IDEAL ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(Together With Independent Auditor's Report)

BERT SMITH & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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BSC
BERT SMITH & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

1090 Vermont Ave., NW
Suite 920
Washington, DC 20005

P.O. Box 2478
Kingshill, VI 00851

111 South Calvert St.
Suite 2700
Baltimore, MD 21202

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Ideal Academy Public Charter School
Washington, D.C.

Report on Financial Statements

We have audited the accompanying financial statements of Ideal Academy Public Charter School (the School) which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and changes in net assets and cash flows for the year 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 the 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

T:202.393.5600
TF: 1.855.479.0548
F: 202.393.5608

bertsmithco.com
bsmith@bertsmithco.com

Opinion

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

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses on page 11 is presented for the purpose of additional analysis and is 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 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.

Report on Comparative Information

We have previously audited the School's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated, December 13, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2016, is consistent in all material respects, with the audited financial statements from which it was derived.

Other Reporting Required by *Government Auditing Standards*

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

Bert Smith & Co.

November 29, 2017
Washington, D.C.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current Assets		
Cash	$ 96,537	$ 83,172
Cash Held for Debt Reserve	625,604	542,575
Due from District	224,414	103,561
Pledges Receivable	-	20,000
Other Assets	8,781	3,797
Total Current Assets	955,336	753,105
Noncurrent Assets		
Deposits	27,093	27,093
Pledges Receivable	-	80,000
Property and Equipment, net	11,526,450	11,955,609
Total Noncurrent Assets	11,553,543	12,062,702
Total Assets	$12,508,879	$12,815,807
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 179,897	$ 165,676
Accrued Wages and Taxes	195,092	200,833
Accrued Interest	36,009	36,088
Line of Credit	-	200,000
Capital Lease Payable	11,991	18,095
Notes Payable	1,804,834	539,658
Total Current Liabilities	2,227,823	1,160,350
Noncurrent Liabilities		
Capital Lease Payable	55,772	67,763
Notes Payable	7,673,979	9,451,416
Total Noncurrent Liabilities	7,729,751	9,519,179
Total Liabilities	9,957,574	10,679,529
Unrestricted Net Assets	2,551,305	2,136,278
TOTAL LIABILITIES AND NET ASSETS	$12,508,879	$12,815,807

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

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	2017	**2016**
Unrestricted Revenue and Support		
Per Pupil Allotment	$ 4,845,544	$ 4,907,901
Federal Revenue	457,916	339,124
Local Grant Revenue	39,911	119,327
Rental Income	43,625	43,215
Contributions	8,901	100,958
Donated Services	-	-
Fundraising Revenue	-	3,954
Other Revenue	31,752	134,230
Total Unrestricted Revenue and Support	5,427,649	5,648,709
Expenses		
Program Services	3,926,787	4,103,239
General and Administration	1,085,835	1,133,214
Total Expenses	5,012,622	5,236,453
Changes In Net Assets	415,027	412,256
Net Assets, Beginning of Year	2,136,278	1,724,022
Net Assets, End of Year	$ 2,551,305	$ 2,136,278

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

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash Flows from Operating Activities		
Changes in Net Assets	$ 415,027	$ 412,256
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	442,121	476,077
Provision for Doubtful Accounts	101,000	-
(Increase) Decrease in Assets:		
Receivables	(121,853)	(128,504)
Other Assets	(4,984)	(2,097)
Deposits	-	(21,633)
Increase (Decrease) in Liabilities:		
Accounts Payable	(7,920)	(95,381)
Accrued Expenses	16,400	80,381
Accrued Interest	(79)	36,088
Net Cash Provided by Operating Activities	839,712	757,187
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(12,962)	(29,060)
Net Cash Used in Investing Activities	(12,962)	(29,060)
Cash Flows from Financing Activities		
Proceeds from Line of Credit	-	200,000
Payments on Line of Credit	(200,000)	
Payments on Capital Lease Payable	(18,095)	(10,509)
Payments on Notes Payables	(512,261)	(527,762)
Net Cash Used in Financing Activities	(730,356)	(338,271)
Net Increase in Cash	96,394	389,856
Cash, Beginning of Year	625,747	235,891
Cash, End of Year	$ 711,903	$ 625,747
Supplemental Disclosures		
Interest Expense Paid	$ 368,864	$ 348,855
Equipment Purchased Under Capital Lease	$ -	$ 82,000

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Ideal Academy Public Charter School (the School) was organization in 1999 to provide disadvantaged and at risk students with a learning environment where they develop and maximize their cognitive, cultural, and civic skills, becoming competent contributor to a global society. The School serves pre-school through eighth grade students. The School's major source of funding is an annual per pupil allotment from the Government of the District of Columbia (District). The School also receives funding from the federal government, student fees, and activities. These funds are expended on programs and activities designed to provide educational and related services to the School's students.

Basis of Accounting: The accompanying financial statements of the School have been prepared on the accrual basis of accounting.

