

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS

WASHINGTON, DC

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

KENDALL, PREBOLA AND JONES

Certified Public Accountants

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Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Directors
William E. Doar, Jr. Public Charter School
for the Performing Arts
705 Edgewood Avenue, NE
Washington, DC 20017

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the William E. Doar, Jr. Public Charter School for the Performing Arts (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, 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 audit. 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

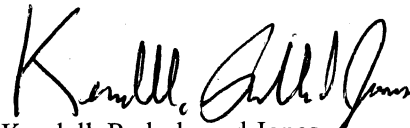
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the William E. Doar, Jr. Public Charter School for the Performing Arts as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended 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 schedule 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 U.S. 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 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 6, 2015, on our consideration of the William E. Doar, Jr. Public Charter School for the Performing Arts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering William E. Doar, Jr. Public Charter School for the Performing Arts' internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 6, 2015

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,892,945	\$ 2,164,234
Accounts Receivable	104,603	104,128
Grants Receivable	400,920	215,504
Promises Receivable	15,165	-
Prepaid Expenses	<u>39,857</u>	<u>57,447</u>
Total Current Assets	<u>\$ 2,453,490</u>	<u>\$ 2,541,313</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 976,708</u>	<u>\$ 1,271,409</u>
Total Fixed Assets	<u>\$ 976,708</u>	<u>\$ 1,271,409</u>
<u>Other Assets:</u>		
Security Deposit	<u>\$ 415,291</u>	<u>\$ 349,969</u>
Total Other Assets	<u>\$ 415,291</u>	<u>\$ 349,969</u>
TOTAL ASSETS	<u>\$ 3,845,489</u>	<u>\$ 4,162,691</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 289,636	\$ 405,895
Accrued Salaries and Payroll Withholdings	285,808	286,488
Accrued Interest Payable	4,171	5,151
Deferred Revenues	-	350,984
Current Portion - Long-Term Debt	<u>490,187</u>	<u>478,299</u>
Total Current Liabilities	<u>\$ 1,069,802</u>	<u>\$ 1,526,817</u>
<u>Long-Term Liabilities:</u>		
Notes Payable	\$ 1,819,183	\$ 2,297,482
Less: Current Portion	<u>(490,187)</u>	<u>(478,299)</u>
Total Long-Term Liabilities	<u>\$ 1,328,996</u>	<u>\$ 1,819,183</u>
Total Liabilities	<u>\$ 2,398,798</u>	<u>\$ 3,346,000</u>
<u>Net Assets/(Deficit):</u>		
Unrestricted	\$ 1,446,691	\$ 815,191
Temporarily Restricted	<u>-</u>	<u>1,500</u>
Total Net Assets/(Deficit)	<u>\$ 1,446,691</u>	<u>\$ 816,691</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,845,489</u>	<u>\$ 4,162,691</u>

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>			<u>June 30, 2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>						
Per Pupil Funding Allocation	\$ 7,458,449	\$ -	\$ 7,458,449	\$ 6,761,106	\$ -	\$ 6,761,106
Federal Entitlements and Grants	576,828	-	576,828	698,220	-	698,220
State Grants - District of Columbia	17,077	-	17,077	38,707	-	38,707
Other Grants and Contributions	23,847	2,700	26,547	12,152	16,500	28,652
Student Fees	119,858	-	119,858	96,447	-	96,447
Interest and Dividends	1,762	-	1,762	1,484	-	1,484
Other Revenue	3,139	-	3,139	11,361	-	11,361
Loss on Disposal of Fixed Assets	(5,974)	-	(5,974)	(3,836)	-	(3,836)
Recovery of Prior Year Expense	9,012	-	9,012	78,701	-	78,701
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>4,200</u>	<u>(4,200)</u>	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 8,208,198</u>	<u>\$ (1,500)</u>	<u>\$ 8,206,698</u>	<u>\$ 7,709,342</u>	<u>\$ 1,500</u>	<u>\$ 7,710,842</u>
<u>Expenses:</u>						
Educational Services	\$ 6,468,549	\$ -	\$ 6,468,549	\$ 5,989,160	\$ -	\$ 5,989,160
General and Administrative	1,039,624	-	1,039,624	831,426	-	831,426
Fundraising	<u>68,525</u>	<u>-</u>	<u>68,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 7,576,698</u>	<u>\$ -</u>	<u>\$ 7,576,698</u>	<u>\$ 6,820,586</u>	<u>\$ -</u>	<u>\$ 6,820,586</u>
Changes in Net Assets	<u>\$ 631,500</u>	<u>\$ (1,500)</u>	<u>\$ 630,000</u>	<u>\$ 888,756</u>	<u>\$ 1,500</u>	<u>\$ 890,256</u>
Net Assets, Beginning of Year	<u>\$ 815,191</u>	<u>\$ 1,500</u>	<u>\$ 816,691</u>	<u>\$ (73,565)</u>	<u>\$ -</u>	<u>\$ (73,565)</u>
Net Assets/(Deficit), End of Year	<u>\$ 1,446,691</u>	<u>\$ -</u>	<u>\$ 1,446,691</u>	<u>\$ 815,191</u>	<u>\$ 1,500</u>	<u>\$ 816,691</u>

