

**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, 2018 and 2017



S B & COMPANY, LLC
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JUNE 30, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Washington, DC
October 31, 2018

SB & Company, LLC

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

**Statements of Financial Position
As of June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 1,810,482	\$ 697,140
Investments	-	903,372
Federal grants receivable	66,438	198,849
Other grants and contributions receivable	500,000	132,184
Prepaid expenses and other assets	27,955	6,920
Total current assets	<u>2,404,875</u>	<u>1,938,465</u>
Equipment, net	36,426	120,461
Total Assets	<u><u>\$ 2,441,301</u></u>	<u><u>\$ 2,058,926</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 86,137	\$ 108,760
Accrued expenses	370,029	239,838
Total Liabilities	<u>456,166</u>	<u>348,598</u>
Net Assets		
Unrestricted	1,860,135	1,610,328
Temporarily restricted	125,000	100,000
Total Net Assets	<u>1,985,135</u>	<u>1,710,328</u>
Total Liabilities and Net Assets	<u><u>\$ 2,441,301</u></u>	<u><u>\$ 2,058,926</u></u>

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSET		
Revenue and Support:		
Per pupil allocation	\$ 4,007,308	\$ 3,595,566
DC facilities allowance	887,578	868,472
Federal entitlements	371,467	395,210
Federal grants	75,376	76,407
Grants and contributions	1,013,507	1,032,820
Other	122,481	99,410
Satisfaction of restriction	100,000	-
Total Revenue	<u>6,577,717</u>	<u>6,067,885</u>
Donated facilities	1,009,000	1,009,000
Total Revenue and Support	<u>7,586,717</u>	<u>7,076,885</u>
Expenses		
Program Services	6,483,227	6,209,738
Supporting Services:		
General and administrative	525,344	629,888
Fundraising	328,339	314,677
Total Supporting Services	<u>853,683</u>	<u>944,564</u>
Total Expenses	<u>7,336,910</u>	<u>7,154,303</u>
Change in unrestricted net assets	<u>249,807</u>	<u>(77,418)</u>
Change in Temporarily Restricted Net Assets		
Contributions	125,000	100,000
Satisfaction of restriction	(100,000)	-
Change in temporarily restricted net assets	<u>25,000</u>	<u>100,000</u>
Changes in net assets	274,807	22,582
Net assets, beginning of year	1,710,328	1,687,746
Net Assets, End of Year	<u>\$ 1,985,135</u>	<u>\$ 1,710,328</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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 274,807	\$ 22,582
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Reinvestment of investment earnings	-	(2,249)
Depreciation	90,774	134,118
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	132,411	(198,849)
Other grants and contributions receivable	(367,816)	(58,586)
Prepaid expenses and other assets	(21,035)	1,776
Accounts payable	(22,623)	(3,361)
Accrued expenses	130,191	(174,613)
Deferred revenue	-	(35,302)
Net Cash Used in Operating Activities	<u>216,709</u>	<u>(188,081)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	903,372	-
Purchase of property and equipment	(6,739)	(49,463)
Net Cash Used in Investing Activities	<u>896,633</u>	<u>(49,463)</u>
Net change in cash	1,113,342	(237,544)
Cash, beginning of year	697,140	934,684
Cash, End of Year	<u>\$ 1,810,482</u>	<u>\$ 697,140</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, 2018 and 2017

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, 2018 and 2017**

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, 2018 and 2017. 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, 2018 and 2017**

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, 2018 and 2017, 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, 2018 and 2017, was \$125,000 and \$100,000, respectively, for the purpose of furthering student achievement.

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, 2018 and 2017.

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

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, 2018 and 2017, 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, 2018 and 2017, was approximately \$64,000 and \$12,000, respectively.

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

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, 2018, 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, 2018, the statute of limitations for fiscal years 2015 through 2018 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 Standards Update* (ASU) No. 2016-02, *Leases* that creates a singular reporting model for leases. This standard will require the entity to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provide further clarity and transition options for adoption of FASB ASU N. 2016-02. These standards 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*. ASU No 2016-14 provides updated guidance on the reporting model for not-for-profits and is effective for periods beginning after December 15, 2018. ASU No. 2016-15 provides guidance on the statement of cash flows and is effective for periods beginning after December 15, 2017.

