

EXCEL ACADEMY PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

KENDALL, PREBOLA AND JONES
Certified Public Accountants
PO BOX 259
BEDFORD, PENNSYLVANIA 15522-0259
(814) 623-1880
FAX (814) 623-7548

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
Excel Academy Public Charter School
2501 Martin Luther King, Jr., Avenue, SE
Washington, DC 20020

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Excel Academy Public Charter School, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Excel Academy Public Charter School, as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. In addition, the accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the Excel Academy Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Excel Academy Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 29, 2017

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 3,489,748	\$ 3,885,272
Accounts and Grants Receivable	467,528	580,358
Promises Receivable	5,381	14,416
Prepaid Expenses	<u>26,558</u>	<u>11,118</u>
Total Current Assets	<u>\$ 3,989,215</u>	<u>\$ 4,491,164</u>
<u>Fixed Assets:</u>		
Furniture, Equipment and Website	\$ 1,222,072	\$ 1,105,285
Leasehold Improvements	374,561	358,718
Less: Accumulated Depreciation and Amortization	<u>(905,458)</u>	<u>(704,947)</u>
Total Fixed Assets	<u>\$ 691,175</u>	<u>\$ 759,056</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 89,990</u>	<u>\$ 89,990</u>
Total Other Assets	<u>\$ 89,990</u>	<u>\$ 89,990</u>
TOTAL ASSETS	<u>\$ 4,770,380</u>	<u>\$ 5,340,210</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 205,723	\$ 456,461
Payroll Taxes and Related Liabilities	51,822	50,972
Accrued Salaries	668,598	633,584
Accrued Vacation	82,172	45,111
Deferred Revenue	37,765	-
Deferred Activity Fees	<u>-</u>	<u>9,683</u>
Total Current Liabilities	<u>\$ 1,046,080</u>	<u>\$ 1,195,811</u>
Total Liabilities	<u>\$ 1,046,080</u>	<u>\$ 1,195,811</u>
<u>Net Assets:</u>		
Unrestricted	\$ 3,722,014	\$ 4,143,332
Temporarily Restricted	<u>2,286</u>	<u>1,067</u>
Total Net Assets	<u>\$ 3,724,300</u>	<u>\$ 4,144,399</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,770,380</u>	<u>\$ 5,340,210</u>

(See Accompanying Notes and Auditor's Report)

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

	June 30, 2017			June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 9,539,557	\$ -	\$ 9,539,557	\$ 9,628,607	\$ -	\$ 9,628,607
Tuition - Facilities Allowance	2,193,048	-	2,193,048	2,289,892	-	2,289,892
Federal Entitlements and Grants	1,247,867	-	1,247,867	1,400,750	-	1,400,750
State Government Grants	117,185	-	117,185	185,028	-	185,028
Service Fees	72,954	-	72,954	-	-	-
Philanthropy Grants and Contributions	2,694	15,234	17,928	12,520	14,537	27,057
Donated Services and Materials	-	-	-	500	-	500
Student Program Fees and Other	50,957	-	50,957	70,480	-	70,480
Interest Income	9,492	-	9,492	7,915	-	7,915
Gain/(Loss) on Disposal of Assets	-	-	-	(9,316)	-	(9,316)
<u>Fundraisers:</u>						
Sales	\$ 5,516	\$ -	\$ 5,516	\$ 7,863	\$ -	\$ 7,863
Less: Cost of Direct Benefits to Donors	(4,020)	-	(4,020)	(4,564)	-	(4,564)
Net Revenue from Fundraisers	\$ 1,496	\$ -	\$ 1,496	\$ 3,299	\$ -	\$ 3,299
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	14,015	(14,015)	-	24,660	(24,660)	-
Total Revenues and Other Support	<u>\$ 13,249,265</u>	<u>\$ 1,219</u>	<u>\$ 13,250,484</u>	<u>\$ 13,614,335</u>	<u>\$ (10,123)</u>	<u>\$ 13,604,212</u>
<u>Expenses and Losses:</u>						
Educational Services	\$ 12,542,542	\$ -	\$ 12,542,542	\$ 11,946,069	\$ -	\$ 11,946,069
General and Administrative	1,055,383	-	1,055,383	1,065,722	-	1,065,722
Fundraising	72,658	-	72,658	116,455	-	116,455
Total Expenses	<u>\$ 13,670,583</u>	<u>\$ -</u>	<u>\$ 13,670,583</u>	<u>\$ 13,128,246</u>	<u>\$ -</u>	<u>\$ 13,128,246</u>
Changes in Net Assets	\$ (421,318)	\$ 1,219	\$ (420,099)	\$ 486,089	\$ (10,123)	\$ 475,966
Net Assets, Beginning of Year	<u>4,143,332</u>	<u>1,067</u>	<u>4,144,399</u>	<u>3,657,243</u>	<u>11,190</u>	<u>3,668,433</u>
Net Assets, End of Year	<u>\$ 3,722,014</u>	<u>\$ 2,286</u>	<u>\$ 3,724,300</u>	<u>\$ 4,143,332</u>	<u>\$ 1,067</u>	<u>\$ 4,144,399</u>

(See Accompanying Notes and Auditor's Report)

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ (420,099)	\$ 475,966
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	200,511	211,642
(Gain)/Loss on Disposal of Assets	-	9,316
Accounts and Grants Receivable - (Increase)/Decrease	112,830	(301,009)
Promises Receivable - (Increase)/Decrease	9,035	1,762
Prepaid Expenses - (Increase)/Decrease	(15,440)	665
Deposits - (Increase)/Decrease	-	89,454
Accounts Payable - Increase/(Decrease)	(250,738)	58,866
Payroll Taxes and Related Liabilities - Increase/(Decrease)	850	2,254
Accrued Salaries - Increase/(Decrease)	35,014	85,907
Accrued Vacation - Increase/(Decrease)	37,061	24,844
Deferred Revenue - Increase/(Decrease)	37,765	-
Deferred Activity Fees - Increase/(Decrease)	<u>(9,683)</u>	<u>4,018</u>
Net Cash Flows from Operating Activities	<u>\$ (262,894)</u>	<u>\$ 663,685</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	<u>\$ (132,630)</u>	<u>\$ (181,970)</u>
Net Cash Flows from Investing Activities	<u>\$ (132,630)</u>	<u>\$ (181,970)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ (395,524)	\$ 481,715
Cash and Cash Equivalents at Beginning of Year	<u>3,885,272</u>	<u>3,403,557</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,489,748</u>	<u>\$ 3,885,272</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2017 and 2016.
- b) No interest was paid during the years ended June 30, 2017 and 2016.

