

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL**

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

JUNE 30, 2018 AND 2017

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Independent Auditor's Report

To the Board of Directors
Inspired Teaching Demonstration Public Charter School
Washington, DC

We have audited the accompanying financial statements of Inspired Teaching Demonstration Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses 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 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, whether due to fraud or error.

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.

Inspired Teaching Demonstration Public Charter School
Independent Auditor's Report
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inspired Teaching Demonstration Public Charter 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of Inspired Teaching Demonstration Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Inspired Teaching Demonstration Public Charter School's 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 Inspired Teaching Demonstration Public Charter School's internal control over financial reporting and compliance.

Jane Marusa & M^oQuade PA

Washington, DC
November 15, 2018

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,536,033	\$ 2,761,546
Grants receivable	21,507	16,697
Accounts receivable	17,692	39,017
Prepaid expenses	49,316	33,022
Total Current Assets	3,624,548	2,850,282
PROPERTY AND EQUIPMENT, NET	190,246	127,922
OTHER ASSETS		
Equity investment	9,141	78,621
Deposits	12,588	5,000
Total Other Assets	21,729	83,621
TOTAL ASSETS	\$ 3,836,523	\$ 3,061,825
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 96,081	\$ 87,320
Accrued salaries and expenses	219,211	6,587
Capital lease obligation, current portion	15,445	-
Deferred revenue	-	24,093
Total Current Liabilities	330,737	118,000
LONG TERM LIABILITIES		
Capital lease obligation, net of current portion	58,984	-
Total Liabilities	389,721	118,000
NET ASSETS		
Unrestricted	3,429,688	2,926,711
Temporarily restricted	17,114	17,114
Total Net Assets	3,446,802	2,943,825
TOTAL LIABILITIES AND NET ASSETS	\$ 3,836,523	\$ 3,061,825

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE, LOSSES, AND SUPPORT			
Per pupil appropriations	\$ 6,348,199	\$ -	\$ 6,348,199
Per pupil facility allowance	1,423,957	-	1,423,957
Federal entitlements and grants	189,586	-	189,586
Other grants and contributions	130,281	-	130,281
Donated services and materials	89,566	-	89,566
Program service fees	51,983	-	51,983
Interest	13,827	-	13,827
Loss on equity investment	(69,479)	-	(69,479)
Total Revenue, Losses and Support	<u>8,177,920</u>	<u>-</u>	<u>8,177,920</u>
EXPENSES			
Program - educational services	6,483,668	-	6,483,668
General and administrative services	1,056,816	-	1,056,816
Fundraising	134,459	-	134,459
Total Expenses	<u>7,674,943</u>	<u>-</u>	<u>7,674,943</u>
CHANGE IN NET ASSETS	502,977	-	502,977
NET ASSETS, beginning of year	<u>2,926,711</u>	<u>17,114</u>	<u>2,943,825</u>
NET ASSETS, end of year	<u>\$ 3,429,688</u>	<u>\$ 17,114</u>	<u>\$ 3,446,802</u>

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
REVENUE, LOSSES, AND SUPPORT			
Per pupil appropriations	\$ 5,497,431	\$ -	\$ 5,497,431
Per pupil facility allowance	1,293,336	-	1,293,336
Federal entitlements and grants	131,427	-	131,427
Other grants and contributions	164,275	-	164,275
Donated services and materials	68,938	-	68,938
Program service fees	48,373	-	48,373
Interest	1,862	-	1,862
Loss on equity investment	(178,404)	-	(178,404)
Net assets released from restrictions	5,000	(5,000)	-
Total Revenue, Losses, and Support	<u>7,032,238</u>	<u>(5,000)</u>	<u>7,027,238</u>
EXPENSES			
Program - educational services	5,888,417	-	5,888,417
General and administrative services	779,926	-	779,926
Fundraising	40,240	-	40,240
Total Expenses	<u>6,708,583</u>	<u>-</u>	<u>6,708,583</u>
CHANGE IN NET ASSETS	323,655	(5,000)	318,655
NET ASSETS, beginning of year	<u>2,603,056</u>	<u>22,114</u>	<u>2,625,170</u>
NET ASSETS, end of year	<u>\$ 2,926,711</u>	<u>\$ 17,114</u>	<u>\$ 2,943,825</u>

