\$ 15,265,084	\$ 3,684,971	\$ 90,096	\$ 19,040,151



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

The Board of Trustees
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, 2016, and the related statements of activities and change 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 January 6, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 control 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 control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, DC
January 6, 2017

SB & Company, LLC