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

The Excel Academy Public Charter School (Charter School), a District of Columbia Not-for-Profit Corporation was incorporated on February 28, 2006, exclusively for educational purposes. The Charter School operates as part of the District of Columbia Public School system with its purpose of providing an outstanding academic education to pre-school to eighth grade girls in the District of Columbia. In an effort to impact the inter-generational patterns of poverty, Excel Academy has been organized to provide an excellent academic and complementary social and enrichment program to prepare scholars to succeed and effectively compete in highly competitive high schools, colleges, and universities.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

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

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

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

Federal and Charter School Funding

The Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, at-risk students, and a facilities allotment. The Charter School recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance. Federal entitlements are recognized based on the allowable costs incurred.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Before and After Care Fees

The Charter School offers fee-based extended day programming for students in grades pre-school through fifth grade. The hours of operation are structured to coincide with the typical workday of parents of the students. Both the before and after care programs offer food services. Tuition is collected based on a monthly fee. The amount of tuition ranges from full tuition to reduced tuition based on the National School Lunch Program guidelines.

(c) Corporate Taxes:

The Excel Academy Public Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective December 31, 2007. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The Charter School did not have any net unrelated business income for the years ended June 30, 2017 and 2016.

The Excel Academy Public Charter School is also exempt from District of Columbia sales and personal property taxes.

(d) Grants:

Foundation Grants

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

Government Grants

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

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Grants: (Continued)

These grants are subject to financial and compliance audits by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

(e) Net Assets:

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the Charter School is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions and over which the Board of Trustees has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets were available at year end for the following purposes:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Community Service	\$ 936	\$ 936
Monarch Butterfly Garden	850	-
Tennis - Girls Rule the Court	500	-
Excel Family Literacy	<u>-</u>	<u>131</u>
Total	<u>\$ 2,286</u>	<u>\$ 1,067</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets (Continued)

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Uniforms and Sweaters	\$ 9,430	\$ -
Parent Engagement Strategy	3,628	18,988
Bus Transportation	477	-
School Garden Project	300	433
Excel Family Literacy	131	1,869
Monarch Butterfly Garden	49	-
School "Store" Materials	-	1,800
Development of Middle School Program	-	1,506
Community Service	-	64
	<u> </u>	<u> </u>
Total	<u>\$ 14,015</u>	<u>\$ 24,660</u>

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2017 and 2016.

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Trustees is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received.

The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Furniture	\$ -	\$ 500
Total	<u>\$ -</u>	<u>\$ 500</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs:

The Board of Trustees, Chief Executive Officer, faculty, and staff at Excel Academy Public Charter School are committed to providing a strong single-sex public education alternative for girls living and learning in Washington, DC. Excel Academy firmly believes that all students can achieve great academic success. We are determined to provide girls in Washington, DC, with the highest quality single-sex education possible.

Excel Academy offers a unique single-sex educational model for female students in the District. Based on an early educational intervention model that offers preschool for three-year-olds to promote school readiness, Excel implements a curriculum proven to build student achievement in reading, writing, math, and to teach ethics, personal responsibility, and healthy choices.

We use early and frequent assessments to gauge students' progress and identify academic needs for classrooms and individual students, and respond to the data such assessments provide with immediacy. We hire highly skilled teachers, participate in ongoing professional development, and create and maintain a community of respect and collaboration with our staff and parents. We embrace students' parents and guardians as essential partners in their student's education, and we reach out to families and the wider community to support Excel Academy's girls.

Founded by Kaye Savage, Excel Academy was authorized and approved by the DC Public Charter School Board in 2007. In August 2008, the school opened in a church basement with 134 preschool, pre-kindergarten and kindergarten girls. In 2009, the school took partial occupancy of the Birney School on Martin Luther King, Jr. Avenue SE, in the heart of the Barry Farm Neighborhood in Anacostia. From 2008-2016, the school grew to serve over 700 preschool through grade 7 scholars.

In August 2013, preparing for growth through grade 8, the Charter School expanded to occupy the entire 86,000 square foot building. Excel Academy continues to grow in student enrollment and staff size every year.

Excel Academy provides scholars with a strong standards-based academic program, gender specific teaching and instruction, and leadership and extracurricular opportunities. Two teaching faculty members are assigned to each classroom from preschool to third grade. This structure provides a low student to teacher ratio and allows teachers to deliver instruction appropriately suited to individual student needs.

Students advance based on mastery of the curriculum and progress is measured continuously using standardized assessments, rubrics and curriculum checklists. Developing and applying early literacy and numeracy skills in a highly structured setting is a critical component of our academic program in order to ensure strong foundational skills in the core subjects: reading, language, writing, mathematics, science and social studies.

We believe that the sooner girls are enrolled in Excel Academy, the greater the impact on their academic achievement and personal development. Excel Academy begins with the earliest learners, pre-school, pre-kindergarten and kindergarten, to allow for the movement of students who may be ready for more advanced academic work or for those who may need to be grouped with younger students based on academic and/or social-emotional needs.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Much of the student success in the early years of school at Excel Academy is connected to intensive and comprehensive reading and writing teaching and instruction. Students receive direct instruction in phonics, decoding, vocabulary, handwriting, writing, and comprehension. Through a variety of learning techniques, small group instruction, center work, read aloud and writer's workshop, students are equipped with the necessary tools to read. Excel Academy is committed to ensuring that every child is ready to read by kindergarten and is a developing reader before entering first grade. Students who do not demonstrate preparedness for reading will not be promoted to kindergarten.

