

**MERIDIAN PUBLIC CHARTER SCHOOL  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2015 AND 2014**

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## Independent Auditors' Report

The Board of Trustees  
Meridian Public Charter School and Subsidiary  
Washington, DC

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Meridian Public Charter School and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 2015 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Meridian Public Charter School and Subsidiary as of June 30, 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The consolidated financial statements as of June 30, 2014, were audited by McQuade Brennan, LLP, who merged with Jones, Maresca & McQuade, P.A. as of February 1, 2015 and whose report dated November 3, 2014, expressed an unmodified opinion on these consolidated statements.

## ***Other Matters***

### **Other Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and consolidating schedules of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 December 1, 2015 on our consideration of Meridian 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meridian Public Charter School's internal control over financial reporting and compliance.

*Jane Maresca & McQuade PA*

Washington, DC  
December 1, 2015

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014**

	2015	2014
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,526,418	\$ 2,904,112
Grants receivable	702,188	889,330
Prepaid expenses	107,488	72,484
Total Current Assets	2,336,094	3,865,926
<b>LONG TERM ASSETS</b>		
Property and equipment, net	15,211,062	15,533,657
Unamortized loan costs, net	147,226	192,526
Cash and cash equivalents restricted by debt agreements	1,316,470	957,040
Deferred rent receivable	-	3,157
Deposits	25,400	27,833
Total Long Term Assets	16,700,158	16,714,213
<b>TOTAL ASSETS</b>	\$ 19,036,252	\$ 20,580,139
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 407,852	\$ 502,946
Accrued expenses	429,150	485,351
Deferred revenue	-	308,490
Security deposit	-	33,633
Deferred rent payable	-	5,368
Capital lease payable, current	39,480	39,480
Total Current Liabilities	876,482	1,375,268
<b>LONG TERM LIABILITIES</b>		
Capital lease payable, net of current	96,772	130,320
Note payable	12,500,000	12,500,000
Total Long Term Liabilities	12,596,772	12,630,320
<b>TOTAL LIABILITIES</b>	13,473,254	14,005,588
<b>NET ASSETS</b>		
Unrestricted	5,562,998	6,574,551
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 19,036,252	\$ 20,580,139

See Independent Auditor's Report and accompanying notes to the consolidated financial statements.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>REVENUES AND OTHER SUPPORT</b>		
Per pupil appropriations	\$ 8,978,811	\$ 7,809,691
Per pupil facility allowance	1,963,008	1,764,000
Rental income	93,029	738,426
Federal entitlements and grants	952,496	957,096
Other grants and contributions	85,334	180,859
After school care	116,307	85,960
Summer school	500,392	384,089
Interest income	7,166	7,213
Other income	53,924	2,212
Total Revenues and Other Support	12,750,467	11,929,546
<b>EXPENSES</b>		
Program	11,730,145	10,211,665
General and administrative	1,906,187	1,950,253
Fundraising	125,688	105,601
Total Expenses	13,762,020	12,267,519
<b>CHANGE IN NET ASSETS</b>	(1,011,553)	(337,973)
<b>NET ASSETS</b> , beginning of year	6,574,551	6,912,524
<b>NET ASSETS</b> , end of year	\$ 5,562,998	\$ 6,574,551

See Independent Auditor's Report and accompanying notes to the consolidated financial statements.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015**