Basis of Presentation: The School reports information regarding its financial position and activities in two classes of net assets: unrestricted net assets and temporarily restricted net assets.

- *Unrestricted Net Assets* - net assets that are not subject to donor-imposed stipulations.

- *Temporarily Restricted Net Assets* - net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time. The School did not have any temporarily restricted net assets at June 30, 2017.

Revenues are reported and recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily restricted. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor restriction expires in the same reporting period, the School reports the contributions as unrestricted.

Revenue Recognition: The School records revenue when earned. Amounts received that have not been earned are recorded as deferred revenue.

Cash and Cash Equivalents: The School considers all highly liquid investments with maturities of three months or less to be cash equivalents. The School's cash are held at three financial institutions.

Property and Equipment: The School capitalizes all property and equipment with a unit cost of $1,000 or more. Depreciation expense is recorded using the straight-line method over the property and equipment's estimated useful lives. Maintenance and repairs are expensed. The estimated useful lives are as follows:

Building and Improvements	7-40 Years
Equipment	3-7 Years
Furniture and Fixtures	7 Years
Vehicles	5 Years

Income Taxes: The School, a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state and local income taxes, and, accordingly, no provision for income taxes is included in the financial statements.

Financial Accounting Standards Board (FASB), Accounting Standards Codification 740, *Income Taxes* (ASC 740) requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. As of June 30, 2017, management has assessed its various tax positions and it believes there are no liabilities for uncertain tax positions.

The School's tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

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 certain amounts of assets and liabilities. These estimates also affect the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized as additional information on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Pronouncements to Be Adopted: FASB 958, ASU-2016-14*"Presentation of Financial Statements of Not-for-Profit Entities"*. This standard enhances disclosures and amends the requirements for financial statements and notes for non-profit organizations to require the presentation of the financial statements in two classes of net assets rather than for the currently required three classes. In addition, the amendment no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The School has elected not to early implement.

Accounting Standards Update (ASU) Topic 230, ASU-2016-02*"Statement of Cash Flows"*. The amendment require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The School has elected not to early implement.

NOTE 2 CONCENTRATION OF CREDIT RISK

The School maintains its cash in three financial institutions. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2017, the uninsured cash balance totaled $407,360.

NOTE 3 CASH HELD FOR DEBT RESERVE

The School is required to make monthly deposits of $14,600 into a reserve account until the loan with the financial institution matures. The deposits are to be used to make required prepayments of the loan. At June 30, 2017, the reserve account had a balance of $625,604.

NOTE 4 DUE FROM DISTRICT

The School receives an annual per pupil allotment and federal funds as a pass-through from the District. At June 30, 2017, the amount due from the District was $224,414.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at year-end:

Land	$ 858,280
Building and Improvements	14,001,153
Equipment	558,912
Furniture and Fixtures	172,207
Vehicles	70,119
Total	15,660,671
Less: Accumulated Depreciation	(4,134,221)
Property and Equipment, net	$11,526,450

Depreciation and amortization expense during fiscal year 2017 was $442,121.

NOTE 6 NOTES PAYABLE

On January 22, 2008, the District issued $10,600,000 Series 2007 revenue bonds for the financing of the School's building. Pursuant to the bond issuance, the School entered into a loan agreement with the District. The loan is due December 2031 and has an interest rate of 3.206% per annum. The loan is secured by a first lien on the building. The interest paid on the loan during the fiscal year was $297,183. At June 30, 2017, the total amount payable was $8,043,769.

The District's Office of Public Charter School Financing Support (OPCSFS) loaned $2,000,000 to the School for the financing of its building. The loan is due in January 2018 and has 4.0% interest rate. The loan is secured by a second lien on the building. The interest paid during the fiscal year was $61,966. At June 30, 2017, the total amount payable was $1,435,044.

The minimum principal payments as of June 30, 2017 are as follows:

2018	1,804,834
2019	381,991
2020	393,957
2021	407,593
2022	421,041
Thereafter	6,069,397
	$9,478,813
Current Portion	$1,804,834
Long-term Portion	7,673,979
	$9,478,813

The School is subject to compliance with certain covenants under each note:

District	
– Minimum Debt Service Coverage:	1:20
OPCSFS	
– Minimum Debt Service Coverage	1.20
– Minimum Net Asset Value	$2,200,000
– Minimum Current Liquidity Ratio	1.20
– Maximum Balance Sheet Leverage	3.50

As of June 30, 2017, the School was in compliance with all the debt covenants except for debt service coverage, current liquidity ratio, and balance sheet leverage requirements. The debt service coverage ratio was not met due to the OPCSFS loan becoming due in fiscal year 2018. A waiver was not received for the noncompliance with the debt covenants from the District and OPCSFS. However, the School has a commitment letter from Premier Bank to refinance $1,200,000 of the loan over five years.

