

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

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

For the Years Ended June 30, 2017 and 2016



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JUNE 30, 2017 AND 2016

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Trustees
Howard University Public Charter Middle
School of Mathematics and Science

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Howard University Public Charter Middle School of Mathematics and Science (the School) as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the auditing standards established pursuant to the District of Columbia School Reform Act, Public law No. 104-134, 110 Stat. 1321-121, 2204(c)(11)(B)(ix)(1996); D.C. Official Code 38-1802.04(ii)(B)(2001, as amended). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.



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Opinion

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

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Washington, DC
November 27, 2017

A handwritten signature in black ink that reads "SB & Company, LLC".

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Statements of Financial Position
As of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 697,140	\$ 934,684
Investments	903,372	901,123
Federal grants receivable	198,849	25,573
Other grants and contributions receivable	132,184	73,598
Prepaid expenses and other assets	6,920	8,696
Total current assets	1,938,465	1,943,674
Equipment, net	120,461	305,946
Total Assets	\$ 2,058,926	\$ 2,249,620
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 108,760	\$ 112,121
Accrued expenses	239,838	414,451
Deferred revenue	-	35,302
Total Liabilities	348,598	561,874
Net Assets		
Unrestricted	1,610,328	1,687,746
Temporarily Restricted	100,000	-
Total Net Assets	1,710,328	1,687,746
Total Liabilities and Net Assets	\$ 2,058,926	\$ 2,249,620

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

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSET		
Revenue and Support:		
Per pupil allocation	\$ 3,595,566	\$ 3,344,519
DC facilities allowance	868,472	830,984
Federal entitlements	395,210	133,760
Federal grants	76,407	45,219
Grants and contributions	1,032,820	1,001,661
Other	99,410	27,412
Total Revenue	<u>6,067,885</u>	<u>5,383,555</u>
Donated facilities	1,009,000	1,009,000
Total Revenue and Support	<u>7,076,885</u>	<u>6,392,555</u>
Expenses		
Program Services	6,209,739	5,337,790
Supporting Services:		
General and administrative	629,888	450,996
Fundraising	314,676	281,872
Total Supporting Services	<u>944,564</u>	<u>732,868</u>
Total Expenses	<u>7,154,303</u>	<u>6,070,658</u>
Change in unrestricted net assets	<u>(77,418)</u>	<u>321,897</u>
Change in Temporarily Restricted Net Assets		
Contributions	<u>100,000</u>	<u>-</u>
Changes in net assets	22,582	321,897
Net assets, beginning of year	1,687,746	1,365,849
Net Assets, End of Year	<u>\$ 1,710,328</u>	<u>\$ 1,687,746</u>

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

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 22,582	\$ 321,897
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Reinvestment of investment earnings	(2,249)	(1,206)
Depreciation	134,118	130,985
Loss on disposal of equipment	100,830	-
Write-off of accounts receivable	25,573	-
Effect of changes in non-cash operating assets and liabilities:		
Federal grants receivable	(198,849)	242,084
Other grants and contributions receivable	(58,586)	60,304
Prepaid expenses and other assets	1,776	6,663
Accounts payable	(3,361)	30,225
Accrued expenses	(174,613)	171,528
Deferred revenue	(35,302)	35,302
Net Cash Used in Operating Activities	<u>(188,081)</u>	<u>997,782</u>
Cash Flows from Investing Activities		
Purchase of investments	-	(900,000)
Proceeds from sale of investments	-	102,355
Purchase of property and equipment	(49,463)	(124,192)
Net Cash Used in Investing Activities	<u>(49,463)</u>	<u>(921,837)</u>
Net change in cash	(237,544)	75,945
Cash, beginning of year	934,684	858,739
Cash, End of Year	<u>\$ 697,140</u>	<u>\$ 934,684</u>

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

HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE SCHOOL OF MATHEMATICS AND SCIENCE

Notes to the Financial Statements June 30, 2017 and 2016

1. ORGANIZATION AND PROGRAM

Howard University Public Charter Middle School of Mathematics and Science (the School) is a District of Columbia (the District) not-for-profit entity incorporated in December 2003. The School provides an academic model designed to help prepare middle school students for college and careers in math, science, and engineering. The School is a technology-enabled school designed specifically for middle school students with the benefit of being located on an elite college campus.

In July 2005, the School entered into a contract with the District of Columbia Board of Education granting the School a charter for the establishment of a public charter school in Washington, DC. The charter shall continue for a term of 15 years unless renewed, revoked, or terminated by the District of Columbia Board of Education for violations of applicable laws and conditions, terms and procedures set forth in the charter. The School's current charter provides for enrollment of up to 500 students in grades six through eight. Under the provisions of the contract, the District of Columbia Board of Education is to make annual payments to the School for services provided to the students based on the number of students attending the School each year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Use of Estimates

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

Investments

Investments are recorded at fair market value. Investment income, including unrealized gains or losses, is reported through the change in net assets as unrestricted unless restricted by the donor or by law.