	Program	General and Administrative	Fundraising	Total
<b>PERSONNEL, SALARIES AND BENEFITS</b>				
Salaries	\$ 5,658,555	\$ 1,026,106	\$ 71,246	\$ 6,755,907
Employee benefits	643,968	113,503	7,881	765,352
Payroll taxes	473,449	85,854	5,961	565,264
Professional development	279,370	30,590	-	309,960
Travel and meetings	5,784	1,049	72	6,905
<b>Total personnel, salaries and benefits</b>	<b>7,061,126</b>	<b>1,257,102</b>	<b>85,160</b>	<b>8,403,388</b>
<b>DIRECT STUDENT COSTS</b>				
Supplies and materials	623,555	73,076	5,074	701,705
Transportation	58,568	-	-	58,568
Contracted instruction fees	680,195	31,500	-	711,695
Student assessments	13,533	-	-	13,533
<b>Total direct student costs</b>	<b>1,375,851</b>	<b>104,576</b>	<b>5,074</b>	<b>1,485,501</b>
<b>OCCUPANCY EXPENSES</b>				
Rent	181,683	32,946	2,287	216,916
Maintenance and repairs	168,607	30,575	2,122	201,304
Utilities	117,580	21,322	1,481	140,383
Contracted building services	150,060	27,212	1,889	179,161
<b>Total occupancy expenses</b>	<b>617,930</b>	<b>112,055</b>	<b>7,779</b>	<b>737,764</b>
<b>OFFICE EXPENSES</b>				
Telecommunications	288,728	52,357	3,635	344,720
Professional fees	388,839	70,511	4,895	464,245
Printing and publications	25,149	4,560	317	30,026
Postage and shipping	15,535	2,817	196	18,548
Other office expense	907	165	11	1,083
<b>Total office expenses</b>	<b>719,158</b>	<b>130,410</b>	<b>9,054</b>	<b>858,622</b>
<b>GENERAL EXPENSES</b>				
Insurance	61,524	11,157	775	73,456
Interest	522,549	94,758	6,579	623,886
Bad debt expense	30,986	5,619	390	36,995
Administration fee	101,311	18,371	1,276	120,958
Depreciation and amortization	725,241	131,513	9,132	865,886
Food service/catering	511,061	6,751	469	518,281
Other general expense	3,408	33,875	-	37,283
<b>Total general expenses</b>	<b>1,956,080</b>	<b>302,044</b>	<b>18,621</b>	<b>2,276,745</b>
<b>TOTAL EXPENSES</b>	<b>\$ 11,730,145</b>	<b>\$ 1,906,187</b>	<b>\$ 125,688</b>	<b>\$ 13,762,020</b>

See Independent Auditor's Report and accompanying notes to the consolidated financial statements.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**

	Program	General and Administrative	Fundraising	Total
<b>PERSONNEL, SALARIES AND BENEFITS</b>				
Salaries	\$ 4,357,338	\$ 885,652	\$ 54,216	\$ 5,297,206
Employee benefits	561,329	111,565	6,830	679,724
Payroll taxes	366,732	74,540	4,563	445,835
Professional development	195,681	18,838	-	214,519
Travel and meetings	4,957	1,008	62	6,027
<b>Total personnel, salaries and benefits</b>	<b>5,486,037</b>	<b>1,091,603</b>	<b>65,671</b>	<b>6,643,311</b>
<b>DIRECT STUDENT COSTS</b>				
Supplies and materials	513,349	57,309	3,508	574,166
Transportation	49,258	-	-	49,258
Contracted instruction fees	647,067	12,502	-	659,569
Student assessments	39,533	-	-	39,533
<b>Total direct student costs</b>	<b>1,249,207</b>	<b>69,811</b>	<b>3,508</b>	<b>1,322,526</b>
<b>OCCUPANCY EXPENSES</b>				
Rent	932,091	189,453	11,598	1,133,142
Maintenance and repairs	101,111	20,551	1,258	122,920
Utilities	238,060	48,387	2,962	289,409
Contracted building services	62,834	12,771	782	76,387
<b>Total occupancy expenses</b>	<b>1,334,096</b>	<b>271,162</b>	<b>16,600</b>	<b>1,621,858</b>
<b>OFFICE EXPENSES</b>				
Telecommunications	100,939	20,516	1,256	122,711
Professional fees	242,112	215,415	3,008	460,535
Printing and publications	28,940	5,882	360	35,182
Postage and shipping	2,457	499	31	2,987
Other office expense	-	1,119	-	1,119
<b>Total office expenses</b>	<b>374,448</b>	<b>243,431</b>	<b>4,655</b>	<b>622,534</b>
<b>GENERAL EXPENSES</b>				
Insurance	65,491	13,311	815	79,617
Interest	504,410	96,260	5,270	605,940
Administration fee	49,186	9,997	612	59,795
Depreciation and amortization	674,902	130,046	7,253	812,201
Food service/catering	453,605	8,678	531	462,814
Other general expense	20,283	15,954	686	36,923
<b>Total general expenses</b>	<b>1,767,877</b>	<b>274,246</b>	<b>15,167</b>	<b>2,057,290</b>
<b>TOTAL EXPENSES</b>	<b>\$ 10,211,665</b>	<b>\$ 1,950,253</b>	<b>\$ 105,601</b>	<b>\$ 12,267,519</b>

