

**KINGSMAN ACADEMY
PUBLIC CHARTER SCHOOL**

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

JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page No</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 14
REPORTS AND SCHEDULES REQUIRED BY THE UNIFORM GUIDANCE	
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 <i>Government Auditing Standards</i>	15 - 16
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	17 - 18
Schedule of Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21



Independent Auditor's Report

To the Board of Trustees of
Kingsman Academy Public Charter School
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Kingsman Academy Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kingsman Academy Public Charter School as of June 30, 2016, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of Kingsman Academy 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 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 Kingsman Academy Public Charter School's internal control over financial reporting and compliance.

Jan M. ... & M. ... PA

Washington, DC
November 15, 2016

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,399,008
Cash and cash equivalents restricted by debt agreements	263,509
Grants and accounts receivable	223,442
Prepaid expenses	28,988
Total Current Assets	<u>1,914,947</u>

OTHER ASSETS

Property and equipment, net	9,705,422
Deferred loan costs, net	214,208
Total Other Assets	<u>9,919,630</u>

TOTAL ASSETS

\$ 11,834,577

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 273,499
Accrued salaries and related expenses	399,162
Accrued interest	37,798
Capital lease obligation, current portion	14,697
Current portion of OPSCFS loan	44,509
Current portion of Series 2011 Bonds	301,798
Total Current Liabilities	<u>1,071,463</u>

NON-CURRENT LIABILITIES

Capital lease obligation, net of current portion	33,078
OPSCFS loan, net of current portion	823,726
Series 2011 bonds, net of current portion	9,084,033
Total Non-Current Liabilities	<u>9,940,837</u>

TOTAL LIABILITIES

11,012,300

NET ASSETS

Unrestricted	<u>822,277</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ 11,834,577

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

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

UNRESTRICTED

REVENUE AND SUPPORT

Per pupil appropriations	\$ 6,991,694
Per pupil facilities allowance	806,431
Federal entitlements and grants	856,258
Other public grants	17,765
Contributions	12,646
Public sales	3,669
Other income	31,805
Interest income	1,407
Total Revenue and Support	<u>8,721,675</u>

EXPENSES

Educational programs	7,307,112
Management and general	590,973
Total Expenses	<u>7,898,085</u>

CHANGE IN NET ASSETS

823,590

NET ASSETS, beginning of year

(1,313)

NET ASSETS, end of year

\$ 822,277

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

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	Educational Programs	Management and General	Total
PERSONNEL, SALARIES AND BENEFITS			
Salaries	\$ 4,145,465	\$ 360,475	\$ 4,505,940
Employee benefits	306,777	26,676	333,453
Payroll taxes	319,207	27,757	346,964
Professional development	35,328	3,072	38,400
Total Personnel, Salaries and Benefits	<u>4,806,777</u>	<u>417,980</u>	<u>5,224,757</u>
DIRECT STUDENT COSTS			
Supplies and materials	54,649	-	54,649
Contracted instruction fees	260,619	-	260,619
Textbooks	8,353	-	8,353
Food service/catering	71,160	-	71,160
Transportation	80,096	-	80,096
Student assessments	10,645	-	10,645
Other student costs	79,021	-	79,021
Total Direct Student Costs	<u>564,543</u>	<u>-</u>	<u>564,543</u>
OCCUPANCY EXPENSES			
Rent	59,102	5,139	64,241
Utilities	135,475	11,780	147,255
Maintenance and repairs	128,418	11,167	139,585
Janitorial services	9,546	830	10,376
Contracted building services	304,941	26,517	331,458
Total Occupancy Expenses	<u>637,482</u>	<u>55,433</u>	<u>692,915</u>
OFFICE EXPENSES			
Office supplies and materials	32,444	2,821	35,265
Computer support	90,359	7,857	98,216
Telecommunications	47,142	4,099	51,241
Professional fees	295,011	25,653	320,664
Dues and subscription	13,176	1,146	14,322
Postage and shipping	1,668	145	1,813
Total Office Expenses	<u>479,800</u>	<u>41,721</u>	<u>521,521</u>
GENERAL EXPENSES			
Insurance	47,519	4,132	51,651
Interest	392,400	34,122	426,522
Depreciation and amortization	259,573	22,572	282,145
Amortization of deferred loan costs	8,848	769	9,617
Authorizer fees	80,226	6,976	87,202
Bad debt expenses	-	4,664	4,664
Other general expense	29,944	2,604	32,548
Total General Expenses	<u>818,510</u>	<u>75,839</u>	<u>894,349</u>
TOTAL EXPENSES	<u>\$ 7,307,112</u>	<u>\$ 590,973</u>	<u>\$ 7,898,085</u>