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 630,000	\$ 890,256
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	309,329	327,152
Loss on Disposal of Fixed Assets	5,974	3,836
Security Deposit - (Increase)/Decrease	(65,322)	(50,307)
Accounts Receivable - (Increase)/Decrease	(475)	(24,218)
Grants Receivable - (Increase)/Decrease	(185,416)	(11,425)
Promises Receivable - (Increase)/Decrease	(15,165)	-
Prepaid Expenses - (Increase)/Decrease	17,590	38,563
Accounts Payable - Increase/(Decrease)	(116,259)	73,902
Accrued Interest Payable - Increase/(Decrease)	(980)	(8,130)
Accrued Salary and Payroll Withholdings - Increase/(Decrease)	(680)	(4,728)
Deferred Revenues - Increase/(Decrease)	<u>(350,984)</u>	<u>(5,857)</u>
Net Cash Flows From Operating Activities	<u>\$ 227,612</u>	<u>\$ 1,229,044</u>
<u>Cash Flows from Investing Activities:</u>		
Acquisition of Fixed Assets	\$ (24,861)	\$ (78,382)
Proceeds on Disposal of Fixed Assets	<u>4,259</u>	<u>-</u>
Net Cash Flows From Investing Activities	<u>\$ (20,602)</u>	<u>\$ (78,382)</u>
<u>Cash Flows from Financing Activities:</u>		
Repayment on Notes	<u>\$ (478,299)</u>	<u>\$ (299,411)</u>
Net Cash Flows From Financing Activities	<u>\$ (478,299)</u>	<u>\$ (299,411)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ (271,289)	\$ 851,251
Cash and Cash Equivalents at Beginning of Year	<u>2,164,234</u>	<u>1,312,983</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,892,945</u>	<u>\$ 2,164,234</u>

Supplemental Disclosures:

- a) Cash paid for interest for the years ended June 30, 2015 and 2014 was \$57,489 and \$75,331, respectively.
- b) No income taxes were paid during the years ended June 30, 2015 and 2014.

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

The William E. Doar, Jr. Public Charter School for the Performing Arts, Inc., a nonprofit organization incorporated in the District of Columbia in 2004, has been granted 501(c)(3) status by the Internal Revenue Service, and has been granted a charter as a DC public charter school by the District of Columbia Public Charter School Board, as authorized by the DC School Reform Act.

As a DC public charter school, the William E. Doar, Jr. Public Charter School for the Performing Arts has a guaranteed funding stream from the District of Columbia (uniform per student funding) and the U.S. federal government (federal grants for education and other programs) provided it meets certain compliance requirements. A DC public charter school is considered a Local Educational Agency (LEA) under federal education guidelines. As a DC public charter school, the William E. Doar, Jr. Public Charter School for the Performing Arts enjoys significant freedom from the budget and operational restrictions placed on traditional public schools, allowing it to create a unique educational mission and approach.

The School is currently in the process of the Middle States Association of Colleges and Schools (MSA) accreditation and has been granted candidacy status. MSA is among the premier accrediting associations in the world and pioneered the accreditation of colleges and schools in the United States more than a century ago. Middle States accreditation remains a prestigious validation of educational excellence and dynamic school improvement in traditional and nontraditional schools worldwide. The accreditation is in the final stage of completion. The accreditation will be issued during the fiscal year ended June 30, 2016.

The School's primary sources of support are local appropriations for Charter Schools from the District of Columbia Government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the 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 the statement of 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 School has adopted Financial Accounting Standards Board ASC No. 958-605-25 (formerly SFAS No. 116), *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.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

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

Federal and Charter School Funding

The School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The School recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue.

Federal entitlements are recognized based on the allowable costs incurred.

Before and After Care Fees

The School offers fee-based extended day programming for students. 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 School is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Exemption from District of Columbia income taxes was also granted to the School. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The organization 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 School did not have any net unrelated business income for the year ended June 30, 2015. The School is also exempt from District of Columbia sales, real estate, and personal property taxes.

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia Government. 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.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Grants:

Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

(e) Net Assets:

The School has adopted Financial Accounting Standards Board ASC No. 958-205-05 (formerly SFAS No. 117), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the 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 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 Directors 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 School and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified 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 purpose:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Educational Program Services - Use Restricted	\$ <u> -</u>	\$ <u> 1,500</u>

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Educational Program Services - Use Restricted	\$ <u> 4,200</u>	\$ <u> 15,000</u>
Total Released	\$ <u> 4,200</u>	\$ <u> 15,000</u>

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the 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 School did not have any permanently restricted net assets as of June 30, 2015 and 2014.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services and Materials:

Donated services and material 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 Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the Statement of Activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There were no donated services and materials recorded in the financial statements during the years ended June 30, 2015 and 2014.