See Independent Auditor's Report and accompanying notes to the consolidated financial statements.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,011,553)	\$ (337,973)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	820,586	774,450
Amortization of loan costs	45,300	37,750
Deferred rent	(5,368)	(62,871)
(Increase) decrease in assets		
Grants receivable	187,142	(136,132)
Prepaid expenses	(35,004)	52,891
Cash and cash equivalents restricted by debt agreements	(359,430)	(359,182)
Deferred rent receivable	3,157	31,278
Deposits	2,433	-
Increase (decrease) in liabilities		
Accounts payable	(95,094)	61,268
Accrued expenses	(56,201)	23,017
Deferred revenues	(308,490)	9,871
Security deposit	(33,633)	11,200
Net Cash Provided By (Used In) Operating Activities	(846,155)	105,567
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(497,991)	(121,228)
Net Cash Used In Investing Activities	(497,991)	(121,228)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on capital lease payable	(33,548)	(5,176)
Net Cash Used In Financing Activities	(33,548)	(5,176)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,377,694)	(20,837)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	2,904,112	2,924,949
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 1,526,418	\$ 2,904,112
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid, net of capitalized interest	\$ 623,886	\$ 604,536
<b>SUPPLEMENTAL DISCLOSURE OF NON CASH INFORMATION</b>		
Acquisition of equipment under capital lease	\$ -	\$ 174,976

See Independent Auditor's Report and accompanying notes to the consolidated financial statements.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE A – ORGANIZATION AND PURPOSE**

Meridian Public Charter School (the School) was incorporated as a not-for-profit organization on November 23, 1998 under the laws of the District of Columbia. The School received a charter in 1999 to operate as a charter school pursuant to the District of Columbia School Reform Act of 1995.

Located in Washington, DC, the School is a public academic elementary and middle school serving students in pre-school through eighth grade. The School is a model that is academic in focus with a concentration on reading and writing. The mission of the School is to instill within its students a passion for learning, self-confidence, and self-respect through academic achievement.

Meridian – Harrison QALICB, Inc. (Qualified Active Low-Income Community Business - QALICB) is a District of Columbia non-profit corporation established to participate in the Internal Revenue Service's New Market Tax Credit program to finance leasehold improvements of the School's facility. The QALICB is controlled by the School.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The School and QALICB's (collectively, Meridian) consolidated financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Principles of Consolidation

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic Consolidations, these consolidated financial statements include the accounts of the School and the QALICB. All material inter-organization transactions and balances have been eliminated in consolidation.

Basis of Presentation

Consolidated financial statement presentation follows FASB ASC Topic for Not-for-Profit Entities. In accordance with the topic, Meridian reports information regarding its consolidated financial position and activities according to three classes of net assets:

*Unrestricted Net Assets* – Net assets not subject to donor-imposed stipulations

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School.

The School had no temporarily or permanently restricted net assets for the years ended June 30, 2015 and 2014.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
**(continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Use of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted revenue received that is expended in the year of receipt is treated as unrestricted for financial reporting purposes.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, Meridian considers all highly liquid debt instruments purchased with an original maturity of less than three months and money market funds to be cash equivalents.

Cash and Cash Equivalents Restricted by Debt Agreements

Cash and cash equivalents restricted by debt agreements is comprised of cash and cash equivalents deposited into a sinking fund account and construction disbursement account. The lender has a first priority security interest through debt maturity in each account. Meridian may not access the funds without prior permission of the lender.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Due to the nature of funding from the federal government and the District of Columbia, management believes that all grants receivable will be collected in one year or less; therefore, no allowance for bad debt has been recorded.