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprise. This standard is effective for periods beginning after December 15, 2019.

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.

Subsequent Events

The School's management evaluated the accompanying financial statements for subsequent events and transactions through October 31, 2018, 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, 2018 and 2017.

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

3. INVESTMENTS (continued)

There were no investments as of June 30, 2018. The following table sets forth by level, the fair value hierarchy of investments, at fair value, as of June 30, 2017:

	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>

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, 2018 and 2017, equipment consisted of the following:

	<u>2018</u>	<u>2017</u>	<u>Useful Life</u>
Equipment and software	<u>\$ 318,981</u>	<u>\$ 312,242</u>	3 years
Leasehold improvements	<u>4,451</u>	<u>4,451</u>	3 - 5 years
Total	<u>323,432</u>	<u>316,693</u>	
Less: accumulated depreciation	<u>287,006</u>	<u>196,232</u>	
Property and equipment, net	<u>\$ 36,426</u>	<u>\$ 120,461</u>	

Depreciation expense was \$90,774 and \$134,118, for the years ended June 30, 2018 and 2017, respectively.

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.

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

5. COMMITMENTS AND CONTINGENCIES (continued)

Grants (continued)

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, 2018 and 2017, the School earned revenue of \$5,341,729 and \$4,935,655, respectively, from the Government of the District of Columbia, of the total revenue and support represented 81%. 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, 2018 and 2017, 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, 2018 and 2017, office equipment lease expense was \$17,027 and \$17,196, respectively.

As of June 30, 2018, future minimum lease payments were as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2019	\$ 17,027
2020	17,027
2021	17,027
2022	14,189
Total	\$ 65,270

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

**Notes to the Financial Statements
June 30, 2018 and 2017**

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, 2018 and 2017, the School's matching contributions were \$87,858 and \$89,793, 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, 2018 and 2017. 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, 2018, with Comparative 2017 Total**

	2018				2017
	Program Services	General and Administrative	Fundraising	Total	Total
SALARIES, TAXES AND BENEFITS					
Salaries	\$ 3,225,140	\$ 296,565	\$ 185,353	\$ 3,707,058	\$ 3,489,684
Employee benefits	451,786	41,544	25,965	519,295	502,204
Payroll taxes	289,363	26,608	16,629	332,600	339,109
Travel	6,996	643	402	8,041	14,377
Professional development	124,721	11,469	7,168	143,358	42,407
Total salaries, taxes and benefits	<u>4,098,006</u>	<u>376,829</u>	<u>235,517</u>	<u>4,710,352</u>	<u>4,387,781</u>
DIRECT STUDENT COSTS					
Contracted instructional services	156,302	-	-	156,302	204,376
Educational supplies and materials	426,119	-	-	426,119	318,354
Food service/catering	172,965	-	-	172,965	150,344
Other student costs	5,294	-	-	5,294	32,757
Transportation	3,188	-	-	3,188	14,475
Student assessment materials	6,242	-	-	6,242	14,055
Total direct student costs	<u>770,110</u>	<u>-</u>	<u>-</u>	<u>770,110</u>	<u>734,361</u>
OCCUPANCY EXPENSES					
Rent	877,830	80,720	50,450	1,009,000	1,009,000
Maintenance and repairs	26,711	2,456	1,535	30,702	44,880
Utilities	-	-	-	-	45,500
Building supplies/materials	10,663	980	613	12,256	26,174
Contracted building services	25,785	2,371	1,482	29,638	70,473
Total occupancy expenses	<u>940,989</u>	<u>86,527</u>	<u>54,080</u>	<u>1,081,596</u>	<u>1,196,027</u>
OFFICE EXPENSES					
Office supplies and materials	58,430	5,373	3,358	67,161	33,258
Office equipment rental and maintenance	26,440	2,431	1,520	30,391	32,220
Telephone/telecommunications	22,480	2,067	1,292	25,839	16,445
Printing and copying	1,644	151	95	1,890	3,236
Postage and shipping	478	44	27	549	5,529
Computer and related	83,584	7,686	4,803	96,073	14,416
Memberships and subscriptions	40,271	3,703	2,314	46,288	38,872
Other office expenses	14,288	1,314	821	16,423	9,733
Total office expenses	<u>247,615</u>	<u>22,769</u>	<u>14,230</u>	<u>284,614</u>	<u>153,709</u>
GENERAL EXPENSES					
Insurance	18,802	1,729	1,080	21,611	30,009
Administration fee	43,131	3,966	2,479	49,576	72,583
Depreciation	78,974	7,262	4,539	90,775	134,118
Bad debt expense	-	-	-	-	25,573
Fees and licenses	9,888	909	568	11,365	8,767
Professional fees	183,081	16,835	10,521	210,437	216,313
Website maintenance	-	-	-	-	79,375
Loss on disposals of equipment	-	-	-	-	100,830
Other general expense	38,569	3,547	2,218	44,334	3,027
Marketing	54,062	4,971	3,107	62,140	11,830
Total general expenses	<u>426,507</u>	<u>39,219</u>	<u>24,512</u>	<u>490,238</u>	<u>682,425</u>
Total Expenses	<u>\$ 6,483,227</u>	<u>\$ 525,344</u>	<u>\$ 328,339</u>	<u>\$ 7,336,910</u>	<u>\$ 7,154,303</u>