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Notes to the Financial Statements
June 30, 2017 and 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under accounting principles accepted in the United States of America are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial instruments consist of cash, investments, accounts receivable, accounts payable, and debt. The carrying value of the School's financial instruments in the accompanying statements of financial position approximated their respective estimated fair values as of June 30, 2017 and 2016. Fair values are estimated based on current market rates, prices or liquidation value.

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Notes to the Financial Statements
June 30, 2017 and 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Federal Grants, Other Grants and Contributions Receivable

Receivables represent revenue earned, but not collected as of the end of the fiscal year, for certain grants and contributions. The School provides an allowance for doubtful accounts equal to the estimated uncollectible accounts. The School's estimate is based on historical collection experience and a review of the current status of specific accounts and grants receivable. There was no allowance for the years ended June 30, 2017 and 2016, as management believes that these amounts are fully collectible.

Equipment, net

Equipment valued in excess of \$1,000 are capitalized and recorded at cost, if purchased, or estimated fair value at the date of gift, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets ranging from three to five years. Equipment under capital leases is amortized using the straight-line method over the lesser of the estimated useful lives of the equipment or the lives of the leases. Repairs, maintenance and minor replacements are expensed as incurred while major replacements and improvements are capitalized.

Net Assets

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

Temporarily restricted net assets are those whose uses by the School have been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets. Temporarily restricted net assets as of June 30, 2017, was \$100,000, for the purpose of furthering student achievement. There were no temporarily restricted net assets as of June 30, 2016.

Permanently restricted net assets are those that are restricted by donors to be maintained by the School in perpetuity. There were no permanently restricted net assets as of June 30, 2017 and 2016.

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Notes to the Financial Statements
June 30, 2017 and 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenue and Support

Contributions received are recorded when pledged and classified as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

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

Revenue Recognition

The School receives a student allocation from the District of Columbia as well as Federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue in the accompanying statements of financial position. Revenue from other government sources are recognized as earned.

Donated Facilities

The School is located on the campus of Howard University, a related tax-exempt organization. Total in-kind contributions from Howard University for the years ended June 30, 2017 and 2016, were \$1,009,000, for the School's free use of the facility. Management estimated the value of the in-kind services based on the market rate for the value of the facility provided, which is recorded as donated facilities and rent expense in the accompanying financial statements.

Advertising Costs

The costs of advertising are expensed when the services are received. Advertising expense for the years ended June 30, 2017 and 2016, was approximately \$12,000 and \$16,000, respectively.

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Notes to the Financial Statements
June 30, 2017 and 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expense Allocation

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

Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable District of Columbia income tax laws.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The School performed an evaluation of uncertain tax positions for the year ended June 30, 2017, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. For the year ended June 30, 2017, the statute of limitations for fiscal years 2014 through 2017 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the School files tax returns. It is the School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, *Leases*, that creates a singular reporting model for leases. This standard will be effective for periods beginning after December 15, 2019. In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, that provides updated guidance on the reporting model for not-for-profits and the statement of cash flows. These standards are effective for periods beginning after December 15, 2017 and December 15, 2018, respectively. Management is evaluating the effects of these pronouncements on the financial statements, and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Notes to the Financial Statements
June 30, 2017 and 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 requires management to assess an entity's ability to continue as a going concern. Management should evaluate whether conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. It is effective for annual reporting periods ending after December 15, 2016. Management implemented this pronouncement in fiscal year 2017. It did not materially impact the financial statements

Subsequent Events

The School's management evaluated the accompanying financial statements for subsequent events and transactions through November 27, 2017, the date the financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. INVESTMENTS

The following is a description of the valuation methodology used for investments measured at fair value.

Certificates of Deposit: Valued at the cost plus accrued interest, where cost approximates the fair value.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There have been no changes in the methodology used as of June 30, 2017.

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Notes to the Financial Statements
June 30, 2017 and 2016**

3. INVESTMENTS (continued)

The following tables set forth by level, the fair value hierarchy of investments, at fair value, as of June 30, 2017 and 2016:

	June 30, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	<u>\$ 903,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 903,372</u>

	June 30, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	<u>\$ 901,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 901,123</u>

Gains and losses on investments are reported in the accompanying statements of activities and changes in net assets in other income.