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program - Educational Services	General and Administrative Services	Fundraising	Total
Personnel Costs				
Salaries	\$ 3,426,879	\$ 587,118	\$ 96,000	\$ 4,109,997
Employee benefits	242,145	41,486	6,784	290,415
Payroll taxes	250,572	42,930	7,019	300,521
Professional development	48,845	-	-	48,845
Other staff-related expense	19,414	3,326	544	23,284
Total Personnel Costs	3,987,855	674,860	110,347	4,773,062
Direct Student Costs				
Supplies, materials, snacks	68,528	-	-	68,528
Contracted instruction fees	723,657	-	-	723,657
Textbooks	43,835	-	-	43,835
Student food service program	107,633	-	-	107,633
Fieldtrips and other transportation	14,770	-	-	14,770
Other student costs	6,130	-	-	6,130
Total Direct Student Costs	964,553	-	-	964,553
Occupancy Expense				
Rent	1,352,759	71,198	-	1,423,957
Facility Consulting fee	-	18,382	-	18,382
Total Occupancy Expense	1,352,759	89,580	-	1,442,339
Office Expense				
Office supplies	16,794	2,877	471	20,142
Equipment rental	13,624	2,334	382	16,340
Telecommunication	12,580	2,155	353	15,088
Computer and related	19,872	3,404	557	23,833
Printing and publications	1,734	297	49	2,080
Postage and shipping	2,094	359	59	2,512
Total Office Expense	66,698	11,426	1,871	79,995
General Expense				
Insurance	27,646	4,739	771	33,156
Accounting fee	-	128,544	-	128,544
Authorizer fees	-	72,683	-	72,683
Depreciation and amortization	67,078	11,493	1,881	80,452
Interest	2,822	484	79	3,385
Legal fee	-	8,682	-	8,682
Professional fees	3,040	521	85	3,646
Other expenses	-	-	202	202
Fees and licenses	11,217	1,922	314	13,453
Donated legal services	-	51,882	-	51,882
Donated goods	-	-	3,655	3,655
Fundraising fees and event costs	-	-	15,254	15,254
Total General Expense	111,803	280,950	22,241	414,994
TOTAL EXPENSES	\$ 6,483,668	\$ 1,056,816	\$ 134,459	\$ 7,674,943

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program - Educational Services	General and Administrative Services	Fundraising	Total
Personnel Costs				
Salaries	\$ 3,159,050	\$ 425,349	\$ 12,372	\$ 3,596,771
Employee benefits	208,494	28,072	818	237,384
Payroll taxes	232,276	31,275	909	264,460
Professional development	39,522	-	-	39,522
Other staff-related expense	23,053	2,846	83	25,982
Total Personnel Costs	3,662,395	487,542	14,182	4,164,119
Direct Student Costs				
Supplies, materials, snacks	79,343	-	-	79,343
Contracted instruction fees	515,056	-	-	515,056
Textbooks	51,030	-	-	51,030
Student food service program	118,597	-	-	118,597
Fieldtrips and other transportation	11,648	-	-	11,648
Other student costs	4,004	-	-	4,004
Total Direct Student Costs	779,678	-	-	779,678
Occupancy Expense				
Rent	1,272,565	20,771	-	1,293,336
Utilities and garbage removal	123	2	-	125
Total Occupancy Expense	1,272,688	20,773	-	1,293,461
Office Expense				
Office supplies	18,730	2,522	69	21,321
Equipment rental	22,861	3,078	89	26,028
Telecommunication	12,762	1,718	50	14,530
Computer and related	19,501	2,626	77	22,204
Printing and publications	1,661	224	7	1,892
Postage and shipping	2,896	390	11	3,297
Total Office Expense	78,411	10,558	303	89,272
General Expense				
Insurance	26,189	3,526	103	29,818
Accounting fee	-	118,666	-	118,666
Authorizer fees	-	69,926	-	69,926
Depreciation and amortization	51,940	6,993	204	59,137
Professional fees	13,616	698	20	14,334
Fees and licenses	3,500	6,208	181	9,889
Donated legal services	-	55,036	-	55,036
In-kind fundraising fees and event costs	-	-	13,902	13,902
Fundraising fees and event costs	-	-	11,345	11,345
Total General Expense	95,245	261,053	25,755	382,053
TOTAL EXPENSES	\$ 5,888,417	\$ 779,926	\$ 40,240	\$ 6,708,583