Excel Academy has a very strong set of core values and procedures governing all areas of school life. We are committed to providing:

- **A Rigorous Single Gender Model** - Excel Academy's unique single-sex environment is supported by extensive research and rooted in high academic achievement and learning for every student that permits staff to focus teaching strategies directed on the learning needs and styles of girls.
- **An Early Educational Intervention Program** - Starting with students who are three years old, Excel Academy offers an instructional program that promotes school readiness in literacy, math, and social development.
- **More Time on Task** - Students at Excel Academy are in academically rigorous learning environments for longer school days and for an extended year. A relentless focus on the details allows students and teachers to spend more time on task.
- **A Standards Based Curriculum** - Our academic program is research-proven and has demonstrated significant student achievement in reading, writing, and math.
- **Early and Frequent Assessments** - Excel Academy teachers know the power of assessing student progress and using data to track student performance. We identify students' academic needs early and adjust teaching strategies accordingly. This system of assessment allows us to respond with targeted intervention and immediacy.
- **A Team of Highly Skilled Teachers** - The Excel Team receives ongoing professional development to build skills and create and maintain a community of respect and collaboration with our staff and parents.
- **A School Wide Character Development Program** - Excel Academy continues to focus on our character education program based on the core values: *Integrity, Discipline, Enjoyment, Achievement, Leadership, and Sisterhood (IDEALS)*. The IDEALS are reinforced throughout the day, beginning with the morning meeting and continuing with school-wide behavior expectations. We devote time each day to explicit teaching and modeling of our IDEALS.
- **Co-curricular Education** - Excel Academy provides a wide and inclusive pairing of co-curricular offerings that complement and support the educational, social, and emotional growth of our scholars. These offerings have included Music, Art, Physical Education, and Technology.
- **Support Services** - Excel Academy's special education program is committed to meeting the goals and objectives of every child's individual educational and social-emotional needs. A team of Special Educational Staff, Social Workers, and family engagement support are provided. Additional related services, including speech/ language therapy, physical therapy, and occupational therapy, are all provided.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

- **Wellness Initiative** - Weekly Physical Education focused on activities that enhance body awareness, strength and endurance as well as balance and coordination.
- **Enrichment Opportunities** - Excel Academy After School Clubs and Activities are designed to extend the school day and provide scholars enrichment opportunities. Led by teachers, after school staff, and community professionals, creative programming encourages scholars to explore passions and interests outside of the classroom. Girls who participate in After School Clubs and Activities form bonds and allegiances with like-minded sister scholars in shared experiences that help develop teamwork and sisterhood.
- **Parent Engagement** - We embrace students' parents and guardians as essential partners in the education of their children and we engage families and the wider community to support Excel's scholars.

Excel cultivates rich partnerships with local organizations committed to advancing the mission of girls' education, providing learning opportunities for scholars in and outside of the classroom.

Excel is committed to looking forward by critically assessing our curriculum and teaching methods. We have strengthened aspects of the curriculum that have proven successful while remaining critical of those aspects that did not perform to the standard that Excel requires. We believe that this process has allowed us to create an exceptional program that provides the solid academic foundation that is essential for our scholars.

Following extensive reviews of educational research, we believe that a high quality, single sex school for girls facilitates academic and personal development. Given the proper support, all children can develop a love of learning and meet high academic and personal standards. Minority girls living in high poverty neighborhoods, stand to benefit from a learning environment that fosters courage, respect, integrity, scholarship and perseverance. With a solid academic foundation and essential life skills, Excel Academy's students are poised to break the chains of underachievement and free themselves and their children from poverty-limited lives. Our program is geared to significantly impact the intergenerational patterns of poverty in our students and the larger community we serve.

(h) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment material, contract educational services, and field trips) are allocated entirely to program services.

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

Other expenses that are not directly identifiable by program are allocated based on management estimates of use of resources. For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for personnel expenses is utilized for cost allocation purposes.

(i) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Recognition of Salary Expense:

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

(k) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(l) Reclassifications:

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

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Excel Academy Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2017, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2017, the Charter School had no accruals for interest and/or penalties.

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Non-Interest Bearing Checking Accounts	\$ 344,349	\$ 89,042
Money Market Account	3,145,399	3,782,665
Checks on Hand	<u>-</u>	<u>13,565</u>
Total	<u>\$ 3,489,748</u>	<u>\$ 3,885,272</u>

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

The Charter School maintains its operating funds in one financial institution in the form of non-interest bearing checking accounts and a money market account. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per account category. Deposits held in non-interest bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total insured up to \$250,000.

As of June 30, 2017 and 2016, \$3,250,561 and \$3,629,033 of the bank balances, respectively, were deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Accounts Receivable:</u>		
Per Pupil Funding	\$ 87,467	\$ 95,643
Medicaid - School Based Services	72,954	-
Reimbursable Expenses	<u>1,566</u>	<u>36,446</u>
Total	<u>\$ 161,987</u>	<u>\$ 132,089</u>
<u>Grants Receivable:</u>		
Elementary and Secondary Education Act - Title II	\$ 94,337	\$ 44,117
National Food Program Cluster	70,783	119,038
E-Rate Discount Programs	55,730	7,396
Elementary and Secondary Education Act - Title I	35,750	192,565
Individuals with Disabilities Education Act (IDEA 611)	33,423	38,542
Child and Adult Care Food Programs	10,004	11,599
Healthy School Act	3,338	4,101
Fresh Fruits and Vegetables	<u>2,176</u>	<u>30,911</u>
Total	<u>\$ 305,541</u>	<u>\$ 448,269</u>

The Charter School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay are subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for the amounts owed to it throughout the year and at year end.