Property and Equipment

Property and equipment are stated at cost, or estimated market value at date of receipt, if donated. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the underlying assets, which range from 5 to 40 years. All property and equipment expenditures in excess of \$1,000 are capitalized. Leasehold improvements are amortized over the remaining term of the ten year lease for the school and the remaining term of the twenty five year lease for the QALICB.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
**(continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

Unamortized Loan Costs

Loan costs incurred in securing the QALICB's debt have been capitalized by the QALICB. These costs are being amortized over the remaining period of the loan, which approximates the interest method.

Deferred Revenue

Deferred revenues result from per pupil appropriation income received in the current fiscal year and are deferred until the next fiscal year in which the service is provided.

In-Kind Contributions

Donated services are recognized at their fair value if the service requires specialized skills and the services would typically need to be purchased, if not donated. Contributed services and promise to give services that do not meet the above criteria are not recognized. Meridian receives in-kind contributions from an individual funded through the department of mental health. The in-kind contributions include mental health primary and secondary prevention activities and treatment services. During the years ended June 30, 2015 and 2014, Meridian received in-kind contributions of \$31,735 and \$78,272, respectively, and are included as other grants and contributions revenue in the accompanying consolidated statements of activities.

Income Taxes

The School qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509 (a)(1).

The School has adopted the accounting for uncertainty in income taxes as required by the Income Taxes topic of the FASB ASC. This topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefits to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2011-2013), or expected to be taken in its 2014 tax return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

Functional Expenses

The costs of providing the Meridian's various programs and supporting services have been summarized on a functional basis in the accompanying Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)**

Reclassifications

Certain amounts for June 30, 2014 have been reclassified to conform to the current year presentation. The reclassification had no effect on previously reported net assets or change in net assets.

**NOTE C – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES**

The following programs and supporting services are included in the accompanying financial statements:

Instruction Program

Activities dealing directly with the teaching of pupils include the interaction between teachers, assistants, specialists and pupils in the classroom, textbooks, and supplies, which assist directly in the instructional process.

Food Service Program

Activities concerned with providing food to pupils in school include the preparation and serving of breakfast and lunch in connection with school activities and the delivery of food.

General and Administrative Support

Activities associated with the direct general or executive responsibilities, including development and execution of school policies include activities by the principal, assistants and outside management services in the general operations of the school building, evaluation of staff members, supervision and maintenance of records, other clerical activities, facility support, and technology support.

**NOTE D – PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30:

	2015	2014
Leasehold improvements	\$ 16,558,381	\$ 17,619,318
Furniture and equipment	760,995	577,244
Capital leased equipment	174,976	174,976
Total	17,494,352	18,371,538
Less accumulated depreciation and amortization	(2,283,290)	(2,837,881)
Property and equipment, net	\$ 15,211,062	\$ 15,533,657

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
**(continued)**

**NOTE D – PROPERTY AND EQUIPMENT – (continued)**

Depreciation and amortization expense of property and equipment for the years ended June 30, 2015 and 2014 was \$820,586 and \$774,450, respectively. Accumulated depreciation includes accumulated depreciation of capital leased equipment in the amount of \$40,828 and \$5,833 as of June 30, 2015 and 2014, respectively. Depreciation expense related to capital leased equipment was \$34,995 and \$5,833 for years ended June 30, 2015 and 2014, respectively.

**NOTE E – UNAMORTIZED LOAN COSTS**

The following is a summary of unamortized loan costs at June 30:

	2015	2014
Loan costs	\$ 317,101	\$ 317,101
Less accumulated amortization	(169,875)	(124,575)
Unamortized loan costs	\$ 147,226	\$ 192,526

Amortization expense for the years ended June 30, 2015 and 2014 was \$45,300 and \$37,750, respectively.