(g) Basic Programs:

The William E. Doar, Jr. Public Charter School for the Performing Arts blends rigorous academics with world-class arts instruction provided by accomplished artists from renowned dance, musical, theatrical, and visual arts institutions. We are the only public school in Washington, DC, to provide professional-caliber arts training for students in preschool through eighth grade at no cost to families.

(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 expenses 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.

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, payroll taxes and employee benefit plans 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 (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.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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 either personnel expenses or occupancy 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) Fundraising:

During the year ended June 30, 2015, expenses incurred for the purpose of fundraising were \$68,525.

(k) 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.

(l) Fair Value of Certain Financial Instruments:

Some of the 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.

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC No. 740-10 [formerly Interpretation No. 48 (FIN 48)], *Accounting for Uncertainty in Income Taxes*, which is an interpretation of ASC 740's (formerly SFAS No. 109), *Accounting for Income Taxes*. FASB ASC No. 740-10 clarifies the accounting for uncertainty in income taxes recognized in the School's financial statements in accordance with ASC 740's and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC No. 740-10 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the School's tax return to determine whether the tax positions have a "more-likely-than-not" probability of being sustained by the applicable tax authority.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS: (Continued)

The School performed an evaluation of uncertain tax positions for the year ended June 30, 2015, 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, 2015, the statute of limitations for tax years 2011 through 2013 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the organization files tax returns. It is the School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2015, the School had no accruals for interest and/or penalties.

3. CASH AND CASH EQUIVALENTS:

Cash at June 30, 2015 and 2014, totaled \$1,892,945 and \$2,164,234, respectively, and consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Interest Bearing Checking Accounts	\$ 1,136,146	\$ 1,412,672
Non-Interest Bearing Accounts	298,414	293,488
Money Market Accounts - Interest Bearing	458,169	457,711
Cash on Hand	<u>216</u>	<u>363</u>
Total	<u>\$ 1,892,945</u>	<u>\$ 2,164,234</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. Certificates of Deposit with original maturities in excess of three months are considered to be cash, provided that the stated terms do not restrict the withdrawal of funds and such withdrawals do not have substantial penalties associated with them.

The School maintains its cash in two separate financial institutions, with most of the cash being held by one banking institution. These cash accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. As of June 30, 2015, FDIC insures both interest-bearing and non-interest-bearing accounts up to \$250,000 per banking institution.

As of June 30, 2015 and 2014, \$1,582,985 and \$1,848,621, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The School was at risk for the funds held in excess of the insured amounts. The 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.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
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, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Accounts Receivable</u>		
Reimbursable Expenses	\$ 104,603	\$ 104,128
Total	<u>\$ 104,603</u>	<u>\$ 104,128</u>
<u>Grants Receivable</u>		
Federal Entitlement Grants	\$ 274,615	\$ 56,745
National School Lunch Program	39,920	49,599
Addressing Special Populations	7,120	38,880
Increasing Academic Quality	17,991	4,976
Special Education Supplemental Funding	55,783	7,560
Healthy Schools Act	2,218	2,699
Race to the Top Grant	-	35,202
Education Technology Grant	-	10,999
Other Grant Funding	<u>3,273</u>	<u>8,844</u>
Total	<u>\$ 400,920</u>	<u>\$ 215,504</u>

The School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. The School performs ongoing credit evaluations of its funding sources and generally does not require collateral. The School was at credit risk due to the type of organization for the balance of the accounts and grants receivable as of June 30, 2015 and 2014.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still 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.

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

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
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 School. The School uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Washington Very Special Arts, Inc.	\$ 15,000	\$ -
United Way	130	-
Mary Robbins-Network for Good	<u>35</u>	<u>-</u>
Total Promises Receivable	<u>\$ 15,165</u>	<u>\$ -</u>

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

5. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$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 life of the asset. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and other resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2015 and 2014 was \$309,329 and \$327,152, respectively. Maintenance and repairs are charged to expenses as incurred. Fixed Assets, Work in Progress consists of leasehold improvement costs incurred at the school as of June 30, 2014, that were not placed in service. Major classifications of fixed assets and their estimated useful lives are as summarized below:

<u>June 30, 2015</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
	Remaining			
Leasehold Improvements	Life of Lease	\$ 3,779,659	\$ 3,049,170	\$ 730,489
Furniture and Fixtures	7 Years	232,018	130,458	101,560
Computer and Office Equipment	4-7 Years	479,815	335,156	144,659
Vehicles	3 Years	2,500	2,500	-
Fixed Assets, Work in Progress		<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 4,493,992</u>	<u>\$ 3,517,284</u>	<u>\$ 976,708</u>

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

5. FIXED ASSETS: (Continued)

<u>June 30, 2014</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
	Remaining			
Leasehold Improvements	Life of Lease	\$ 3,761,861	\$ 2,877,450	\$ 884,411
Furniture and Fixtures	7 Years	138,766	109,431	29,335
Computer and Office Equipment	4-7 Years	905,657	551,432	354,225
Vehicles	3 Years	9,000	9,000	-
Fixed Assets, Work in Progress		<u>3,438</u>	<u>-</u>	<u>3,438</u>
Total		<u>\$ 4,818,722</u>	<u>\$ 3,547,313</u>	<u>\$ 1,271,409</u>

6. DEFERRED REVENUE:

There was no deferred revenue as of June 30, 2015. As of June 30, 2014, there was deferred revenue of \$350,984, which consisted of per pupil funding received for the summer school program and also payments for summer camp to be operated subsequent to June 30, 2014.