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

Trade receivables related to program service fees (activity fees, before and after care, etc.) are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectible when payment has not been received after 180 days.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

Promises Receivable

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Parent Engagement Strategy	\$ 3,208	\$ 14,416
Tennis - Girls Rule the Court	500	-
General	<u>1,673</u>	<u>-</u>
Total Promises Receivable	<u>\$ 5,381</u>	<u>\$ 14,416</u>

The above unconditional promises receivable are all due in less than one year.

5. FIXED ASSETS:

The furniture, equipment, computers, and the website are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected as income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expenses as incurred. Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$200,511 and \$211,642, respectively. Major classifications of fixed assets and their estimated useful lives are as summarized below:

<u>June 30, 2017</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	7 Years	\$ 646,272	\$ 433,382	\$ 212,890
Computer Equipment	3 Years	568,825	406,633	162,192
Website	5 Years	6,975	6,315	660
Leasehold Improvements	Remaining Life of Lease	<u>374,561</u>	<u>59,128</u>	<u>315,433</u>
Total		<u>\$ 1,596,633</u>	<u>\$ 905,458</u>	<u>\$ 691,175</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. FIXED ASSETS: (Continued)

<u>June 30, 2016</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	7 Years	\$ 627,971	\$ 364,337	\$ 263,634
Computer Equipment	3 Years	470,339	297,302	173,037
Website	5 Years	6,975	5,820	1,155
Leasehold Improvements	Remaining Life of Lease	<u>358,718</u>	<u>37,488</u>	<u>321,230</u>
Total		<u>\$ 1,464,003</u>	<u>\$ 704,947</u>	<u>\$ 759,056</u>

6. DEFERRED REVENUE:

The Charter School records cash receipts on grants in excess of costs incurred on grants as deferred revenue until they are expended for the purposes of the grant at which time they are recognized as unrestricted support. The balance of deferred revenue as of June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Per Pupil Funding - Extended School Year	<u>\$ 37,765</u>	<u>\$ -</u>
Total	<u>\$ 37,765</u>	<u>\$ -</u>

7. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract dated May 18, 2008, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about January 1, 2023. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that Excel Academy Public Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years, with the first such review having occurred in the spring of 2013. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2017 and 2016, the Charter School incurred \$132,298 and \$135,748, respectively, in administrative fees.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

The charter contract provides that Excel Academy may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2017, was not permitted to be greater than 945 students. Audit enrollment for the 2016/2017 year was 702 students and enrollment for the 2015/2016 year was 733 students.

8. PER PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2017, the per student rate ranged from \$9,682 to \$12,974 for the educational allotment and \$3,124 for the facility allotment. For the year ended June 30, 2016, the per student rate ranged from \$9,492 to \$12,719 for the educational allotment and \$3,124 for the facility allotment. Additional allotments were made for special education services. Per-pupil funding for the years ended June 30, 2017 and 2016 was as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
General Education	\$ 7,553,508	\$ 7,852,164
Special Education	1,012,808	705,758
At-Risk Students	973,241	1,070,685
Facilities Allowance	<u>2,193,048</u>	<u>2,289,892</u>
Total	<u>\$ 11,732,605</u>	<u>\$ 11,918,499</u>

9. FEDERAL ENTITLEMENTS AND GRANTS:

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
National School Lunch and Breakfast Programs	\$ 452,407	\$ 500,490
Elementary and Secondary Education Act - Title I	417,731	437,442
Elementary and Secondary Education Act - Title II	138,809	107,178
Individuals with Disabilities Education Act IDEA (611)	74,699	134,414
Child and Adult Care Food Programs	60,335	60,650
Fresh Fruits and Vegetables	41,675	65,544
Donated Commodities	31,292	31,465
DC School Choice Incentive Program	30,500	62,425
Individuals with Disabilities Education Act IDEA (619)	<u>419</u>	<u>1,142</u>
Total	<u>\$ 1,247,867</u>	<u>\$ 1,400,750</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

Federal formula grants are allocations of money to states or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

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

10. COMMITMENTS:

Building Lease

The Excel Academy Public Charter School entered into an agreement with the Charter School Incubator Initiative for the use of Birney Elementary School in response to a successful submission to a request for offer (RFO) from the Office of Property Management of the government of the District of Columbia. A part of the renovations of the existing school was supported by a grant from the Office of the State Superintendent for Education through the federally funded Charter School Incubator Initiative. The Birney Elementary School is located at 2501 Martin Luther King, Jr. Avenue, SE, Washington, DC. The use lease (as amended) was effective for a two-year period commencing on August 17, 2009 and expiring on June 30, 2011.

The total annual Usage Fee was payable in quarterly installments equal to $\frac{1}{4}$ of the annual Usage Fee for the period from July 1 to June 30 on August 1, November 1, February 1 and May 1. The August 1 and November 1 Usage Fee payments were calculated based on an estimate of enrollment as provided by the Grantee to the District of Columbia and a "true up" of the enrollment based on the actual census count was calculated for the February 1 and May 1 payments.

The Usage Fee covered rent, utilities (gas, water, electricity, and trash removal), building engineering and maintenance, nightly cleaning, landscape maintenance, snow removal, monthly security system monitoring and pest control. In addition, Lessor provided for telephone, security equipment, general maintenance and necessary capital improvements.

On September 14, 2011, the lease agreement with the Charter School Incubator Initiative was amended with an effective date of July 1, 2011, and an expiration date of June 30, 2016. As a requirement of this lease, a total rental security deposit of \$75,000 was to be made. This lease calls for continued quarterly lease payments calculated annually based on the number of students enrolled on each census date (October) multiplied by the per-pupil facilities allowance less a ten percent (10%) withholding.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS: (Continued)

Building Lease (Continued)

The annual usage fee is full service and includes all utilities, janitorial, maintenance, phone equipment and property management. Provided Excel Academy had a student enrollment of at least 600 students by July 1, 2015, this lease may be extended for three additional and consecutive five-year lease terms through June 30, 2031. On December 1, 2016, the Charter School signed an extension which extended the lease term to June 30, 2018.