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

**Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2017**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
SALARIES, TAXES AND BENEFITS				
Salaries	\$ 3,036,025	\$ 279,175	\$ 174,484	\$ 3,489,684
Employee benefits	436,918	40,176	25,110	502,204
Payroll taxes	295,025	27,129	16,955	339,109
Travel, net of allowance of \$0 in 2015	12,508	1,150	719	14,377
Professional development	36,894	3,393	2,120	42,407
Total salaries, taxes and benefits	<u>3,817,370</u>	<u>351,023</u>	<u>219,388</u>	<u>4,387,781</u>
DIRECT STUDENT COSTS				
Contracted instructional services	204,376	-	-	204,376
Educational supplies and materials	318,354	-	-	318,354
Food service/catering	150,344	-	-	150,344
Other student costs	32,757	-	-	32,757
Transportation	14,475	-	-	14,475
Student assessment materials	14,055	-	-	14,055
Total direct student costs	<u>734,361</u>	<u>-</u>	<u>-</u>	<u>734,361</u>
OCCUPANCY EXPENSES				
Rent	877,830	80,720	50,450	1,009,000
Maintenance and repairs	39,046	3,590	2,244	44,880
Utilities	39,585	3,640	2,275	45,500
Building supplies/materials	22,771	2,094	1,309	26,174
Contracted building services	61,311	5,638	3,524	70,473
Total occupancy expenses	<u>1,040,543</u>	<u>95,682</u>	<u>59,802</u>	<u>1,196,027</u>
OFFICE EXPENSES				
Office supplies and materials	28,934	2,661	1,663	33,258
Office equipment rental and maintenance	28,031	2,578	1,611	32,220
Telephone/telecommunications	14,307	1,316	822	16,445
Printing and copying	2,815	259	162	3,236
Postage and shipping	4,810	442	277	5,529
Computer and related	12,542	1,153	721	14,416
Memberships and subscriptions	33,819	3,110	1,943	38,872
Other office expense	8,467	779	487	9,733
Total office expenses	<u>133,725</u>	<u>12,298</u>	<u>7,686</u>	<u>153,709</u>
GENERAL EXPENSES				
Insurance	26,107	2,402	1,500	30,009
Administration fee	63,147	5,807	3,629	72,583
Depreciation	116,683	10,729	6,706	134,118
Bad debt expense		25,573		25,573
Fees and licenses	7,628	701	438	8,767
Professional fees	188,192	17,305	10,816	216,313
Website Development	69,056	6,350	3,969	79,375
Loss on Disposals	-	100,830	-	100,830
Marketing	10,292	946	592	11,830
Other general expense	2,634	242	151	3,027
Total general expenses	<u>483,739</u>	<u>170,885</u>	<u>27,801</u>	<u>682,425</u>
Total Expenses	<u>\$ 6,209,738</u>	<u>\$ 629,888</u>	<u>\$ 314,677</u>	<u>\$ 7,154,303</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 statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

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
October 31, 2018

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