7. LOANS PAYABLE:

On October 9, 2007, the School obtained a loan from United Bank for \$1,600,000 to pay for leasehold improvements to the school building located at 705 Edgewood Avenue, NE, Washington, DC. The loan bears interest at 2.5% per annum over the prevailing 5-year CMT index. On December 3, 2012, the School entered into a comprehensive Loan Modification and Note Bifurcation agreement (the agreement) with the lender. Subject to the terms of the agreement, the original loan has been bifurcated into two sub-notes. Sub-note A represents a balance due in the amount of \$730,887, and bears an interest rate of 3.25%. Sub-note B represents a balance due in the amount of \$730,887, and bears an interest rate of 4.25%. Principal and interest payments are due monthly over eight years. The Sub-notes are secured by assets and revenues of the School. The balances of these Sub-notes at June 30, 2015, were \$840,045. Future minimum payments on this loan based on current interest rates are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 168,967	\$ 140,336	\$ 28,631
2017	168,967	145,655	23,312
2018	<u>563,707</u>	<u>554,054</u>	<u>9,653</u>
Total	<u>\$ 901,641</u>	<u>\$ 840,045</u>	<u>\$ 61,596</u>

On September 4, 2004, the School entered into a loan agreement with the Office of the State Superintendent of Education for the District of Columbia (OSSE) for the amount of \$2,000,000. The original term was through September 1, 2009 with a balloon payment of \$2,000,000 due on that maturity date. A \$509,000 principal only payment was made during December 2010. This payment was a result of grant funding received by the School in the same amount of \$509,000 for the purpose of making a one-time principal payment on this loan.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

7. LOANS PAYABLE: (Continued)

At the beginning of each year, the School was allowed a temporary forbearance of the payment until September 30 of the following year. Interest only payments of 3% per annum were required each quarter. This continued until December 3, 2012, when, the School entered into a comprehensive Loan Modification and Note Bifurcation agreement (the agreement) with the lender. Subject to the terms of the agreement, the original loan has been modified. Specifically, the \$1,491,000 balance due was to be repaid with interest only payments for the first twelve months. Thereafter, principal and interest payments are required on a quarterly basis beginning on March 1, 2014. The new interest rate is 2% per annum. The balance of this loan at June 30, 2015 and 2014 was \$979,138 and \$1,322,079, respectively. Future minimum payments on this loan based on current interest rates are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 366,820	\$ 349,851	\$ 16,969
2017	366,820	356,901	9,919
2018	<u>274,668</u>	<u>272,386</u>	<u>2,282</u>
Total	<u>\$ 1,008,308</u>	<u>\$ 979,138</u>	<u>\$ 29,170</u>

The total interest expense on the above loans for the years ended June 30, 2015 and 2014 was \$56,509 and \$67,201, respectively.

8. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The 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 School's fiscal management and academic acceptability. The contract dated August 25, 2004, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about August 25, 2019. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the William E. Doar, Jr. Public Charter School for the Performing Arts 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. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the 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, 2015 and 2014, the School incurred \$81,404 and \$39,117, respectively, in administrative fees.

The charter contract provides that the William E. Doar, Jr. Public Charter School for the Performing Arts 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, 2015, was not permitted to be greater than 905 students. Audit enrollment for the 2014/2015 year was 439 students and enrollment for the 2013/2014 year was 435 students.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

9. PER-PUPIL FUNDING ALLOCATION:

The 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, 2015, the per-student rate ranged from \$9,492 to \$12,719 for education allotment and \$3,072 for the facility allotment. For the year ended June 30, 2014, the per-student rate ranged from \$9,306 to \$12,471 for education allotment and \$3,000 for the facility allotment. Additional allotments were made for Special Education Services and English as a Second Language. Per-pupil funding for the years ended June 30, 2015 and 2014 was as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Grade Level - Pre-School - 12 th Grade	\$ 4,652,219	\$ 4,519,084
Special Education	579,878	358,400
English as a Second Language	69,973	87,945
At Risk Funds	397,091	-
Facilities Allowance	1,348,608	1,305,000
Summer School	<u>410,680</u>	<u>490,677</u>
Total	<u>\$ 7,458,449</u>	<u>\$ 6,761,106</u>

10. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2015 and 2014, the School participated in the following federal award programs:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Elementary and Secondary Education Act (Title I)	\$ 236,881	\$ 202,644
Elementary and Secondary Education Act (Title II)	56,108	50,007
National School Lunch Program	233,245	250,326
State Fiscal Stabilization Fund - Race to the Top	1,258	97,204
Special Population Grant	7,120	38,880
Increasing Academic Quality	42,216	56,184
Medicaid	<u>-</u>	<u>2,975</u>
Total	<u>\$ 576,828</u>	<u>\$ 698,220</u>

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 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.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

10. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

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.