During the year ended June 30, 2017, the usage fee was based on an enrollment of seven hundred and two (702) students. During the year ended June 30, 2016, the usage fee was based on an enrollment of seven hundred and thirty-one (731) students.

Total rent expense for the years ended June 30, 2017 and 2016 was \$1,973,743 and \$2,055,280, respectively.

Photocopier Leases

The Charter School entered into an operating lease with LEAF Funding, Inc. on December 31, 2010, for the rental of a Xerox WorkCentre 7545 Photocopier System. This lease called for fifty-five (55) monthly payments of \$212 commencing on January 5, 2011. Rental expense for the year ending June 30, 2016, was \$2,520.

The Charter School entered into an operating lease with LEAF Funding, Inc. on August 16, 2010, for the rental of a Xerox WorkCentre 7665 Photocopier and two Xerox WorkCentre 5665 Photocopiers. This lease called for sixty (60) monthly payments of \$724 commencing on September 10, 2010. Rental expense for the year ending June 30, 2016, was \$8,658.

The Charter School entered into an operating lease with LEAF Funding, Inc. on July 18, 2012, for the rental of a Xerox WorkCentre 7428 Photocopier. This lease called for thirty-six (36) monthly payments of \$175 commencing on September 5, 2012. Rental expense for the year ending June 30, 2016, was \$2,070.

The Charter School entered into an operating lease with Xerox Financial Services on June 13, 2014, for the rental of a Xerox Color XC570 Photocopier. This lease calls for forty-eight (48) monthly payments of \$442 commencing on June 13, 2014. Rental expense for the years ending June 30, 2017 and 2016 was \$4,762 and \$5,747, respectively. This lease was terminated as of June 30, 2017.

The Charter School entered into an operating lease with Nauticon Imaging Systems on January 16, 2016, for the rental of two Toshiba 4555C and two Toshiba 557 photocopiers. This lease calls for sixty (60) monthly payments of \$877 commencing on February 4, 2016. Rental expense for the years ending June 30, 2017 and 2016 was \$10,985 and \$5,234, respectively.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS: (Continued)

Photocopier Leases (Continued)

Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 10,524
2019	10,524
2020	10,524
2021	<u>6,139</u>
Total	<u>\$ 37,711</u>

11. RELATED PARTY TRANSACTIONS:

Board of Trustees

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

12. CONCENTRATIONS:

Revenues

The Charter School receives public funds from the District of Columbia based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2017 and 2016, eighty-nine percent (89%) and eighty-eight percent (88%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DC PCSB).

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. CONTINGENCIES:

The Charter School was granted its charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e. the failure to continue this charter authorization or withhold funding) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of Trustees and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

Laws and regulations governing charter schools are complex and subject to interpretation. The Excel Academy Public Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The viability of public charter schools and funding for these schools is dependent upon the consensus of current and future administration of the District of Columbia. Any future change in dynamics could adversely affect the operations of public charter schools.

14. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 29, 2017, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

Enrollment

Enrollment for the 2017/2018 school year is six hundred and forty (640) students. These enrollment numbers are down from the current audit enrollment number of seven hundred and two (702) students during the 2016/2017 school year.

Additional Funding - Washington Teacher's Union Contract

On October 1, 2017, the City Council approved the Washington Teacher's Union Contract. This contract will result in additional funds to both DC Public Schools and DC Public Charter Schools through an increase in the Uniform per Student Funding Formula. These additional funds result in a 5.9% increase above the original per pupil funding amounts. The Charter School will receive an additional one-time payment during the year ended June 30, 2018, to reflect the increase to the 2017 fiscal year per pupil funding base rate.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. SUBSEQUENT EVENTS: (Continued)

Additional Funding - Washington Teacher's Union Contract (Continued)

The amount paid to the Charter School will be calculated based on the final enrollment audit count, supplemental payments and extended school year funding for the year ended June 30, 2017. The 2017 fiscal year base rate will increase by an amount of \$203 over the original base rate of \$9,682 to a revised base rate of \$9,885.

Charter

On November 20, 2017, the DC Public Charter School Board (DCPCSB) voted to initiate revocation proceedings of the Excel Academy Public Charter School's charter effective upon the last day of the current school year (June 30, 2018) due to student academic achievement expectations. Excel Academy Public Charter School is entitled to a hearing and other due process before a final vote is made in late December or early January.

Per its charter and charter agreement, the Excel Academy Public Charter School committed to achieving an average Performance Management Framework (PMF) score of 45% for the past five years of operation. Excel Academy Public Charter School's average score is 41.4%. Management of the Excel Academy Public Charter School has been diligently working on a "turnaround plan" with the assistance from an outside consultant to obtain the benchmarks set forth in its charter.

15. FUNDRAISING:

During the years ended June 30, 2017 and 2016, expenses incurred for the purpose of fundraising were \$72,658 and \$116,455, respectively.

16. ADVERTISING:

Advertising was conducted for the purpose of promoting open enrollment and student recruiting to the Charter School and to provide outreach to the community. In addition, advertising costs were incurred for the purpose of teacher recruiting. Advertising costs and recruiting are expensed when incurred. Direct advertising expenses were \$26,203 and \$13,261 for the years ended June 30, 2017 and 2016, respectively.

