

**MARY MCLEOD BETHUNE DAY ACADEMY  
PUBLIC CHARTER SCHOOL  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
*(Together With Independent Auditor's Report)***



**MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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The Board of Trustees  
Mary McLeod Bethune Day Academy Public Charter School  
Washington, D.C.

### Report on Financial Statements

We have audited the accompanying financial statements of the Mary McLeod Bethune Day Academy Public Charter School (the School) which comprise the statement of financial position as of June 30, 2016 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.

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## **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, 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*

The School's fiscal year 2015 financial statements were audited by other auditors, who expressed an unmodified opinion on the financial statements in a report dated November 18, 2015.

### *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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, 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 16, 2016  
Washington, D.C.

**MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

**ASSETS**

**Current Assets**

Cash	\$ 928,602
Due from District of Columbia Government	159,778
Other Receivables	20,925
Prepaid Expenses	<u>7,128</u>
<b>Total Current Assets</b>	<u><u>1,116,433</u></u>

**Noncurrent Assets**

Security Deposit	8,595
Property and Equipment, net	<u>2,156,457</u>
<b>Total Noncurrent Assets</b>	<u><u>2,165,052</u></u>

<b>Total Assets</b>	<u><u>\$ 3,281,485</u></u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 123,738
Accrued Expenses	<u>434,935</u>
<b>Total Current Liabilities</b>	<u><u>558,673</u></u>

**Noncurrent Liabilities**

Deferred Rent	<u>396,812</u>
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<b>Total Liabilities</b>	<u><u>955,485</u></u>
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<b>Unrestricted Net Assets</b>	<u><u>2,326,000</u></u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,281,485</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<b>Unrestricted Revenue</b>	
Per Pupil Allotment	\$ 6,825,537
Federal	721,649
Other	<u>20,463</u>
<b>Total Unrestricted Revenue</b>	<u>7,567,649</u>
 <b>Expenses</b>	
Program Services	6,725,395
Management and General	<u>1,258,075</u>
<b>Total Expenses</b>	<u>7,983,470</u>
<b>Changes In Net Assets</b>	(415,821)
<b>Net Assets, Beginning of Year (restated)</b>	<u>2,741,821</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 2,326,000</u></u>

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

**MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<b>Cash Flows from Operating Activities</b>	
Changes in Net Assets	\$ (415,821)
<b><i>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</i></b>	
Provision for Doubtful Accounts	1,425
Theft Loss	-
Depreciation Expense	144,222
<i>(Increase) Decrease in Assets:</i>	
Receivables	113,264
Prepaid Expenses	34,590
Other Assets	-
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	43,175
Accrued Expenses	112,461
Deferred Rent	213,860
Deferred Revenue	-
<b>Net Cash Provided by Operating Activities</b>	<u>247,176</u>
<b>Cash Flows from Investing Activities</b>	
Purchases of Property and Equipment	<u>(1,209,451)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(1,209,451)</u>
<b>Net Decrease in Cash</b>	(962,275)
<b>Cash, Beginning of Year</b>	<u>1,890,877</u>
<b>Cash, End of Year</b>	<u><u>\$ 928,602</u></u>

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

**MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Operations:*** Mary McLeod Bethune Day Academy Public Charter School (the School) was organized in 2004 to operate a charter school pursuant to Section 2203 of the District of Columbia Education Law and in accordance with related charter agreements with the District of Columbia Public Charter School Board (DCPCSB).

The mission of Mary McLeod is to operate a high performing day school providing a challenging academic program in a supportive, parentally involved, and diverse learning environment thus enabling each student to achieve academic success, talent, and positive social development. The School currently serves 420 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.

• **Program Services:**

– *Academics*

The School's mission is accomplished by engaging children in powerful learning experiences based on world-class educational methods and standards, providing strong community and parental involvement, and fostering and energetic and highly motivated staff, respecting the abilities and potential of what each child can achieve. The entire school community works cooperatively to create a safe and caring learning environment nurturing and empowering students, their parents and the teaching staff. At present, the program supports pre-school through eighth grade students.

– *Before/Aftercare*

Before/after-care is provided to all students desiring to participate for a weekly or daily fee. Hours of operations are structured so as to be in congruence with the typical workday of parent of the students. Both programs offer food service to 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, 2016.



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 Bank of America and SunTrust.

**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. Leasehold improvements are depreciated over the life of the lease. Maintenance and repairs are expensed. The estimated useful lives are as follows:

Building	25 Years
Equipment and Furniture	5-10 Years
Vehicle	5 Years

**Deferred Rent:** Deferred rent represents the difference between the total minimum lease payments amortized over the lease term and actual rent paid each fiscal year.

**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, 2016, 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.

**Accounting Pronouncement to be Adopted:** Financial Accounting Standards Board (FASB) issued Topic 842, “Lease.” Under the pronouncement, lessees with an operating lease will be required to recognize (a) a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position and (b) single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight line basis. The pronouncement is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early implementation of the standard is permitted. However, the School has elected not to implement the pronouncement for this fiscal year.

**NOTE 2 CONCENTRATION OF CREDIT RISK**

The School maintains its cash in two financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, the uninsured cash balances totaled \$481,928.

**NOTE 3 DUE FROM DISTRICT GOVERNMENT**

The School receives an annual per pupil allotment and federal funds as a pass-through from the District. At June 30, 2016, the amount due from the District was \$159,778.

**NOTE 4 PROPERTY AND EQUIPMENT**

Land	\$ 267,750
Buildings	583,374
Leasehold Improvements	1,239,651
Equipment and Furniture	441,594
Vehicles	123,636
Total Property and Equipment	<u>2,656,005</u>
Less: Accumulated Depreciation	<u>(499,548)</u>
Net Property and Equipment	<u>\$ 2,156,457</u>

Depreciation expense during fiscal year 2016 was \$144,222.