11. COMMITMENTS:

Building Leases:

For the fiscal year ending June 30, 2015, the School leased a building at 705 Edgewood Avenue, NE, Washington, DC. The lease is with 705 Edgewood Ave Associates, LLC. The lease was entered into in May 2004, became effective in September 2004, and expires in August 2019. The lease contains two (2) five (5) year options to renew the lease, as well as an option to purchase the premises. One of the provisions of the lease requires the School to obtain a loan in the amount of \$2,000,000 from the District of Columbia's Department of Banking and Financial Institutions, Office of Public Charter School Financing and Support (see note 7 for additional information). The monthly payments on this lease as of June 30, 2015, are \$88,102 in base rent, \$18,010 in monthly operating expenses and \$6,055 of additional rent costs related to improvements made by the landlord on behalf of the school. Therefore, the total monthly payment on this lease is presently \$112,167. This payment is scheduled to increase over the life of the lease through August 31, 2019. The estimated monthly payment at the end of the lease will be approximately \$129,298, which includes an estimate for the increase in operating expenses. As of June 30, 2015, there is a security deposit of \$400,291 associated with the lease.

The rent expense for the years ended June 30, 2015 and June 30, 2014, was \$1,199,781 and \$1,175,388, respectively. Included in rent expense for the year ended June 30, 2015 and 2014, are credits for real estate tax rebates in the amounts of \$138,206 and \$129,069, respectively.

Future commitments on these leases for the four (4) years subsequent to the balance sheet date are as follows:

Year Ending June 30,

2016	\$ 1,426,780
2017	1,472,899
2018	1,508,657
2019	<u>258,596</u>
Total	<u>\$ 4,666,932</u>

The loan commitments are described in Note 7.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS: (Continued)

Photocopier Lease:

The Charter School entered into an operating lease with the General Electric Capital Corporation, on June 19, 2013, for the rental of a photocopier. This lease calls for thirty-six (36) monthly payments of \$445, commencing on July 1, 2013. Rental expense for the year ending June 30, 2015, was \$5,778. Future minimum payments due under this lease are as follows:

Year Ended June 30,

2016	\$ 5,343
Total	\$ 5,343

12. CONCENTRATIONS:

Revenues:

The School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2015 and 2014, ninety-one percent (91%) 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 School receives state and federal foundation 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 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 DC PCSB may revoke the charter for material violations of laws and the terms of its charter agreement or if the School fails to meet established goals and student achievement expectations.

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

13. CONTINGENCIES:

The School was granted its initial charter by the District of Columbia Board of Education and then later reaffirmed 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 School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding funds) could adversely affect ability to finance ongoing operations. The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

13. CONTINGENCIES: (Continued)

The 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 School. While the School's board of directors and management believes the 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 School believes that it is in compliance with all applicable laws and regulations.

14. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 6, 2015, 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.

Food Service Provider:

During the year ended June 30, 2015, the food service provider failed to comply with regulations. As a consequence, the School was not required to pay for all of the meals provided to students. The William E. Doar, Jr. Public Charter School for the Performing Arts entered into a contract with a new food service provider during the 2015/2016 year.

Enrollment:

Enrollment for the 2015/2016 school year is projected to be approximately 469 students. These enrollment numbers are up from the current enrollment number of 439 during the 2014/2015 school year.

15. EMPLOYEE BENEFITS:

The cost of payroll taxes and fringe benefits incurred for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Social Security/Medicare	\$ 231,675	\$ 213,800
Health Insurance	278,627	163,322
Life and Disability Insurance	16,511	49,315
Unemployment	<u>55,623</u>	<u>53,176</u>
Total	<u>\$ 582,436</u>	<u>\$ 479,613</u>

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE BENEFITS: (Continued)

Flexible Benefits Plan:

The 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 insurance premiums.

16. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Rent	\$ 1,199,781	\$ 1,175,388
Depreciation Expense - Building	171,677	168,880
Interest Expense - Leasehold Improvements	56,509	67,201
Building Maintenance and Repairs	8,853	33,716
Utilities	101,155	106,527
Janitorial Supplies	5,287	9,304
Contracted Building Services	<u>88,553</u>	<u>70,648</u>
Total	<u>\$ 1,631,815</u>	<u>\$ 1,631,664</u>