17. RETIREMENT PLAN:

403(b) Plan

Excel Academy Public Charter School provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by Mass Mutual. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to the statutory limits set by the Internal Revenue Code. The Charter School contributes a dollar for dollar match up to three percent (3%) of an employee's gross monthly salary to the plan for the purchase of individual annuity contracts. Employees are eligible to participate upon commencement of their employment. Founding employees enrolled in the plan receive full and immediate vesting. Remaining employees become vested upon their anniversary date of employment after three full years of service. The employer expense for the years ended June 30, 2017 and 2016 was \$92,013 and \$104,838, respectively.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

18. EMPLOYEE BENEFITS:

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Social Security/Medicare	\$ 540,168	\$ 490,334
Health Insurance	380,547	274,319
Retirement	92,013	104,838
Unemployment	62,278	60,719
Life and Disability	27,484	10,913
Workers Compensation	24,911	44,330
Plan Administration Fees	1,694	1,575
Tuition Reimbursement	<u>1,560</u>	<u>-</u>
Total	<u>\$ 1,130,655</u>	<u>\$ 987,028</u>

Flexible Benefits Plan

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

19. OCCUPANCY COST:

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Rent of Facilities	\$ 1,973,743	\$ 2,055,280
Outsourced Security Services	50,287	45,018
Maintenance and Repairs	10,200	3,574
Rental - Other	17,538	12,725
Depreciation	21,639	21,054
Janitorial Supplies and Services	1,421	2,832
Snow Removal	<u>794</u>	<u>-</u>
Total	<u>\$ 2,075,622</u>	<u>\$ 2,140,483</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017				June 30, 2016			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Principal/Executive Salaries	\$ 951,779	\$ 733,986	\$ 217,793	\$ -	\$ 695,174	\$ 477,638	\$ 216,453	\$ 1,083
Teachers Salaries	2,360,926	2,360,926	-	-	2,204,636	2,204,636	-	-
Teacher's Aides/Assistants Salaries	1,608,123	1,608,123	-	-	1,933,466	1,933,466	-	-
Other Educational Professional Salaries	1,177,204	1,177,204	-	-	957,107	953,040	4,067	-
Business Operations and Clerical Salaries	963,913	613,808	302,433	47,672	675,387	377,487	224,365	73,535
Before and Aftercare Salaries	135,696	135,696	-	-	80,482	80,482	-	-
Summer School Salaries	104,586	104,586	-	-	90,736	90,736	-	-
Payroll Taxes	602,446	555,593	42,919	3,934	551,053	507,920	36,938	6,195
Other Employee Benefits	528,209	487,130	37,631	3,448	435,975	401,850	29,223	4,902
Temporary Contract Staffing	13,000	1,000	12,000	-	50,571	-	50,571	-
Staff Recruiting Costs	2,761	2,546	197	18	-	-	-	-
Staff Development - Placement Fees	31,690	16,000	15,690	-	54,630	32,500	22,130	-
Staff Development Costs	50,348	46,738	3,610	-	77,459	72,208	5,251	-
Other Staff Costs	64,457	59,834	4,623	-	72,856	67,917	4,939	-
Total Personnel, Salaries and Benefits	\$ 8,595,138	\$ 7,903,170	\$ 636,896	\$ 55,072	\$ 7,879,532	\$ 7,199,880	\$ 593,937	\$ 85,715
<u>Direct Student Costs:</u>								
Food Service	\$ 632,941	\$ 632,941	\$ -	\$ -	\$ 689,760	\$ 689,760	\$ -	\$ -
Textbooks and Assessment Materials	176,934	176,934	-	-	302,587	302,587	-	-
Student Supplies and Materials	107,326	107,326	-	-	164,366	164,366	-	-
Contracted Instructional/Student Services	448,046	448,046	-	-	218,440	218,440	-	-
Student Recruiting	22,860	22,860	-	-	12,245	12,245	-	-
Other Student Costs	81,857	81,857	-	-	61,046	61,046	-	-
Total Direct Student Costs	\$ 1,469,964	\$ 1,469,964	\$ -	\$ -	\$ 1,448,444	\$ 1,448,444	\$ -	\$ -
<u>Occupancy Costs:</u>								
Rent	\$ 1,973,743	\$ 1,820,244	\$ 140,614	\$ 12,885	\$ 2,055,280	\$ 1,894,405	\$ 137,768	\$ 23,107
Contracted Building Services	51,081	47,109	3,639	333	45,018	41,495	3,018	505
Maintenance and Repairs	10,200	9,407	727	66	3,574	3,294	240	40
Rent - Other	17,538	16,174	1,249	115	12,725	11,729	853	143
Depreciation	21,639	19,957	1,542	140	21,054	19,406	1,411	237
Janitorial Supplies and Services	1,421	1,311	101	9	2,832	2,610	190	32
Total Occupancy Costs	\$ 2,075,622	\$ 1,914,202	\$ 147,872	\$ 13,548	\$ 2,140,483	\$ 1,972,939	\$ 143,480	\$ 24,064

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>				<u>June 30, 2016</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 52,134	\$ 47,147	\$ 3,642	\$ 1,345	\$ 87,656	\$ 80,243	\$ 5,836	\$ 1,577
Equipment Rental and Maintenance	63,336	58,411	4,512	413	93,748	86,410	6,284	1,054
Telephone and Telecommunications	31,109	28,689	2,216	204	19,280	17,771	1,292	217
Postage, Shipping and Delivery	2,555	2,356	182	17	2,611	2,407	175	29
Printing and Duplication	7,964	7,345	567	52	12,868	11,860	863	145
Marketing and Promotion	<u>582</u>	<u>582</u>	<u>-</u>	<u>-</u>	<u>1,016</u>	<u>1,016</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 157,680</u>	<u>\$ 144,530</u>	<u>\$ 11,119</u>	<u>\$ 2,031</u>	<u>\$ 217,179</u>	<u>\$ 199,707</u>	<u>\$ 14,450</u>	<u>\$ 3,022</u>
<u>General Expenses:</u>								
Authorizer Fees	\$ 132,298	\$ 122,811	\$ 9,487	\$ -	\$ 135,748	\$ 126,545	\$ 9,203	\$ -
Insurance	32,112	29,614	2,287	211	31,848	29,355	2,135	358
Accounting, Auditing and Payroll	146,137	-	146,137	-	141,328	-	141,328	-
Legal Fees	17,026	13,860	3,166	-	56,224	16,830	39,394	-
Other Professional Fees	769,507	690,686	78,821	-	784,345	682,197	102,148	-
Computer Support Fees	81,380	75,051	5,798	531	90,029	82,982	6,035	1,012
Business Fees and Dues	14,847	13,693	1,057	97	12,498	11,520	837	141
Depreciation	<u>178,872</u>	<u>164,961</u>	<u>12,743</u>	<u>1,168</u>	<u>190,588</u>	<u>175,670</u>	<u>12,775</u>	<u>2,143</u>
Total General Expenses	<u>\$ 1,372,179</u>	<u>\$ 1,110,676</u>	<u>\$ 259,496</u>	<u>\$ 2,007</u>	<u>\$ 1,442,608</u>	<u>\$ 1,125,099</u>	<u>\$ 313,855</u>	<u>\$ 3,654</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 13,670,583</u>	<u>\$ 12,542,542</u>	<u>\$ 1,055,383</u>	<u>\$ 72,658</u>	<u>\$ 13,128,246</u>	<u>\$ 11,946,069</u>	<u>\$ 1,065,722</u>	<u>\$ 116,455</u>