**NOTE F – OPERATING LEASE**

In December 2009, the School exercised its option to renew a 4-year lease agreement for its facilities, which expired July 31, 2014. Under the terms of the lease, the School was required to make monthly payments of \$74,065, which were increased annually by 2%, plus a pro-rata share of utilities, common area expenses, and property taxes. As part of the agreement there was a rental abatement of one half of each base rent payment which was made in the months of August to November 2010. During 2012, the School entered sublease agreements with two local public charter schools that expired in July 2014. The School received rental income under these agreements of \$93,029 and \$738,426 during the years ended June 30, 2015 and 2014, respectively. As of August 2014, the lease and associated subleases expired and were not renewed.

During October 2011, the School entered into a 25 year lease agreement for use of the facility of the current location. In order to secure financing described in Note G, the School assigned all of its rights, title, and interest of the lease to the QALICB. The QALICB then entered into a sublease agreement with the School for the same facility. The sublease agreement is for a 19 year term, which expires October 13, 2031. Under the terms of the sublease, the School is required to make monthly payments of \$53,784, which continue through September 18, 2018. After this time, the sublease payments will be renegotiated since they are based on the interest and loan payments that the QALICB is required to pay in accordance with the loan agreement.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
**(continued)**

**NOTE F – OPERATING LEASE – continued**

The future minimum lease payments of leases under non-cancelable agreements are as follows for years ending June 30:

2016	\$ 645,404
2017	645,404
2018	645,404
2019	<u>161,351</u>
 Total	 <u><u>\$ 2,097,563</u></u>

Rental expense for the years ended June 30, 2015 and 2014 was \$216,916 and \$1,133,142, respectively, which includes base rent, plus utilities, common area expenses and taxes.

**NOTE G – CAPITAL LEASE PAYABLE**

During June 2014, the School entered into a 60 month capital lease for copier equipment. Under the terms of the lease, the School is required to make monthly payments of \$3,290. Future minimum lease payments are as follows for years ending June 30:

2016	\$ 39,480
2017	39,480
2018	39,480
2019	<u>32,900</u>
	151,340
Less interest	<u>(15,088)</u>
Total	<u><u>\$ 136,252</u></u>

**NOTE H – NOTE PAYABLE**

The New Market Tax Credit (NMTC) program encourages investment in real estate projects in low-income communities by allowing investors to received tax credits against their federal income tax return in exchange for making qualified investments in Community Development Entities (CDEs). The CDE's purpose is to make loans and investments in low-income communities to QALICBs.

During October 2011, the CDE utilized qualified funding to loan \$12,500,000 to the QALICB to finance leasehold improvements for the School. The loan agreement consists of three loans totaling \$12,500,000 and expiring between October 14, 2018 and October 14, 2041. Each loan has a fixed interest rate of 4.85% per annum. Interest only payments on the loans are due monthly through 2018 with balloon payments due at maturity on two loans totaling \$10,043,000. The third loan is payable in monthly installments of \$14,884 including interest beginning November 2018.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(continued)**

**NOTE H – NOTE PAYABLE – (continued)**

The future minimum payments on the notes are as follows for years ending June 30:

2016	\$	-
2017		-
2018		-
2019		10,050,980
2020		59,509
Thereafter		<u>2,389,511</u>
 Total Notes Payable	 \$	 <u><u>12,500,000</u></u>

According to the terms of the note payable, Meridian is required to maintain specified ratios and other covenants. As of June 30, 2015, Meridian did not meet a certain ratio covenant; however, the lender issued a one-time waiver regarding the unmet ratio covenant for the year ended June 30, 2015.

**NOTE I – RETIREMENT BENEFITS**

The School established a 401(k) qualified retirement plan, under which full-time and part-time employees, 21 years of age and older, are eligible to participate after the first full month of employment.

Under the plan, the School will match up to 5% of the participants’ contribution, and a discretionary contribution is also available. The total matching and discretionary contributions made by the School for the years ended June 30, 2015 and 2014 were \$142,969 and \$109,390 respectively.