NOTE 7 CAPITAL LEASE PAYABLE

The School had one equipment capital lease totaling $82,000, which is payable over six years. The future minimum lease payments under the lease are as follows:

2018	18,237
2019	18,237
2020	18,237
2021	18,237
Thereafter	12,158
Total	85,106
Less Representative Interest	(17,343)
Present Value of Minimum Lease Payments	67,763
Less Current Portion	(11,991)
Capital Lease Payable, noncurrent	$ 55,772

Interest paid on the capital lease during fiscal year was $9,363. The amortization expense which was included in depreciation expense was $15,619. At June 30, 2017, the accumulated amortization was $15,619.

NOTE 8 RETIREMENT PLAN

The School's plan is a tax-deferred annuity plan under Section 403(b) of the Code. All full-time employees who are twenty-one years and older and are employed for more than thirty days are eligible to participate in a deferred retirement plan. During fiscal year 2017, the School was not required to make and did not make any contributions to the plan.

NOTE 9 PER PUPIL ALLOTMENT

The School receives an annual per pupil allotment from the District that is based on its student enrollment. The pupil allotment represented about 89% of the School's total revenue.

The per pupil allotment consist of the following for the fiscal year ended:

Education	$3,847,444
Facilities	998,100
	$4,845,544

NOTE 10 CONTINGENCIES

The School asserts that there have been no material claims, suits, or complaints filed nor any pending against the organization. In the opinion of legal counsel, all other matters which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations of the organization if disposed of unfavorably.

NOTE 11 SUBSEQUENT EVENTS

On October 27, 2017, the School received a commitment letter from Premier Bank to refinance the OPCSFS loan for $1,200,000. The loan has a 5% interest rate and is due the earlier of 1) the Bank's exercise of any Put Option in the Tax-Exempt Bonds on the Put Date of January 1, 2019 or 2) sixty (60) months from the date of the Loan closing (the "Maturity Date"). The loan closing is anticipated in early December 2017.

The School has evaluated subsequent events through November 29, 2017, which is the date the financial statements were available to be issued. This review and evaluation revealed no additional material events that would have an effect on the accompanying financial statements.

IDEAL ACADEMY PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	Program Services	General and Administration	2017	2016
Personnel Costs				
Salaries	$ 1,968,671	$ 618,865	$ 2,587,536	$ 2,741,201
Employee Benefits	120,583	38,581	159,164	228,123
Payroll Taxes	182,658	58,443	241,101	258,314
Recruitment Expense	2,615	837	3,452	6,333
Professional Development	903	289	1,192	19,636
Total Personnel Costs	2,275,430	717,015	2,992,445	3,253,607
Direct Student Costs				
Supplies and Materials	42,756	-	42,756	18,931
Food Service	131,325	-	131,325	202,406
Student Assessment Materials	28,260	-	28,260	28,641
Contracted Instruction	116,000	-	116,000	161,535
Transportation	157,042	-	157,042	132,952
Other Student Costs	23,259	-	23,259	16,975
Total Direct Student Costs	498,642	-	498,642	561,440
Occupancy Expenses				
Mortgage Interest	272,091	87,058	359,149	383,869
Maintenance and Repairs	15,299	4,895	20,194	14,436
Utilities	139,181	44,532	183,713	146,604
Contracted Building Services	52,826	16,902	69,728	72,665
Total Occupancy Expenses	479,397	153,387	632,784	617,574
Office Expenses				
Supplies and Materials	13,634	4,362	17,996	9,488
Equipment Rental and Maintenance	19,691	6,300	25,991	31,161
Accounting and Auditing	84,364	26,993	111,357	46,542
Printing and Copying	976	312	1,288	1,511
Postage and Shipping	1,605	514	2,119	3,615
Other Office Expenses	30,641	9,804	40,445	37,651
Total Office Expenses	150,911	48,285	199,196	129,968
General Expenses				
Depreciation and Amortization	334,951	107,170	442,121	476,077
Insurance	29,889	9,563	39,452	71,933
Professional Fees	9,534	3,051	12,585	37,942
Interest Expense	7,300	2,336	9,636	1,074
Administration Fee	38,353	12,271	50,624	55,168
Provision for Doubtful Accounts	76,518	24,482	101,000	-
Other General Expense	25,862	8,275	34,137	31,670
Total General Expenses	522,407	167,148	689,555	673,864
Total Expenses	$ 3,926,787	$ 1,085,835	$ 5,012,622	$ 5,236,453

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BSC
BERT SMITH & CO.
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& MANAGEMENT CONSULTANTS

1090 Vermont Ave., NW
Suite 920
Washington, DC 20005

P.O. Box 2478
Kingshill, VI 00851

111 South Calvert St.
Suite 2700
Baltimore, MD 21202

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*

The Board of Trustees
Ideal Academy Public Charter School
Washington, D.C.

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinion 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 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.

T:202.393.5600
TF: 1.855.479.0548
F: 202.393.5608

bertsmithco.com
bsmith@bertsmithco.com

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 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.

Bert Smith & Co.

November 29, 2017
Washington, D.C.