(See Accompanying Notes and Auditor's Report)

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

June 30, 2017

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 10,628,340	\$ 15,140
Occupancy	2,075,622	2,957
General and Administrative	907,511	1,293
Fundraising	<u>59,110</u>	<u>84</u>
Total	<u>\$ 13,670,583</u>	<u>\$ 19,474</u>

The above is the average per student cost for the year ended June 30, 2017, and is based on a full time equivalent (FTE) enrollment of 702 students.

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 9,973,130	\$ 13,606
Occupancy	2,140,483	2,920
General and Administrative	922,242	1,258
Fundraising	<u>92,391</u>	<u>126</u>
Total	<u>\$ 13,128,246</u>	<u>\$ 17,910</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 733 students.

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Period of Award</u>	<u>Grant Receivable at 7/1/16</u>	<u>Refundable Advance at 7/1/16</u>	<u>Current Year Activity</u>		<u>Grant Receivable at 6/30/17</u>	<u>Refundable Advance at 6/30/17</u>
							<u>Receipts</u>	<u>Disbursements Expenditures</u>		
<u>U.S. Department of Education:</u>										
Passed Through the District of Columbia:										
Title I, Part A, Grants to Local Educational Agencies	84.010A	72010A	\$ 415,328	07/01/16 to 09/30/17	\$ -	\$ -	\$ 313,408	\$ 349,158	\$ 35,750	\$ -
Title I, Part A, Grants to Local Educational Agencies Special Education - IDEA 611, Grants to Local Education Agencies	84.010A	62010A	\$ 620,565	07/01/15 to 09/30/16	192,565	-	261,138	68,573	-	-
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	72027A	\$ 68,338	07/01/16 to 09/30/17	-	-	24,612	58,035	33,423	-
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	62027A	\$ 152,343	07/01/15 to 09/30/16	38,542	-	55,206	16,664	-	-
Special Education - IDEA 619, Preschool Grants to Local Education Agencies	84.173A	72173A	\$ 419	07/01/16 to 09/30/17	-	-	419	419	-	-
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	72367A	\$ 133,651	07/01/16 to 09/30/17	-	-	27,136	121,473	94,337	-
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	62367A	\$ 160,686	07/01/15 to 09/30/16	44,117	-	61,453	17,336	-	-
Passed Through the Flamboyan Foundation:										
DC School Choice Incentive Program	84.370C	N/A	\$ 30,500	07/27/15 to 07/27/17	-	-	30,500	30,500	-	-
Total U.S. Department of Education					\$ 275,224	\$ -	\$ 773,872	\$ 662,158	\$ 163,510	\$ -
<u>U.S. Department of Agriculture:</u>										
Passed Through the District of Columbia:										
Donated Commodities	10.555	N/A	\$ 31,292	07/01/16 to 09/30/17	\$ -	\$ -	\$ 31,292	\$ 31,292	\$ -	\$ -
Donated Commodities	10.555	N/A	\$ 31,465	07/01/15 to 06/30/16	31,465	-	31,465	-	-	-
Fresh Fruits and Vegetables	10.582	N/A	\$ 47,168	07/01/16 to 09/30/17	-	-	39,499	41,675	2,176	-
Fresh Fruits and Vegetables	10.582	N/A	\$ 65,544	07/01/15 to 06/30/16	30,911	-	30,911	-	-	-
School Breakfast Program	10.553	N/A	Unknown	07/01/16 to 09/30/17	-	-	119,326	141,849	22,523	-
School Breakfast Program	10.553	N/A	Unknown	07/01/15 to 06/30/16	26,970	-	26,970	-	-	-
National School Lunch Program	10.555	N/A	Unknown	07/01/16 to 09/30/17	-	-	262,298	310,558	48,260	-
National School Lunch Program	10.555	N/A	Unknown	07/01/15 to 06/30/16	60,603	-	60,603	-	-	-
Child and Adult Care Food Program	10.558	N/A	Unknown	07/01/16 to 09/30/17	-	-	50,331	60,335	10,004	-
Child and Adult Care Food Program	10.558	N/A	Unknown	07/01/15 to 06/30/16	11,599	-	11,599	-	-	-
Total U.S. Department of Agriculture					\$ 161,548	\$ -	\$ 664,294	\$ 585,709	\$ 82,963	\$ -
Total Federal Awards					\$ 436,772	\$ -	\$ 1,438,166	\$ 1,247,867	\$ 246,473	\$ -

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Summary by CFDA

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 417,731
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	74,699
Special Education - IDEA 619, Preschool Grants to Local Education Agencies	84.173A	419
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	138,809
DC School Choice Incentive Program	84.370C	30,500
Donated Commodities	10.555	31,292
School Breakfast Program	10.553	141,849
National School Lunch Program	10.555	310,558
Child and Adult Care Food Programs	10.558	60,335
Fresh Fruits and Vegetables	10.582	<u>41,675</u>
Total Federal Awards		<u>\$ 1,247,867</u>

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Excel Academy Public Charter School (the Charter School) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter School.