**NOTE J – AVERAGE COST PER STUDENT**

For the years ended June 30, 2015 and 2014, the average cost per student was \$21,758 and \$20,863 respectively. This is calculated by dividing total consolidated noncapital expenditures, by the School’s full time student enrollment.

**NOTE K – CONCENTRATIONS**

Meridian receives the majority of its revenues, 86% in 2015 and 80% in 2014, based on per pupil funding from the District of Columbia Public Charter School Board. It also receives various federal grants, which are subject to audit by the overseeing agency.

As of June 30, 2015 and 2014, Meridian had cash that exceeded the \$250,000 federally insured limit in the amounts of \$2,153,595 and \$2,277,688, respectively. Meridian has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash held by this financial institution.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
**(continued)**

**NOTE L – SUBSEQUENT EVENTS**

As required by the Subsequent Events topic of the FASB ASC, management of Meridian evaluated subsequent events through the date of the auditors' report, which is the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

**SUPPLEMENTAL INFORMATION**

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**  
**JUNE 30, 2015**

	<u>School</u>	<u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,150,319	\$ 376,099	\$ -	\$ 1,526,418
Grants receivable	702,188	-	-	702,188
Due from QALICB	234,452	-	(234,452)	-
Prepaid expenses	107,488	-	-	107,488
Total Current Assets	<u>2,194,447</u>	<u>376,099</u>	<u>(234,452)</u>	<u>2,336,094</u>
<b>LONG TERM ASSETS</b>				
Property and equipment, net	850,713	14,360,349	-	15,211,062
Unamortized loan costs, net	-	147,226	-	147,226
Cash and cash equivalents restricted by debt agreements	1,316,366	104	-	1,316,470
Deposits	25,400	-	-	25,400
Total Long Term Assets	<u>2,192,479</u>	<u>14,507,679</u>	<u>-</u>	<u>16,700,158</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,386,926</u>	<u>\$ 14,883,778</u>	<u>\$ (234,452)</u>	<u>\$ 19,036,252</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 407,852	\$ -	\$ -	\$ 407,852
Accrued expenses	429,150	-	-	429,150
Due to School	-	234,452	(234,452)	-
Capital lease payable, current	39,480	-	-	39,480
Total Current Liabilities	<u>876,482</u>	<u>234,452</u>	<u>(234,452)</u>	<u>876,482</u>
<b>LONG TERM LIABILITIES</b>				
Capital lease payable, net of current	96,772	-	-	96,772
Note payable	-	12,500,000	-	12,500,000
Total Long Term Liabilities	<u>96,772</u>	<u>12,500,000</u>	<u>-</u>	<u>12,596,772</u>
<b>TOTAL LIABILITIES</b>	973,254	12,734,452	(234,452)	13,473,254
<b>NET ASSETS</b>				
Unrestricted	<u>3,413,672</u>	<u>2,149,326</u>	<u>-</u>	<u>5,562,998</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,386,926</u>	<u>\$ 14,883,778</u>	<u>\$ (234,452)</u>	<u>\$ 19,036,252</u>

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**

**JUNE 30, 2014**

(continued)