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 502,977	\$ 318,655
Adjustments to reconcile change in net assets to cash and cash equivalents provided by operating activities:		
Loss on equity investment	69,479	178,404
Depreciation and amortization	80,452	59,137
(Increase) decrease in assets:		
Grants receivable	(4,810)	(6,554)
Accounts receivable	21,325	(11,523)
Prepaid expenses	(16,294)	(470)
Deposits	(7,588)	-
Increase (decrease) in liabilities:		
Accounts payable	8,761	7,278
Accrued salaries and expenses	212,624	(3,767)
Capital lease liability	74,429	-
Deferred revenue	(24,093)	23,432
Net Cash Provided by Operating Activities	917,262	564,592
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(142,775)	(78,156)
Net Cash Used by Investing Activities	(142,775)	(78,156)
NET INCREASE IN CASH AND CASH EQUIVALENTS	774,487	486,436
CASH AND CASH EQUIVALENTS, beginning of year	2,761,546	2,275,110
CASH AND CASH EQUIVALENTS, end of year	\$ 3,536,033	\$ 2,761,546

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE A – ORGANIZATION AND NATURE OF BUSINESS

Organization

Inspired Teaching Demonstration Public Charter School (the “School”), a District of Columbia not-for-profit corporation, was incorporated on January 27, 2010, exclusively for educational purposes. During June 2011, the School entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board.

At the School, a professional learning community of master teachers and teacher residents ensure that a diverse group of students achieve their potential as accomplished learners, thoughtful citizens, and imaginative and inquisitive problem solvers through a demanding, inquiry-based curriculum. The defining characteristic of the School is a professional learning community focused on a progressive, constructivist approach to teaching and learning based on the research on how the brain works and how children learn. The School is organized to meet two related, mutually reinforcing primary goals: to provide an excellent education for students, and to provide excellent teacher preparation and professional development for new teachers and teacher leaders. The School is a leader in improving the way teachers are trained and students are educated in DC and beyond. As a demonstration school, the school invites and receives visitors from around the globe. Annually, the School welcomes dozens of visitors from the DC education community, as well as those influential in education policy nationwide.

Dominant methods of instruction include inquiry-based methods and active learning approaches, where the teacher serves as facilitator and coach to support student learning. Instruction includes an emphasis on social-emotional learning, and classrooms are characterized by student-centered organizational styles such as differentiated instruction, collaborative groups, and child-initiated play. The standards-based curriculum and student goals are centered on the 4 I’s: intellect, inquiry, imagination, and integrity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School’s financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (ASC) Topic *Not-for-Profit Entities*. In accordance with the topic, the School is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time. For the years ended June 30, 2018 and 2017, temporarily restricted net assets totaled \$17,114 each year and were restricted for Life skills classroom.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. There were no permanently restricted net assets during the years ended June 30, 2018 and 2017.

Cash and Cash Equivalents

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

Grants and Accounts Receivable

Grants and accounts receivable are recorded when billed and represent claims against third parties that will be settled in cash. Grants and accounts receivable are reported net of an allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due grants receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2018 and 2017, the majority of the receivables are due from governmental agencies. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been recorded.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Equity Investment

The School owns 38% interest in Shaed School, LLC (the “LLC”). Shaed School, LLC, is a limited liability company formed in the District of Columbia during May 2014 for the purpose of providing leasing arrangements for the School’s facility.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The School capitalizes all expenditures for property and equipment over \$1,000. Depreciation is computed, using the straight line method, over the estimated useful lives of the assets, which ranges from 3 to 7 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Grants and Contributions

Grants and contributions are recorded as increases in unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

Grant revenues are received primarily from the District of Columbia government. The grants are subject to audit by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Per Pupil Appropriations

The School receives a student allocation on a per pupil basis from the District of Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations include \$1,144,159 and \$961,818 for enhancements, such as special education, at-risk students and English language learners, for the years ended June 30, 2018 and 2017, respectively.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition

All income raised from fundraising events is recognized upon the occurrence of the event.

Activity fees are recognized at the time of the activity. This revenue represents amounts collected from students for, but not restricted to, field trips, meals, camps and other school related activities.

Deferred Revenue

Deferred revenue represents amounts received during the current fiscal year and deferred until the following fiscal year for recognition.

Donated Services and Material

Donated services and material are recognized at fair value at the date of the donation. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions services and promises to give services that do not meet the above criteria are not recognized. The School received \$51,882 of donated legal services and \$37,684 of donated goods for the year ended June 30, 2018. The School received \$62,583 of donated legal services and \$6,355, respectively of donated goods for the year ended June 30, 2017.

Uses of Estimates

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

Functional Expenses

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE C – INCOME TAXES

The School is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1)

The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The School’s information tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The School’s Form 990 returns for the years 2014 through 2016 are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

Shaed School, LLC is a District of Columbia limited liability company which elected to be treated as a partnership for income tax reporting purposes and, therefore, is not subject to federal income tax.