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>For Year Ending June 30, 2015</u>				<u>For Year Ending June 30, 2014</u>			
	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Schoolwide Salaries	\$ 647,537	\$ 144,490	\$ 445,338	\$ 57,709	\$ 534,258	\$ 109,166	\$ 425,092	\$ -
Academic Salaries	2,090,790	2,090,790	-	-	1,893,778	1,893,778	-	-
Special Education Salaries	207,384	207,384	-	-	270,784	270,784	-	-
Before/After Care Salaries	48,430	48,430	-	-	54,550	54,550	-	-
Substitute Salaries	39,763	39,763	-	-	41,137	41,137	-	-
Summer School and Saturday Academy Salaries	73,684	73,684	-	-	66,537	66,537	-	-
Benefits	295,138	247,362	42,295	5,481	212,637	181,044	31,593	-
Payroll Taxes	287,298	240,791	41,172	5,335	266,976	227,309	39,667	-
Contracted Staff	915,342	814,654	100,688	-	357,638	244,278	113,360	-
Staff Development Expense	38,591	38,591	-	-	80,251	80,251	-	-
Total Personnel, Salaries and Benefits	\$ 4,643,957	\$ 3,945,939	\$ 629,493	\$ 68,525	\$ 3,778,546	\$ 3,168,834	\$ 609,712	\$ -
<u>Direct Student Costs:</u>								
Textbooks	\$ 13,983	\$ 13,983	\$ -	\$ -	\$ 112,983	\$ 112,983	\$ -	\$ -
Student Supplies and Materials	53,928	53,928	-	-	25,232	25,232	-	-
Student Assessment Materials	33,300	33,300	-	-	31,207	31,207	-	-
Contracted Student Services	305,932	305,932	-	-	313,259	313,259	-	-
Teacher and Academic Staff Recruiting	107,500	107,500	-	-	-	-	-	-
Food Service	108,663	108,663	-	-	300,672	300,672	-	-
Student Information System	13,266	13,266	-	-	20,864	20,864	-	-
Summer School	414	414	-	-	3,972	3,972	-	-
Field Trips/Student Activities	32,005	32,005	-	-	4,204	4,204	-	-
Other Student Costs	15,808	15,808	-	-	51,256	51,256	-	-
Total Direct Student Costs	\$ 684,799	\$ 684,799	\$ -	\$ -	\$ 863,649	\$ 863,649	\$ -	\$ -

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	For Year Ending June 30, 2015				For Year Ending June 30, 2014			
	Total	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising
<u>Occupancy Costs:</u>								
Rent	\$ 1,199,781	\$ 1,115,796	\$ 83,985	\$ -	\$ 1,175,388	\$ 1,093,111	\$ 82,277	\$ -
Depreciation Expense - Building	171,677	159,660	12,017	-	168,880	157,058	11,822	-
Interest Expense - Leasehold Improvements	56,509	52,553	3,956	-	67,201	62,497	4,704	-
Building Maintenance and Repairs	8,853	8,233	620	-	33,716	31,356	2,360	-
Utilities	101,155	94,074	7,081	-	106,527	99,070	7,457	-
Janitorial Supplies	5,287	4,917	370	-	9,304	8,653	651	-
Contracted Building Services	88,553	82,354	6,199	-	70,648	65,703	4,945	-
Total Occupancy Costs	\$ 1,631,815	\$ 1,517,587	\$ 114,228	\$ -	\$ 1,631,664	\$ 1,517,448	\$ 114,216	\$ -
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 32,796	\$ 26,237	\$ 6,559	\$ -	\$ 24,895	\$ 19,916	\$ 4,979	\$ -
Office Equipment Rental and Maintenance	17,395	13,916	3,479	-	10,135	8,108	2,027	-
Telephone/Telecommunications	21,419	17,135	4,284	-	17,714	14,171	3,543	-
Professional and Payroll Services	182,155	44,602	137,553	-	194,386	155,509	38,877	-
Other Office Expense	3,322	2,658	664	-	5,540	4,432	1,108	-
Total Office Expenses	\$ 257,087	\$ 104,548	\$ 152,539	\$ -	\$ 252,670	\$ 202,136	\$ 50,534	\$ -
<u>General Expenses:</u>								
Insurance	\$ 62,011	\$ 57,670	\$ 4,341	\$ -	\$ 55,580	\$ 51,689	\$ 3,891	\$ -
Transportation	8,037	7,474	563	-	8,032	7,469	563	-
Authorizer Fee	81,404	-	81,404	-	39,117	-	39,117	-
Advertising and School Promotion	-	-	-	-	-	-	-	-
Other Staff Recruiting	31,666	6,333	25,333	-	-	-	-	-
Depreciation Expense	137,652	128,016	9,636	-	158,272	147,193	11,079	-
Other General Expenses	38,270	32,183	6,087	-	33,056	30,742	2,314	-
Total General Expenses	\$ 359,040	\$ 231,676	\$ 127,364	\$ -	\$ 294,057	\$ 237,093	\$ 56,964	\$ -
TOTAL FUNCTIONAL EXPENSES	\$ 7,576,698	\$ 6,484,549	\$ 1,023,624	\$ 68,525	\$ 6,820,586	\$ 5,989,160	\$ 831,426	\$ -

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

June 30, 2015

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 4,966,962	\$ 11,314
Occupancy Cost	1,631,815	3,717
General and Administrative	909,396	2,072
Fundraising	<u>68,525</u>	<u>156</u>
Total	<u>\$ 7,576,698</u>	<u>\$ 17,259</u>

The above is the average per student cost for the year ended June 30, 2015, and is based on a full time equivalent (FTE) enrollment of 439 students.