	<u>School</u>	<u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 2,614,904	\$ 289,208	\$ -	\$ 2,904,112
Grants receivable	889,330	-	-	889,330
Due from QALICB	226,052	-	(226,052)	-
Prepaid expenses	20,279	52,205	-	72,484
Total Current Assets	<u>3,750,565</u>	<u>341,413</u>	<u>(226,052)</u>	<u>3,865,926</u>
<b>LONG TERM ASSETS</b>				
Property and equipment, net	517,654	15,016,003	-	15,533,657
Unamortized loan costs, net	-	192,526	-	192,526
Cash and cash equivalents restricted by debt agreements	956,936	104	-	957,040
Deferred rent receivable	3,157	-	-	3,157
Deposits	27,833	-	-	27,833
Total Long Term Assets	<u>1,505,580</u>	<u>15,208,633</u>	<u>-</u>	<u>16,714,213</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,256,145</u>	<u>\$ 15,550,046</u>	<u>\$ (226,052)</u>	<u>\$ 20,580,139</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 494,546	\$ 8,400	\$ -	\$ 502,946
Accrued expenses	485,351	-	-	485,351
Deferred revenue	308,490	-	-	308,490
Due to School	-	226,052	(226,052)	-
Security deposit	33,633	-	-	33,633
Deferred rent	5,368	-	-	5,368
Capital lease payable, current	39,480	-	-	39,480
Total Current Liabilities	<u>1,366,868</u>	<u>234,452</u>	<u>(226,052)</u>	<u>1,375,268</u>
<b>LONG TERM LIABILITIES</b>				
Capital lease payable, net of current	130,320	-	-	130,320
Note payable	-	12,500,000	-	12,500,000
Total Long Term Liabilities	<u>130,320</u>	<u>12,500,000</u>	<u>-</u>	<u>12,630,320</u>
<b>TOTAL LIABILITIES</b>	<u>1,497,188</u>	<u>12,734,452</u>	<u>(226,052)</u>	<u>14,005,588</u>
<b>NET ASSETS</b>				
Unrestricted	<u>3,758,957</u>	<u>2,815,594</u>	<u>-</u>	<u>6,574,551</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,256,145</u>	<u>\$ 15,550,046</u>	<u>\$ (226,052)</u>	<u>\$ 20,580,139</u>

See Independent Auditor's Report and accompanying notes to the consolidated financial statements.

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULES OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

	<u>School</u>	<u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Per pupil appropriations	\$ 8,978,811	\$ -	\$ -	\$ 8,978,811
Per pupil facility allowance	1,963,008	-	-	1,963,008
Rental income	93,029	645,164	(645,164)	93,029
Federal entitlements and grants	952,496	-	-	952,496
Other grants and contributions	85,334	-	-	85,334
After school care	116,307	-	-	116,307
Summer school	500,392	-	-	500,392
Interest income	7,166	-	-	7,166
Other income	53,924	-	-	53,924
Total Revenues and Other Support	<u>12,750,467</u>	<u>645,164</u>	<u>(645,164)</u>	<u>12,750,467</u>
<b>EXPENSES</b>				
Program	11,172,098	1,098,418	(540,371)	11,730,145
General and administrative	1,804,992	199,184	(97,989)	1,906,187
Fundraising	118,662	13,830	(6,804)	125,688
Total Expenses	<u>13,095,752</u>	<u>1,311,432</u>	<u>(645,164)</u>	<u>13,762,020</u>
<b>CHANGE IN NET ASSETS</b>	(345,285)	(666,268)	-	(1,011,553)
<b>NET ASSETS</b> , beginning of year	<u>3,758,957</u>	<u>2,815,594</u>	<u>-</u>	<u>6,574,551</u>
<b>NET ASSETS</b> , end of year	<u>\$ 3,413,672</u>	<u>\$ 2,149,326</u>	<u>\$ -</u>	<u>\$ 5,562,998</u>

**MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULES OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

(continued)

	<u>School</u>	<u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Per pupil appropriations	\$ 7,809,691	\$ -	\$ -	\$ 7,809,691
Per pupil facility allowance	1,764,000	-	-	1,764,000
Rental income	738,426	645,164	(645,164)	738,426
Federal entitlements and grants	957,096	-	-	957,096
Other grants and contributions	180,859	-	-	180,859
After school care	85,960	-	-	85,960
Summer school	384,089	-	-	384,089
Interest income	7,213	-	-	7,213
Other income	2,212	-	-	2,212
Total Revenues and Other Support	<u>11,929,546</u>	<u>645,164</u>	<u>(645,164)</u>	<u>11,929,546</u>
<b>EXPENSES</b>				
Program	9,663,901	1,078,458	(530,694)	10,211,665
General and administrative	1,843,943	214,177	(107,867)	1,950,253
Fundraising	100,940	11,264	(6,603)	105,601
Total Expenses	<u>11,608,784</u>	<u>1,303,899</u>	<u>(645,164)</u>	<u>12,267,519</u>
<b>CHANGE IN NET ASSETS</b>	320,762	(658,735)	-	(337,973)
<b>NET ASSETS, beginning of year</b>	<u>3,438,195</u>	<u>3,474,329</u>	<u>-</u>	<u>6,912,524</u>
<b>NET ASSETS, end of year</b>	<u>\$ 3,758,957</u>	<u>\$ 2,815,594</u>	<u>\$ -</u>	<u>\$ 6,574,551</u>