4. EQUIPMENT, NET

As of June 30, 2017 and 2016, equipment consisted of the following:

	<u>2017</u>	<u>2016</u>	<u>Useful Life</u>
Equipment and software	\$ 312,242	\$ 1,167,181	3 years
Leasehold improvements	4,451	64,374	3 - 5 years
Total	<u>316,693</u>	1,231,555	
Less: accumulated depreciation	<u>196,232</u>	925,609	
Property and equipment, net	<u>\$ 120,461</u>	<u>\$ 305,946</u>	

Depreciation expense was \$134,118 and \$130,985, for the years ended June 30, 2017 and 2016, respectively.

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Notes to the Financial Statements
June 30, 2017 and 2016**

5. COMMITMENTS AND CONTINGENCIES

Grants

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

The School receives a substantial portion of its revenue from the Government of the District of Columbia. If a significant reduction in this revenue should occur, it may have an effect on the School's programs. During the years ended June 30, 2017 and 2016, the School earned revenue of \$4,935,655 and \$4,354,482, respectively, from the Government of the District of Columbia, which represented 81% of the total revenue and support. These amounts are reflected as per pupil allocation, DC facilities allowance, Federal grants, and Federal entitlements in the accompanying statements of activities and change in net assets.

Operating Leases

As disclosed in Note 2, the School operates from premises leased from Howard University at no cost. Beginning August 2007, this lease was renegotiated to renew automatically each year for ten years. The School recorded \$1,009,000, as an in-kind contribution and rental expense in the statements of activities and changes in net assets for the years ended June 30, 2017 and 2016, based upon the University's estimate of the fair value of a lease for the premises.

Included in office equipment rental and maintenance expenses are assets leased under an agreement that have been classified as an operating lease. For the years ended June 30, 2017 and 2016, office equipment lease expense was \$17,196 and \$6,106, respectively.

As of June 30, 2017, future minimum lease payments were as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2018	\$ 17,027
2019	17,027
2020	17,027
2021	14,189
Total	<u><u>\$ 65,270</u></u>

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Notes to the Financial Statements
June 30, 2017 and 2016**

6. RETIREMENT PLAN

All employees having attained the age of eighteen within the plan year, are eligible to participate in the School's retirement plan (the Plan). The Plan is a tax-deferred annuity plan under Section 401(k) of the Code and is administered by a retirement planning company. The School matches 100% of participating employees' contributions up to 6 percent of the contributing participant's salary, subject to the IRS limit. For the years ended June 30, 2017 and 2016, the School's matching contributions were \$89,793 and \$85,666, respectively.

7. RELATED PARTY TRANSACTIONS

The founders of the School are Howard University's Board of Trustees. Howard University contributes to the School's operations at its discretion. Howard University made cash contributions in the amount of \$1,000,000, for each of the years ended June 30, 2017 and 2016. As disclosed in Note 2, the School is located on Howard University's campus, which is provided rent-free as an in-kind donation.

SUPPLEMENTARY INFORMATION

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2017, with Comparative 2016 Total**

	2017				2016
	Program Services	General and Administrative	Fundraising	Total	Total
SALARIES, TAXES AND BENEFITS					
Salaries	\$ 3,036,025	\$ 279,175	\$ 174,484	\$ 3,489,684	\$ 3,328,378
Employee benefits	436,918	40,176	25,110	502,204	435,512
Payroll taxes	295,025	27,129	16,955	339,109	266,047
Travel	12,508	1,150	719	14,377	7,523
Professional development	36,894	3,393	2,120	42,407	23,412
Total salaries, taxes and benefits	<u>3,817,370</u>	<u>351,023</u>	<u>219,388</u>	<u>4,387,781</u>	<u>4,060,872</u>
DIRECT STUDENT COSTS					
Contracted instructional services	204,376	-	-	204,376	196,925
Educational supplies and materials	318,354	-	-	318,354	78,680
Food service/catering	150,344	-	-	150,344	91,364
Other student costs	32,757	-	-	32,757	43,169
Transportation	14,475	-	-	14,475	11,012
Student assessment materials	14,055	-	-	14,055	12,058
Total direct student costs	<u>734,361</u>	<u>-</u>	<u>-</u>	<u>734,361</u>	<u>433,208</u>
OCCUPANCY EXPENSES					
Rent	877,830	80,720	50,450	1,009,000	1,009,000
Maintenance and repairs	39,046	3,590	2,244	44,880	13,907
Utilities	39,585	3,640	2,275	45,500	45,500
Building supplies/materials	22,771	2,094	1,309	26,174	19,900
Contracted building services	61,311	5,638	3,524	70,473	4,985
Total occupancy expenses	<u>1,040,543</u>	<u>95,682</u>	<u>59,802</u>	<u>1,196,027</u>	<u>1,093,292</u>
OFFICE EXPENSES					
Office supplies and materials	28,934	2,661	1,663	33,258	24,148
Office equipment rental and maintenance	28,031	2,578	1,611	32,220	8,292
Telephone/telecommunications	14,307	1,316	822	16,445	25,903
Printing and copying	2,815	259	162	3,236	20,139
Postage and shipping	4,810	442	276	5,528	2,388
Computer and related	12,542	1,153	721	14,416	28,678
Memberships and subscriptions	33,819	3,110	1,944	38,873	13,096
Other office expenses	8,467	779	487	9,733	885
Total office expenses	<u>133,725</u>	<u>12,298</u>	<u>7,686</u>	<u>153,709</u>	<u>123,529</u>
GENERAL EXPENSES					
Insurance	26,107	2,401	1,500	30,008	30,728
Administration fee	63,147	5,807	3,629	72,583	40,831
Depreciation	116,683	10,729	6,706	134,118	130,985
Bad debt expense	-	25,573	-	25,573	-
Fees and licenses	7,628	701	438	8,767	12,140
Professional fees	188,192	17,305	10,816	216,313	144,058
Website maintenance	69,056	6,350	3,969	79,375	-
Loss on disposals of equipment	-	100,830	-	100,830	-
Other general expense	12,927	1,189	742	14,858	1,015
Total general expenses	<u>483,740</u>	<u>170,885</u>	<u>27,800</u>	<u>682,425</u>	<u>359,757</u>
Total Expenses	<u>\$ 6,209,739</u>	<u>\$ 629,888</u>	<u>\$ 314,676</u>	<u>\$ 7,154,303</u>	<u>\$ 6,070,658</u>