Note 2 - Summary of Significant Account Policies:

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

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

Note 3 - Major Program Selection:

The major Federal Award Programs selected for testing is as follows:

U.S. Department of Agriculture

- School Breakfast and National School Lunch Program

U.S. Department of Education

- Title I, Part A, Grants to Local Educational Agencies

The requirements of the Office of Management and Budget Uniform Guidance prescribe that all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For the Excel Academy Public Charter School, the programs subject to these requirements are as listed above. The total expenditures of these programs represent 72.24% of the total federal expenditures.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Note 3 - Major Program Selection: (Continued)

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 417,731*
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	74,699
Special Education - IDEA 619, Preschool Grants to Local Education Agencies	84.173A	419
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	138,809
DC School Choice Incentive Program	84.370C	30,500
Donated Commodities	10.555	31,292*
School Breakfast Program	10.553	141,849*
National School Lunch Program	10.555	310,558*
Child and Adult Care Food Programs	10.558	60,335
Fresh Fruits and Vegetables	10.582	<u>41,675</u>
Total Federal Awards		<u>\$ 1,247,867</u>

* Denotes Major Program

Note 4 - Food Commodities:

Nonmonetary assistance is reported in the Schedule at fair market value of the commodities received and disbursed.

Note 5 - Major Program Disclosure:

I. U.S. Department of Agriculture

1) School Breakfast and National School Lunch Program

The objectives of the child nutrition cluster programs are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Note 5 - Major Program Disclosure: (Continued)

II. U.S. Department of Education:

1) Title I, Part A to Local Educational Agencies

The Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act, provides for a comprehensive overhaul of Federal support for education, and restructures how these programs provide services.

Under the No Child Left Behind Act, Federal education programs authorized in the Elementary and Secondary Education Act (ESEA) of 1965 are designed to work in concert with each other, rather than separately. By emphasizing program coordination, planning, and service delivery among Federal programs and enhancing integration with state and local instructional programs, the ESEA reinforces comprehensive state and local educational reform efforts geared toward ensuring that all children can meet challenging state standards regardless of their background or the school they attend.

Board of Trustees
Excel Academy Public Charter School
2501 Martin Luther King, Jr., Avenue, SE
Washington, DC 20020

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Excel Academy Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 29, 2017

Board of Trustees
Excel Academy Public Charter School
2501 Martin Luther King, Jr., Avenue, SE
Washington, DC 20020

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

Report on Compliance for Each Major Federal Program

We have audited Excel Academy Public Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Excel Academy Public Charter School's major federal programs for the year ended June 30, 2017. Excel Academy Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each Excel Academy Public Charter 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Excel Academy Public Charter 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 Excel Academy Public Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, Excel Academy Public Charter School's 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, 2017.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Excel Academy Public Charter School's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Excel Academy Public Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 29, 2017

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

There were no findings in the prior year.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Excel Academy Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the Excel Academy Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. One significant deficiency relating to the audit of the major federal award programs has been reported. (2017-001)
- e. The auditor's report on compliance for the major federal award programs for Excel Academy Public Charter School expresses an unmodified opinion.
- f. There is one audit finding that is required to be reported in accordance with section 2 CFR Section 200.516 (a) of the Uniform Guidance in the schedule of findings and questioned costs.
- g. The major programs of the Excel Academy Public Charter School were as follows:

Programs	CFDA #
National School Lunch and Breakfast Program	10.553/10.555
Title I, Part A, Grants to Local Educational Agencies	84.010A

- h. The dollar threshold utilized to determine Type A programs was \$750,000.
- i. The Excel Academy Public Charter School did not qualify as a low-risk auditee.

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

There were no findings in the current year.

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

SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM:
U.S. DEPARTMENT OF AGRICULTURE: CFDA NUMBERS 10.553 AND 10.555

2017-001 Condition - During audit testing as it related to the National School Lunch and Breakfast Program, documentation was requested to verify that the meal count numbers by category as derived at the point of contact agreed with the meal count numbers as submitted for reimbursement to the Office of the State Superintendent of Education (OSSE). Excel Academy utilizes a software program called PowerSchool to determine the daily meal counts which then rolls up into a cumulative meal count for the month.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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

SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM:
U.S. DEPARTMENT OF AGRICULTURE: CFDA NUMBERS 10.553 AND 10.555 (Continued)

2017-001 Condition - (Continued)

A sample of two months was conducted and in one instance, the meal counts by category did not reconcile between the source documents. There was no additional audit trail maintained indicating how the submitted meal counts were actually derived, however management indicated that many times amended reports were required to be filed at the request of OSSE because incorrect data was provided in the original submittal.

Criteria - To receive reimbursement for free or reduced meals, Excel Academy must submit claims to the administering agency (OSSE). All meals claimed for reimbursement must (a) be of types authorized by the School Food Authority; (b) be served to eligible children; and (c) be supported by accurate meal counts and records indicating the number of meals served by category and type. (7 CFR sections 210.7(c), 210.8(c), and 225.9(d)).

Effect - When the meal count numbers as depicted in the PowerSchool software do not agree with the meal count numbers as submitted for reimbursement, there is a reduced amount of assurance that can be provided as to the validity of the meal counts thereby possibly jeopardizing the monthly requests for reimbursement.

Cause - During the period of the last three years, Excel Academy has employed three (3) separate data managers to extract and manipulate the data as contained within the PowerSchool program. As a result of the high turnover, there has been a learning curve and consistency issues regarding data entry between the various employees.

Auditor's Recommendations - We recommend that management of the Excel Academy should assess whether the current data manager fully understands the filing requirements of OSSE for a properly completed request for reimbursement. Should it be determined to be necessary, additional training should be sought from the administering agency. In addition, care should be taken to ensure that the information generated by the PowerSchool software program corresponds directly to or is reconcilable to the meal count numbers that are submitted for reimbursement.

Views of Responsible Official - We ran into significant challenges when working with our food service contractor and our efforts did not produce the significant results that we anticipated.

We have since ended that relationship and engaged a new food service contractor. Also, we have hired and trained a new staff, which includes the Operations Manager, Assistant Operations Manager, and Data Manager. These changes were absolutely essential for our food service program to move forward.