**NOTE 5 NET ASSET RESTATEMENT**

The School’s unrestricted net asset was restated to reflect the deferred rent from its operating lease with the District.

Net Assets, September 30, 2015	\$2,924,773
Deferred Rent	<u>(182,952)</u>
Net Assets, September 30, 2015 (restated)	<u>\$2,741,821</u>

**NOTE 6 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 90% of the School's total revenue.

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

Education	\$5,513,457
Facilities	<u>1,312,080</u>
	<u>\$6,825,537</u>

**NOTE 7 RETIREMENT PLAN**

The School maintains a defined contribution plan (the Plan) under section 401(k) of the Internal Revenue Code (the Code), under which all staff employed for at least one month of service are eligible to participate. The Plan allows for discretionary employer matching contributions equal to a percentage of eligible employee's salary deferrals, as determined each year. In Fiscal Year 2016, the School matched up to five percent of employees' contributions. The School's matching contributions for the fiscal year ended June 30, 2016 totaled \$64,760.

**NOTE 8 RELATED TRANSACTION**

During fiscal year 2016, the School paid Starfleet transportation \$12,000 for leased parking space for vehicles. The owners are employed by the School.

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

*Occupancy Lease*

The School has two operating occupancy leases. It has a 25 year lease with the District for the property at 1404 Jackson Street, NE and a 5 year lease with Sixth Presbyterian Church for the property at 5413 16<sup>th</sup> Street, N.W. The future minimum lease payments under the leases are as follows:

2017	\$ 363,145
2018	383,812
2019	404,989
2020	426,674
2021	340,937
Thereafter	<u>9,235,812</u>
Total	<u>\$11,155,369</u>

Rent expense for fiscal year 2016 was \$539,767. The actual rent paid during the fiscal year was \$325,907.

*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 favorably.

**NOTE 10      SUBSEQUENT EVENTS**

The School has evaluated subsequent events through November 16, 2016, which is the date the financial statements were available to issue. This review and evaluation revealed no additional material events that would require disclosure or have an effect on the financial statements.

**MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL**  
**SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Program Services</b>	<b>General Administration</b>	<b>Total</b>
<b>Personnel, Salaries, and Benefits</b>			
Salaries and Wages	\$ 3,894,376	\$ 819,389	\$ 4,713,765
Payroll Taxes	282,544	90,945	373,489
Employee Benefits	401,356	129,187	530,543
<b>Total Personnel, Salaries, and Benefits</b>	<b>4,578,276</b>	<b>1,039,521</b>	<b>5,617,797</b>
<b>Direct Student Costs</b>			
Staff Development	68,091	-	68,091
Student Supplies	120,045	-	120,045
Contracted Services	155,345	-	155,345
Student Lunch	350,543	-	350,543
Activities/Field Trips	58,096	-	58,096
Transportation/Bus Expenses	83,830	-	83,830
Other Student Costs	52,853	-	52,853
<b>Total Direct Student Costs</b>	<b>888,803</b>	<b>-</b>	<b>888,803</b>
<b>Occupancy Expenses</b>			
Rent (including utilities)	621,664	74,878	696,542
Building Supplies/Materials	65,994	7,949	73,943
Building Maintenance and Repairs	20,140	2,426	22,566
Contracted Building Services	201,808	24,307	226,115
<b>Total Occupancy Expenses</b>	<b>909,606</b>	<b>109,560</b>	<b>1,019,166</b>
<b>Office Expenses</b>			
Office Supplies	12,832	1,546	14,378
Office Equipment Rental and Maintenance	24,881	10,347	35,228
Communications	6,854	23,798	30,652
Professional Services	12,000	12,000	24,000
Printing, Copying and Postage	562	562	1,124
Payroll Processing Expenses	1,649	199	1,848
Other Office Expense	10,468	1,261	11,729
<b>Total Office Expenses</b>	<b>69,246</b>	<b>49,713</b>	<b>118,959</b>
<b>General Expenses</b>			
Depreciation Expense	118,983	25,239	144,222
Administrative Fees	65,112	13,812	78,924
Provision for Doubtful Accounts	1,176	249	1,425
Insurance	57,085	12,109	69,194
Consultants	569	121	690
Other General Expenses	36,539	7,751	44,290
<b>Total General Expenses</b>	<b>279,464</b>	<b>59,281</b>	<b>338,745</b>
<b>Total Expenses</b>	<b>\$ 6,725,395</b>	<b>\$ 1,258,075</b>	<b>\$ 7,983,470</b>



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**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  
Mary McLeod Bethune Day 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 the Mary McLeod Bethune Day Academy Public Charter School (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 16, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control described in the schedule of findings and responses as item 2016-01 that we consider to be a significant deficiency.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The School's Response to Finding**

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

 Barb Smith C G

November 16, 2016  
Washington, D.C.

**MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**2016-01**

**Maintaining a Complete Debit Card Transaction Log**

The School has two debit cards that are used by the administrative staff to purchase the majority of its goods and services. The School's policy requires that a log be maintained of all debit card transactions for reconciliation and review. The School had a log but it was not consistently maintained and reviewed.

All debit card charges should be independently tracked, reconciled, and reviewed for accuracy and completeness.

**Management's Response:** While all debit card charges were tracked, reconciled and reviewed monthly as part of the monthly bank reconciliation process for the account, the school has decided to update and revise its debit card policy in light of this finding. The school will apply and obtain a credit card for the use of all previous debit card purchases and implement a credit card policy effective January 1, 2017. Upon implementation of the new credit card policy the school does not anticipate any issues or finding in the future.

The credit statement will be reconciled and review for accuracy on a monthly basis by the Finance Manager and the Executive Director.