

**MARY MCLEOD BETHUNE DAY ACADEMY
PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
*(Together With Independent Auditor's Report)***



MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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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, 2018 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 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 the School as of June 30, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses and vendor paid over \$25,000 on pages 11 and 12 and the schedule of expenditures of federal awards on page 18, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, are presented for the purpose of additional analysis and are 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 as a whole.

Report on Comparative Information

We have previously audited the School's 2017 financial statements. We expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2017. In our opinion, the comparative information presented herein, as of and for the year ended June 30, 2017 is consistent in all material respects with audited financial statements from which it was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the 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 School's internal control over financial reporting and compliance.

Bert Smith & Co

Washington, D.C.
November 30, 2018

MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
Current Assets		
Cash	\$ 940,497	\$ 454,809
Due from District	321,117	207,800
Other Receivables	67,634	14,890
Prepaid Expenses	1,674	1,896
Total Current Assets	1,330,922	679,395
Noncurrent Assets		
Security Deposit	12,595	8,595
Property and Equipment, net	1,996,784	2,048,752
Total Noncurrent Assets	2,009,379	2,057,347
Total Assets	\$3,340,301	\$ 2,736,742
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 120,450	\$ 106,264
Accrued Payroll and Taxes	390,708	461,526
Total Current Liabilities	511,158	567,790
Noncurrent Liabilities		
Deferred Rent	767,834	592,657
Total Liabilities	1,278,992	1,160,447
Unrestricted Net Assets	2,061,309	1,576,295
TOTAL LIABILITIES AND NET ASSETS	\$ 3,340,301	\$ 2,736,742

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, 2018
(With Comparative Totals for 2017)

	2018	2017
Revenue and Support		
Per Pupil Allotment	\$ 8,388,222	\$ 6,665,332
Federal Funds	784,273	702,933
Before and After Care	55,387	-
Other	41,423	11,403
Total Revenue and Support	9,269,305	7,379,668
 Expenses		
Program Services	7,480,179	6,959,300
Management and General	1,304,112	1,170,073
Total Expenses	8,784,291	8,129,373
 Changes In Net Assets	485,014	(749,705)
Net Assets, Beginning of Year	1,576,295	2,326,000
Net Assets, End of Year	\$ 2,061,309	\$ 1,576,295

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, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 485,014	\$ (749,705)
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</i>		
Provision for Doubtful Accounts	1,877	4,099
Loss on Disposal of Assets	10,556	-
Theft Loss	-	1,399
Depreciation Expense	163,744	168,718
<i>(Increase) Decrease in Assets:</i>		
Receivables	(167,938)	(46,086)
Prepaid Expenses	222	5,232
Other Assets	(4,000)	
<i>Increase (Decrease) in Liabilities:</i>		
Accounts Payable	14,185	(17,475)
Accrued Expenses	(70,818)	26,591
Deferred Rent	175,177	195,845
Net Cash Provided (Used in) by Operating Activities	608,019	(411,382)
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(122,331)	(62,411)
Net Cash Used in Investing Activities	(122,331)	(62,411)
Net Increase (Decrease) in Cash	485,688	(473,793)
Cash, Beginning of Year	454,809	928,602
Cash, End of Year	\$ 940,497	\$ 454,809

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, 2018

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 the School 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'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, 2018.

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.

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, 2018, 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. The School has elected not to early implement.

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

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, 2018, the uninsured cash balances totaled \$528,475.

NOTE 3 DUE FROM DISTRICT

The School receives an annual per pupil allotment and federal and local funds as a pass-through from the District. At June 30, 2018, the amount due from the District was \$321,117.

NOTE 4 PROPERTY AND EQUIPMENT

Nondepreciable	
Land	\$ 267,750
Building	198,336
Depreciable	
Building	385,038
Leasehold Improvements	1,359,874
Equipment and Furniture	488,715
Vehicles	125,136
Total Property and Equipment	<u>2,824,849</u>
Less: Accumulated Depreciation	<u>(828,065)</u>
Net Property and Equipment	<u>\$ 1,996,784</u>

Depreciation expense during fiscal year 2018 was \$163,744.

NOTE 5 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	\$6,929,145
Facilities	<u>1,459,077</u>
	<u>\$8,388,222</u>

NOTE 6 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 2018, the School matched up to five percent of employees' contributions. The School's matching contributions for the fiscal year ended June 30, 2018 totaled \$105,250.

NOTE 7 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 16th Street, N.W. The future minimum lease payments under the leases are as follows:

2019	\$ 404,989
2020	426,674
2021	340,937
2022	337,784
2023	355,748
Thereafter	<u>8,542,280</u>
Total	<u>\$10,408,412</u>

Rent expense for fiscal year 2018 was \$559,077. The actual rent paid during the fiscal year was \$383,899.

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 8 SUBSEQUENT EVENTS

The School has evaluated subsequent events through November 30, 2018, 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, 2018
(With Comparative Totals for 2017)