June 30, 2014

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 4,471,712	\$ 10,280
Occupancy Cost	1,631,664	3,751
General and Administrative	717,210	1,649
Fundraising	<u>-</u>	<u>-</u>
Total	<u>\$ 6,820,586</u>	<u>\$ 15,680</u>

The above is the average per student cost for the year ended June 30, 2014, and is based on a full time equivalent (FTE) enrollment of 435 students.

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

	Federal CFDA	Pass-Through Grantors	Program or Award		Grant Receivable	Refundable	Current Year Activity		Grant	Refundable
Federal Grantor/Pass Through Grantor Program Title	Number	Number	Amount	Period of Award	at 7/1/14	Advance at 7/1/14	Receipts	Disbursements Expenditures	Receivable at 6/30/15	Advance at 6/30/15
U.S. Department of Education:										
Passed Through the District of Columbia:										
Title I, Part A, Grants to Local Educational Agencies	84.010A	52010A	\$ 222,096	07/01/14 to 09/30/15	\$ -	\$ -	\$ -	\$ 221,039	\$ 221,039	\$ -
Title I, Part A, Grants to Local Educational Agencies	84.010A	42010A	\$ 204,157	07/01/13 to 09/30/15	44,627	-	60,470	15,843	-	-
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	52367A	\$ 55,796	07/01/14 to 09/30/15	-	-	-	53,577	53,577	-
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	42367A	\$ 48,992	07/01/13 to 09/30/15	12,118	-	14,649	2,531	-	-
State Fiscal Stabilization Fund - Race to the Top	84.395A	SG367A	\$ 310,087	09/24/10 to 09/23/14	35,202	-	36,460	1,258	-	-
SOAR - Increasing Academic Quality	84.370A	N/A	\$ 98,400	05/21/13 to 05/21/15	4,975	-	29,200	42,216	17,991	-
SOAR - Special Populations Grant	84.370A	N/A	\$ 46,000	05/21/13 to 05/21/15	38,880	-	38,880	7,120	7,120	-
Total U.S. Department of Education					\$ 135,802	\$ -	\$ 179,659	\$ 343,584	\$ 299,727	\$ -
U.S. Department of Agriculture:										
Passed Through the District of Columbia:										
School Breakfast Program	10.553	N/A	N/A	07/01/14 to 06/30/15	\$ -	\$ -	\$ 60,754	\$ 72,607	\$ 11,853	\$ -
School Breakfast Program	10.553	N/A	N/A	07/01/13 to 06/30/14	15,956	-	15,956	-	-	-
National School Lunch Program	10.555	N/A	N/A	07/01/14 to 06/30/15	-	-	124,694	151,394	26,700	-
National School Lunch Program	10.555	N/A	N/A	07/01/13 to 06/30/14	32,465	-	32,465	-	-	-
National School Snack Program	N/A	N/A	N/A	07/01/14 to 06/30/15	-	-	7,877	9,243	1,366	-
National School Snack Program	N/A	N/A	N/A	07/01/13 to 06/30/14	1,178	-	1,178	-	-	-
Total U.S. Department of Agriculture					\$ 49,599	\$ -	\$ 242,924	\$ 233,244	\$ 39,919	\$ -
Total Federal Awards					\$ 185,401	\$ -	\$ 422,583	\$ 576,828	\$ 339,646	\$ -

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Summary by CFDA

<u>Program</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies and Special Populations Grant	84.010A	\$ 236,882
Title II, Part A, Teacher and Principal Training and Recruiting Fund	84.367A	56,108
School Breakfast Program	10.553	72,607
National School Lunch Program	10.555	151,394
National School Snack Program	N/A	9,243
State Fiscal Stabilization Fund - Race to the Top	84.395A	1,258
SOAR - Increasing Academic Quality Grant and Special Population Grant	84.370A	<u>49,336</u>
Total Federal Awards		<u>\$ 576,828</u>

(See Accompanying Notes and Auditor's Report)

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 - Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

Note 2 - Major Program Selection:

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

U.S. Department of Education

- Title I, Part A, Grants to Local Educational Agencies
- Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals

The requirements of Office of Management and Budget Circular A-133 requires all major programs as determined by the auditor on a risk-based approach and/or at least 50% (25% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For the William E. Doar, Jr. Public Charter School for the Performing Arts, the programs subject to these requirements are as listed above. The total expenditures of these programs represent 50.79% of the total federal expenditures.