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

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 823,590
Adjustments to reconcile change in net assets provided by operating activities:	
Depreciation and amortization	282,145
Amortization of deferred loan costs	9,617
Increase in assets:	
Cash and cash equivalents restricted by debt agreements	(263,509)
Grants and accounts receivable	(194,118)
Prepaid expenses	(28,988)
Increase in liabilities:	
Accounts payable	242,862
Accrued salaries and related expenses	399,162
Accrued interest	37,798
Net Cash Provided by Operating Activities	1,308,559
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(276,477)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Loan costs incurred	(223,825)
Proceeds from OPSCFS loan	900,000
Principal payments on Series 2011 bonds	(296,406)
Capital lease payments	(12,843)
Net Cash Provided by Financing Activities	366,926
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 1,399,008
 CASH AND CASH EQUIVALENTS, beginning of year	 -
 CASH AND CASH EQUIVALENTS, end of year	 \$ 1,399,008
 SUPPLEMENTAL INFORMATION	
Cash paid for interest	\$ 388,724
 SUPPLEMENTAL DISCLOSURE OF NON-CASH:	
Acquisition of capital lease equipment	\$ 60,618
Acquisition of property by debt issuance	\$ 9,650,472

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

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A – ORGANIZATION AND PURPOSE

Kingsman Academy Public Charter School (the “School”) was incorporated in March 2015 as a not-for-profit school located in Washington, DC. The School has been approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The contract was dated June 29, 2015, and remains in effect for 15 years unless terminated sooner in accordance with contract. The School is an open-enrollment, tuition-free, public school that opened its doors in August 2015. The School serves approximately 250 students in grades six through twelve who may be at risk of dropping out of school. Many of these students are over-age and under-credit for their grade level, have attendance problems, and have behavioral or emotional challenges.

The School’s mission is to provide an individualized and rigorous education in a supportive environment to prepare scholars for post-secondary success and responsible citizenship. The School offers individualized instruction and additional resources for all students, rich special education services, a strong multi-tiered system of support, a school-wide positive behavioral intervention and support, and numerous co-curricular and extracurricular programs.

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.

Basis of Presentation

Financial statement presentation follows Financial Standards Accounting 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 that are 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.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the School.

There were no temporarily or permanently restricted net assets as of June 30, 2016.

KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES - continued

Cash and Cash Equivalents

For 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.

Cash and Cash Equivalents Restricted by Debt Agreements

Cash and cash equivalents restricted by debt agreements are comprised of cash and cash equivalents held by a trustee or the authority to fund the current portion of debt service.

Grants and Accounts Receivable

The School's grants receivable consist of unsecured amounts due from public funding sources whose ability to pay are subject to appropriations. Accounts receivable are related to program service fees and are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection experience and existing economic conditions. Accounts deemed uncollectible are charged off based on this review. Management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been established.

Property and Equipment

Purchases of property and equipment over \$1,000 are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight line method over the estimated useful lives of the underlying assets, which range from 3 to 40 years. Building improvements are amortized over the lesser of their useful life or the lease term. 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 expensed when incurred

Deferred Loan Costs

Loan costs incurred in securing debt have been capitalized. These costs are amortized over the lives of the loans based on the straight-line method, which approximates the effective interest method.

KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Per Pupil Appropriations

Per pupil appropriated revenue is recognized during the period for which the associated educational services are provided. Per pupil appropriation revenue includes \$4,103,467 for enhancements such as special education and at-risk students for the year ended June 30, 2016.

Federal Entitlements

Federal entitlement revenue is grants 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.

Contributions

Contributions received are recorded as 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 statements of activities as net assets released from restrictions. Restricted revenue received that is expended in the year of receipt is treated as unrestricted for financial statements purposes.

Public Sales

Public sales are amounts collected from the sale of merchandise purchased at the School's store. Revenue is recognized at the time of purchase.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Expenses

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

NOTE C – INCOME TAXES

The School qualifies as a tax exempt organization 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 has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic of the FASB ASC. The topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefits to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2013-2015), or expected to be taken in its 2016 tax return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

NOTE D – PROPERTY AND EQUIPMENT

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

Land		\$ 2,259,174
Building improvements		7,465,863
Furnishings and equipment		209,175
Computers and materials		53,355
		9,987,567
Less accumulated depreciation and amortization		(282,145)
Property and Equipment, Net		\$ 9,705,422

Depreciation and amortization expense for the year ended June 30, 2016, totaled \$282,145.

KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

NOTE E – DEFERRED LOAN COSTS

The following is a summary of deferred loan costs as of June 30, 2016:

Loan costs	\$ 223,825
Less accumulated amortization	<u>(9,617)</u>
Deferred Loan Costs, Net	<u><u>\$ 214,208</u></u>

Amortization expense for the year ended June 30, 2016, totaled \$9,617.

NOTE F – LINE OF CREDIT

Effective July 1, 2015, the School entered into a revolving line of credit agreement with Building Hope, a District of Columbia nonprofit corporation, for up to \$100,000. The line of credit bears an interest rate of 6% per annum. The line of credit is secured by the School’s accounts receivable, inventory, equipment, and bank deposit accounts. As of June 30, 2016, there was no outstanding balance due on the line of credit.

NOTE G – ASSET PURCHASE AGREEMENT

Options Public Charter School (“Options”) operated as public charter school in Washington, DC offering instruction to students in grades seven through twelve. On June 25, 2015, the School entered into an Amended and Restated Asset Purchase Agreement (the “Agreement”) with Options to serve those students in sixth through twelfth grades. This Agreement is a result of Options’ succession plan, which is to give its students the best chance of receiving a high quality education, and a Consent Order with Appointment of Receiver and Asset Freeze issued by the Superior Court for the District of Columbia. For the School to service these students, Options transferred certain assets and liabilities to the School. These assets included the facility’s land, building and improvements and title thereto, licenses and permits, records, and all tangible personal property, such as, books, supplies, and furniture. In addition, the School assumed the District of Columbia Revenue Bonds, Series 2011, as described in Note H. In accordance with the Agreement, the School transferred \$150,000 as the purchase price for certain transferred assets and funded a debt service account in the amount of \$290,903. The transfer of the assets and assumption of the liability were recorded at cost to the School, which approximates fair value.

As stipulated in the Agreement, the School rented the facility from Options for the month of July 2015. Rent expense in accordance with the Agreement totaled \$64,241 for the year ended June 30, 2016.

KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

NOTE H – NOTES PAYABLE

Revenue Bonds

In accordance with the Agreement, the School assumed Options' District of Columbia Revenue Bonds, Series 2011, issued for \$10,642,000 ("Series 2011 Bonds"). The proceeds of the Series 2011 Bonds at the time of issuance were used to construct and renovate Options' facility. As of the date of assumption by the School, the Series 2011 Bonds' outstanding principal balance was \$9,650,472. The Series 2011 Bonds are collateralized by the School's Deed of Trust dated November 1, 2011 from Options, encumbering the real property and improvements thereto at 1375 E Street, NE, Washington, DC. The Series 2011 Bonds are scheduled to mature November 1, 2036. Payments under the Series 2011 Bonds are payable monthly and comprised of principal plus interest. The Series 2011 Bonds bear interest at the greater of the following and reevaluated every five year period (i) the five year average monthly Treasury Constant plus 3% multiplied by one minus 38% (the Bank Tax Rate), or (ii) 4.00% per annum. As of June 30, 2016, interest accrued at a rate of 4.00% per annum. Prepayment of the Series 2011 Bonds, in whole or in part, is subject to a redemption percentage and additional fees and expenses. As of June 30, 2016, the outstanding principal balance of the Series 2011 Bonds was \$9,385,831.

Other Financing

In conjunction with the assumption of the Series 2011 Bonds, the School secured financing with the District of Columbia's Office of Public Charter School Financing and Support for \$900,000 (the "OPSCFS Loan"). The OPSCFS Loan was obtained to finance closing costs associated with the assumption of Options' debt obligations, funding of a debt service reserve, and purchase of Options' property and equipment. The OPSCFS Loan is secured by deed of trust of the School's property. The OPSCFS Loan is payable in quarterly principal and interest payments based on a 15 year amortization schedule. Interest accrues at a fixed rate of 4.50% per annum. The OPSCFS Loan is scheduled to mature August 1, 2020, at which time, a balloon payment of \$685,223 is due. As of June 30, 2016, the outstanding principal balance of the OPSCFS Loan was \$868,235.

The above described debt agreements contain certain restrictive, financial, and nonfinancial covenants. In the opinion of management, the School has complied with the required covenants for 2016. Interest expensed under the debt for the year ended June 30, 2016 totaled \$424,009.

KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

NOTE H – NOTES PAYABLE - continued

Aggregate annual maturities of the debt are as follows for the years ending June 30:

	OPSCFS	Series 2011 Bonds	Total
2017	\$ 44,509	\$ 301,798	\$ 346,307
2018	46,546	314,267	360,813
2019	48,676	327,252	375,928
2020	50,904	339,851	390,755
2021	677,600	354,815	1,032,415
2022 and thereafter	-	7,747,848	7,747,848
Total	<u>\$ 868,235</u>	<u>\$ 9,385,831</u>	<u>\$ 10,254,066</u>

NOTE I – CAPITAL LEASE

In July 2015, the School entered into a lease for copier equipment which meets the accounting treatment criteria as a capital lease. The interest rate implicit in the lease is 5% per annum. The monthly payment is \$1,396 and the lease expires on July 22, 2019. As of June 30, 2016, the capitalized cost of the equipment lease totaled \$60,618. Accumulated amortization and amortization expense on the equipment totaled \$13,892 as of and for the year ended June 30, 2016.

Minimum future lease payments under the capital lease are as follows for the years ended June 30:

2017	\$ 16,752
2018	16,752
2019	16,752
2020	1,398
	<u>51,654</u>
Less interest	<u>(3,880)</u>
Total	<u>\$ 47,774</u>

NOTE J – CONCENTRATIONS OF RISK

The School is dependent on funding the District of Columbia, as authorized by the District of Columbia Public Charter Board. During the year ended June 30, 2016, approximately 89% of total support was received from the District of Columbia.

KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

NOTE J – CONCENTRATIONS OF RISK - continued

The School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the School must adhere to the terms of its Charter Agreement. Uniform Per-Student Funding received from the District of Columbia is based upon actual student enrollment determined by an annual enrollment audit. As a result, actual revenue may vary materially from budgeted revenue if under-enrollment were to occur.

The School maintains its cash in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. The School’s cash routinely exceeds the FDIC limit. Management does not believe the School is exposed to any significant credit risk on its cash and cash equivalents.

NOTE K – SUBSEQUENT EVENTS

In preparing these financial statements, the School’s management has evaluated events and transactions for potential recognition or disclosure through November 15, 2016, the date the consolidated financial statements were available to be issued. There were no events or transactions discovered during the evaluation that required recognition or further disclosure.

**REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE**



**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 Trustees of
Kingsman Academy 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kingsman Academy Public Charter School (the "School"), which comprise the statement of financial position as of June 30, 2016, 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, 2016.

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.

To the Board of Trustees of
Kingsman Academy Public Charter School

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 Marusa & M^oQuade PA

Washington, DC
November 15, 2016



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance
Required by the Uniform Guidance**

To the Board of Trustees of
Kingsman Academy Public Charter School
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited Kingsman Academy Public Charter School's (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2016. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Jane Marissa & M. Quade PA

Washington, DC
November 15, 2016

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
U.S. Department of Education			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Title I Grants to Local Educational Agencies	84.010		\$ 136,174
Supporting Effective Instruction State Grant	84.367		35,711
Special Education Grants to States	84.027	62027A	139,339
Charter Schools	84.282	62367A	468,668
Total U.S. Department of Education			<u>779,892</u>
U.S. Department of Agriculture			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Child Nutrition Cluster			
School Breakfast Program	10.553		18,798
National School Lunch Program	10.555		38,920
Total Child Nutrition Cluster			<u>57,718</u>
Total U.S. Department of Agriculture			<u>57,718</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 837,610</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenses are not allowable or are limited as to reimbursement. The School elected not to use the 10 percent de minimis indirect cost rate. Pass through programs, agencies, and entity identifying numbers are presented where available.

NOTE C – RECONCILIATION TO THE FINANCIAL STATEMENTS

Expenditures per the Schedule exclude \$31,583 of federal awards provided under the Federal Communications Commission E-Rate program, which is reported as a federal entitlement and grant revenue in the statement of activities. Funding under this program is considered to be federal funds, however, does not qualify as direct financial support, and therefore, is exempt from Uniform Guidance requirements.

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

(a) Type of auditor's report issued	Unmodified
(b) Internal control over financial reporting: Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
(c) Noncompliance material to financial statements noted?	No

Federal Awards

(a) Type of auditor's report issued on compliance for major programs:	Unmodified
(b) Internal control over major programs: Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
(c) Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Major Programs:

(d) Name of Federal Programs and CFDA Number: U.S. Department of Education: Charter Schools	84.282
(e) Dollar threshold used to distinguish between type A and type B programs:	\$750,000
(f) Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS None reported

**SECTION III – FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS** None reported

**SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT
FINDINGS** N/A