NOTE D – PROPERTY AND EQUIPMENT

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

	2018	2017
Furniture and equipment	\$ 202,496	\$ 97,571
Computers	183,542	145,690
Website	4,500	4,500
Leasehold improvements	93,017	93,018
	483,555	340,779
Less accumulated depreciation and amortization	(293,309)	(212,857)
Property and Equipment, Net	\$ 190,246	\$ 127,922

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 totaled \$80,452 and \$59,137, respectively.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE D – PROPERTY AND EQUIPMENT – continued

During 2017, the School entered into capital lease arrangements for copier agreements. Accumulated depreciation includes accumulated amortization of capital leased equipment in the amount of \$72,502 and \$51,986 as of June 30, 2018 and 2017, respectively. Amortization expense related to capital leased equipment was \$20,516 and \$20,249 for the years ended June 30, 2018 and 2017, respectively.

NOTE E – LEASE COMMITMENTS

In May 2014, the School entered into a sublease agreement with Shaed School, LLC for space commencing August 1, 2014. The lease is for a term of five years and expires June 30, 2019. Lease payments are determined on an annual basis and is calculated by the number of students enrolled on each census date beginning each October multiplied by the per pupil facilities allowance received from the District of Columbia. Accordingly, the School cannot reasonably estimate its future minimum lease liability under the terms of the lease. Rent expense for this facility for years ended June 30, 2018, and 2017 totaled \$1,423,957 and \$1,293,336, respectively.

The School also leases certain equipment. The equipment lease was signed in 2014 and expires 2020. Another equipment lease was signed in 2017 and expires 2022. Rent expense for the equipment leases and services for the years ended June 30, 2018 and 2017 was \$16,340 and \$26,028, respectively.

Future minimum lease payments for the equipment lease for the year ending June 30:

	2019	\$	15,445
	2020		16,235
	2021		17,066
	2022		17,940
	2021		7,743
Total Future Minimum Lease Payments		<u>\$</u>	<u>74,429</u>

NOTE F – INVESTMENT IN LIMITED LIABILITY COMPANY

As of May 2014, the School is a member of and has a 38% interest in Shaed School, LLC (the “LLC”). The purpose of Shaed School, LLC is to hold, renovate, remodel, rent, operate, manage, maintain, improve, repair, sell finance and refinance the property at 301 Douglas Street, NE, Washington, DC, where the School operates. At the formation of the LLC, on May 15, 2014, the School made an initial capital contribution of \$375,152. The School uses the equity method to account for its investment. As of June 30, 2018 and 2017, the School’s investment in the LLC totaled \$9,141 and \$78,621, respectively.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE G – RELATED PARTY TRANSACTIONS

In May 2014, the School entered into a full service sublease agreement with the LLC for the period August 1, 2014 through June 30, 2019, as described in Note E. Per the agreement the LLC subleases the building at 301 Douglas Street, Washington, to the School and the School pays monthly rent to the LLC to cover rent, utilities, building engineering, maintenance and repairs, landscape maintenance and security monitoring. For the years ended June 30, 2018 and 2017, rent expensed under this sublease agreement totaled \$1,423,957 and \$1,293,336, respectively.

NOTE H – PENSION PLAN

The Inspired Teaching School 403(b), (the “Plan”), was established for all eligible employees. Eligible employees can become participants on the first day of the month following the completion of eligibility requirements but are not eligible for the employer match until they have completed one year of employment and are 21 years of age or older. Employees may make elective deferral from their eligible earnings, up to the amount allowed by the Internal Revenue Code. The School matches are discretionary. For the years ended June 30, 2018 and 2017, pension expense totaled \$57,459 and \$34,219, respectively.

NOTE I – CONCENTRATIONS

The School is supported primarily by local and federal appropriations and grants. For the years ended June 30, 2018 and 2017, 97% and 99%, respectively, of total revenue was provided by one local government agency. Reduction of this source of support would have a significant impact on the School’s programs and activities. The geographical area of clients served is all wards of the District of Columbia. As of June 30, 2018 and 2017, the School had cash that exceeded federally insured limits by approximately \$3,236,000 and \$2,460,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

NOTE J – SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 15, 2018, the date the School’s financial statements were available to be issued. Management has determined that, except as noted above, there are no subsequent events that require disclosure pursuant to the subsequent event topic.



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*

To the Board of Directors
Inspired Teaching Demonstration Public Charter School
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Inspired Teaching Demonstration Public Charter School, (the “School”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2018.

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.

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 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.

Jane Maruca & McQuade PA

Washington, DC
November 15, 2018