INDEPENDENT AUDITORS' 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

Board of Trustees  
Meridian Public Charter School and Subsidiary  
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Meridian Public Charter School and Subsidiary (Meridian), which comprise the consolidated statements of financial position as of June 30, 2015, and the related consolidated statements of activities, and cash flows, for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 1, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Meridian'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meridian's internal control. Accordingly, we do not express an opinion on the effectiveness of Meridian'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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2015-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Meridian's consolidated financial statements are free of 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*.

## **Meridian Public Charter School's Response to Findings**

Meridian's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Meridian's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

## **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jane Maruca & M. Quade PA*

Washington, DC  
December 1, 2015



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Meridian Public Charter School  
Washington, DC

**Report on Compliance for Each Major Federal Program**

We have audited Meridian Public Charter School (the School)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2015. The 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments*, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on Each Major Federal Program**

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## **Report on Internal Control over Compliance**

Management of the 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, we considered the 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*James Maruca & M. Quade PA*

Washington, DC  
December 1, 2015

**MERIDIAN PUBLIC CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
<b>U. S. Department of Education</b>			
<b>Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)</b>			
Title I Grants to Local Educational Agencies	84.010	42010A, 52010A	\$ 274,778
Improving Teach Quality State Grant (Title II)	84.367	42367A, 52367A	67,941
English Language Acquisition State Grant (Title III)	84.365	42365A, 52365A	20,994
DC School Choice Incentive Program	84.370	U370C130001	142,013
Race to the Top - ARRA	84.395		10,117
<b>Special Education Cluster (IDEA)</b>			
Special Education - Grants to States (IDEA, Part B)	84.027	42027A, 52027A	71,877
Special Education - Preschool Grants (IDEA Preschool)	84.173	42173A, 52173A	2,349
Total Special Education Cluster (IDEA)			<u>74,226</u>
<b>Total U.S. Department of Education</b>			<u>590,069</u>
<b>U.S. Department of Agriculture</b>			
<b>Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)</b>			
<b>Child Nutrition Cluster</b>			
School Breakfast Program	10.553		76,488
National School Lunch Program	10.555		221,521
School Snack Program	10.XXX		12,503
<b>Total U.S. Department of Agriculture</b>			<u>310,512</u>
<b>U.S. Department of Health and Human Services</b>			
Medical Assistance Program	93.778		18,345
<b>Total U.S. Department of Health and Human Services</b>			<u>18,345</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 918,926</u>

**MERIDIAN PUBLIC CHARTER SCHOOL  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015**

**NOTE A – BASIS OF PRESENTATION**

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE C – RECONCILIATION TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Expenditures per the Schedule exclude \$33,570 of federal funds provided under the Federal Communications Commission E-Rate program, which are reported as federal entitlements and grant revenue in the consolidated statement of activities. Funding under the E-Rate program is considered to be federal funds, however, does not qualify as direct financial support, and therefore, is exempt from Single Audit requirements.

**MERIDIAN PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified	___yes	___X___no
Significant deficiencies identified that are not considered to be material weaknesses	___X___yes	___none reported

Noncompliance material to financial statements noted \_\_\_yes    X\_\_\_no

*Federal Awards*

Internal control over major programs:

Material weaknesses identified	___yes	___X___no
Significant deficiencies identified that are not considered to be material weaknesses	___yes	___X___none reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 \_\_\_yes    X\_\_\_no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Programs or Clusters</u>
84.010	Title I Grants to Local Educational Agencies
10.553, 10.555, 10.XXX	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_yes    X\_\_\_no