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies and Special Populations Grant	84.010A	\$ 236,882 *
Title II, Part A, Teacher and Principal Training and Recruiting Fund	84.367A	56,108 *
School Breakfast Program	10.553	72,607
National School Lunch Program	10.555	151,394
National School Snack Program	N/A	9,243
State Fiscal Stabilization Fund - Race to the Top	84.395A	1,258
SOAR - Increasing Academic Quality Grant	84.370A	42,216
SOAR - Special Population Grant	84.370A	<u>7,120</u>
Total Federal Awards		<u>\$ 576,828</u>

* Denotes Major Program

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 3 - Major Program Disclosure:

U.S. Department of Education

1) Title I, Part A to Local Educational Agencies

The objective of this program is to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

2) Title II, Part A, Teacher and Principal Training and Recruiting

The objective of the Improving Teacher Quality State Grants program in Title II, Part A, of the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001 (NCLB) (Pub. L. No. 107-110), is to provide funds to State educational agencies (SEAs), Local education agencies (LEAs), State agencies for higher education (SAHEs), and partnerships comprised of institutions of higher education (IHEs), high-need LEAs and other entities to increase the academic achievement of all students by helping schools and school districts to (1) improve teacher and principal quality (including hiring teachers to reduce class size) and (2) ensure that all teachers are highly qualified.

Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Directors
William E. Doar, Jr., Public Charter School
for the Performing Arts
705 Edgewood Avenue, NE
Washington, DC 20017

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the William E. Doar, Jr., Public Charter School for the Performing Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 6, 2015.

Internal Control Over Financial Reporting

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

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

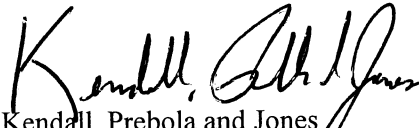
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the William E. Doar, Jr., Public Charter School for the Performing Arts' 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 entity'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 6, 2015

Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Directors
William E. Doar, Jr. Public Charter School
for the Performing Arts
705 Edgewood Avenue, NE
Washington, DC 20017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited the William E. Doar, Jr. Public Charter School for the Performing Arts' (a nonprofit organization) 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 William E. Doar, Jr. Public Charter School for the Performing Arts' major federal programs for the year ended June 30, 2015. The William E. Doar, Jr. Public Charter School for the Performing Arts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and in the notes to the Schedule of Expenditures of Federal Awards.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the William E. Doar, Jr. Public Charter School for the Performing Arts' 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 William E. Doar, Jr. Public Charter School for the Performing Arts' 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 William E. Doar, Jr. Public Charter School for the Performing Arts' compliance.

Opinion on Each Major Federal Award Program

In our opinion, the William E. Doar, Jr. Public Charter School for the Performing Arts, 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.

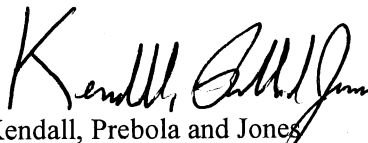
Report on Internal Control Over Compliance

Management of the William E. Doar, Jr. Public Charter School for the Performing Arts is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the William E. Doar, Jr. Public Charter School for the Performing Arts' 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 William E. Doar, Jr. Public Charter School for the Performing Arts' 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. 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.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 6, 2015

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

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

2014-1 Criteria and Condition: In accordance with the A-133 compliance supplement reporting requirements for the National School Lunch and Breakfast Program, accurate meal counts need to be substantiated on an ongoing basis for grant reporting purposes. The meal counts submitted on the grant reimbursement request form should match the meal counts that are completed at the time the meals are served by the School. During the year ended June 30, 2014, as part of the audit testing performed we noted that there were differences between the daily meal counts, counted at the time the meal was served, and the summarized daily meal counts that were reported on the monthly grant reimbursement forms.

Status: This finding has not been repeated in the current year. The school now utilizes PowerSchool for meal counts. Breakfast and lunch meals are scanned using a barcode system to ensure accurate reporting. The information from PowerSchool is reviewed by the Business Manager to ensure timely and accurate reporting.

WILLIAM E. DOAR, JR. PUBLIC CHARTER SCHOOL
FOR THE PERFORMING ARTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on the financial statements of the William E. Doar, Jr. Public Charter School for the Performing Arts.
- 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 William E. Doar, Jr. Public Charter School for the Performing Arts were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award program have been reported.
- e. The Auditor's report on compliance for the major federal award program for the William E. Doar, Jr. Public Charter School for the Performing Arts expresses an unmodified opinion.
- f. There are no audit findings that are required to be reported in accordance with section 510 (a) of OMB Circular A-133 in the Schedule of Findings and Questioned Costs.
- g. The major programs of the William E. Doar, Jr. Public Charter School for the Performing Arts are as follows:

<u>Program</u>	<u>CFDA #</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A
Title II, Part A, Teachers and Principals Training and Recruiting Fund	84.367A

- h. The dollar threshold utilized to determine Type A programs was \$300,000.
- i. The William E. Doar, Jr. Public Charter School for the Performing Arts 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

None.

III. Findings relating to federal awards, which are required to be reported in accordance with OMB Circular A-133

None.