**HOWARD UNIVERSITY PUBLIC CHARTER MIDDLE
SCHOOL OF MATHEMATICS AND SCIENCE**

**Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2016**

	2016			
	Program Services	General and Administrative	Fundraising	Total
SALARIES, TAXES AND BENEFITS				
Salaries	\$ 2,895,689	\$ 266,270	\$ 166,419	\$ 3,328,378
Employee benefits	378,895	34,841	21,776	435,512
Payroll taxes	231,461	21,284	13,302	266,047
Travel, net of allowance of \$0 in 2015	6,545	602	376	7,523
Professional development	20,368	1,873	1,171	23,412
Total salaries, taxes and benefits	<u>3,532,958</u>	<u>324,870</u>	<u>203,044</u>	<u>4,060,872</u>
DIRECT STUDENT COSTS				
Contracted instructional services	196,925	-	-	196,925
Educational supplies and materials	78,680	-	-	78,680
Food service/catering	91,364	-	-	91,364
Other student costs	43,169	-	-	43,169
Transportation	11,012	-	-	11,012
Student assessment materials	12,058	-	-	12,058
Total direct student costs	<u>433,208</u>	<u>-</u>	<u>-</u>	<u>433,208</u>
OCCUPANCY EXPENSES				
Rent	877,830	80,720	50,450	1,009,000
Maintenance and repairs	12,099	1,113	695	13,907
Utilities	39,585	3,640	2,275	45,500
Building supplies/materials	17,313	1,592	995	19,900
Contracted building services	4,337	399	249	4,985
Total occupancy expenses	<u>951,164</u>	<u>87,464</u>	<u>54,664</u>	<u>1,093,292</u>
OFFICE EXPENSES				
Office supplies and materials	21,009	1,932	1,207	24,148
Office equipment rental and maintenance	7,214	663	415	8,292
Telephone/telecommunications	22,536	2,072	1,295	25,903
Printing and copying	17,521	1,611	1,007	20,139
Postage and shipping	2,078	191	119	2,388
Computer and related	24,950	2,294	1,434	28,678
Memberships and subscriptions	11,393	1,048	655	13,096
Other office expense	770	71	44	885
Total office expenses	<u>107,471</u>	<u>9,882</u>	<u>6,176</u>	<u>123,529</u>
GENERAL EXPENSES				
Insurance	26,734	2,458	1,536	30,728
Administration fee	35,523	3,266	2,042	40,831
Depreciation	113,957	10,479	6,549	130,985
Fees and licenses	10,562	971	607	12,140
Professional fees	125,330	11,525	7,203	144,058
Other general expense	883	81	51	1,015
Total general expenses	<u>312,989</u>	<u>28,780</u>	<u>17,988</u>	<u>359,757</u>
Total Expenses	<u>\$ 5,337,790</u>	<u>\$ 450,996</u>	<u>\$ 281,872</u>	<u>\$ 6,070,658</u>



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

The Board of Trustees
Howard University Public Charter Middle
School of Mathematics and Science

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 Howard University Public Charter Middle School of Mathematics and Science (the School), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Washington, DC
November 27, 2017