	<u>Program Services</u>	<u>General Administration</u>	<u>2018</u>	<u>2017</u>
Personnel, Salaries, and Benefits				
Salaries and Wages	\$4,164,676	\$ 870,425	\$ 5,035,101	\$ 4,769,144
Payroll Taxes	334,366	69,883	404,249	383,613
Employee Benefits	597,225	124,821	722,046	671,597
Total Personnel, Salaries, and Benefits	<u>5,096,267</u>	<u>1,065,129</u>	<u>6,161,396</u>	<u>5,824,354</u>
Direct Student Costs				
Staff Development	64,124	-	64,124	56,558
Student Supplies	94,603	-	94,603	76,362
Contracted Services	215,213	-	215,213	96,260
Student Lunch	400,999	-	400,999	372,639
Activities/Field Trips	39,376	-	39,376	53,339
Transportation/Bus Expenses	142,487	-	142,487	114,323
Other Student Costs	26,472	-	26,472	20,805
Total Direct Student Costs	<u>983,274</u>	<u>-</u>	<u>983,274</u>	<u>790,286</u>
Occupancy Expenses				
Rent (including utilities)	633,051	76,270	709,321	700,051
Building Supplies/Materials	23,453	2,826	26,279	21,287
Building Maintenance and Repairs	11,182	1,347	12,529	15,203
Contracted Building Services	289,587	34,890	324,477	241,750
Total Occupancy Expenses	<u>957,273</u>	<u>115,333</u>	<u>1,072,606</u>	<u>978,291</u>
Office Expenses				
Office Supplies	6,320	761	7,081	7,537
Office Equipment Rental and Maintenance	20,339	9,554	29,893	21,113
Communications	34,655	16,103	50,758	32,961
Professional Services	21,382	21,382	42,764	18,000
Printing, Copying and Postage	1,706	1,706	3,412	2,190
Payroll Processing Expenses	2,391	288	2,679	2,711
Other Office Expense	7,543	909	8,452	19,151
Total Office Expenses	<u>94,336</u>	<u>50,703</u>	<u>145,039</u>	<u>103,663</u>
General Expenses				
Depreciation Expense	135,437	28,307	163,744	168,718
Administrative Fees	81,293	16,990	98,283	57,136
Provision for Doubtful Accounts	1,552	324	1,876	4,099
Insurance	85,200	17,807	103,007	146,997
Consultants	703	147	850	24,250
Other General Expenses	44,844	9,372	54,216	31,579
Total General Expenses	<u>349,029</u>	<u>72,947</u>	<u>421,976</u>	<u>432,779</u>
Total Expenses	<u>\$7,480,179</u>	<u>\$ 1,304,112</u>	<u>\$ 8,784,291</u>	<u>\$ 8,129,373</u>

MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000
FOR THE YEAR ENDED JUNE 30, 2018

Name	Type of Service	Amount
AAS, LLC	Contracted SPED services	\$56,523
Benefit Design Group	Carefirst health insurance	\$500,983
CJ Maintenance	Facilities janitorial services	\$173,448
DC Government	Rent	\$269,392
DC Public Charter School Board	Oversight fee	\$98,283
DC Water and Sewer Authority	Water	\$41,609
Explorica Inc.	8 th Grade Educational Trip	\$28,569
Glass Geeks, LLC	Exterior & Interiors Doors	\$70,234
Great West	Retirement – employer match	\$105,250
International Baccalaureate	IB Annual fee and staff trainings for accreditation	\$30,676
Kaiser Permanente	Health insurance	\$95,183
Lincoln National	Life insurance	\$30,266
Pepco	Electricity	\$80,964
Philadelphia Insurance	General Liability/Auto Insurance	\$59,815
Revolution Food, Inc.	Food services	\$371,270
Sixth Presbyterian Church	Rent	\$74,255
Sysco Food	Fresh fruit & Vegetables	\$25,067
The Achievement Network	Annual Student Assessment Subscription	\$27,550
The Hartford	Worker’s Compensation Insurance	\$66,674
Unimpeachable Transportation	School Transportation services	\$27,275
Urban Teachers	Contracted teachers	\$95,000
Washington Gas	Gas	\$25,908
Waste Management	Trash/Waste removal services	\$44,024



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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 30, 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 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.

Bert Smith & Co.

Washington, D.C.
November 30, 2018



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED
BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Mary McLeod Bethune Day Academy Public Charter School (School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2018. The School's major federal program is 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 and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance on the School's major federal program 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 its major federal program for the year ended June 30, 2018.

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Other Matters

The results of our auditing procedure disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-01. Our opinion on the School's major federal program is not modified with respect to this matter.

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

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 non-compliance 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2018-01.

The School's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Bert Smith & Co.

Washington, D.C.
November 30, 2018

MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education:		
<i>Pass-Through Programs From:</i>		
<i>District of Columbia Office of State Superintendent of Education</i>		
Title I Part A		
Title I Part A (FY17)	84.010A	\$ 31,788
Title I Part A (FY18)		163,307
Total Title I Part A		<u>195,095</u>
Title II Part A		
Title II Part A FY18	84.367A	44,223
Total Title II		<u>44,223</u>
Title IV		
Title IV-A FY18	84.424A	10,000
Total Title II Cluster		<u>10,000</u>
Special Education Cluster (IDEA)		
IDEA Part B, Section 611	84.027A	53,580
IDEA Part B, Section 619	84.173A	123
Total Special Education (IDEA) Cluster		<u>53,703</u>
SOAR Act Funding		
Academic Quality Grants for Charters (FY17)	84.370C	58,269
Academic Quality Grants for Charters (FY18)	84.370C	7,660
Total SOAR Act Funding		<u>65,929</u>
<i>Total U.S. Department of Education</i>		<u>368,950</u>
U.S. Department of Agriculture:		
<i>Pass-through Programs from District of Columbia</i>		
<i>Office of State Superintendent of Education</i>		
Child Nutrition Cluster		
National School Breakfast and Lunch Program	10.553/10.555	391,116
Fresh Fruits and Vegetables	10.589	24,207
Total Child Nutrition Cluster		<u>415,323</u>
Total Expenditures of Federal Awards		<u>\$ 784,273</u>

The accompanying notes are an integral part of this Schedule.

MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Mary McLeod Bethune Day Academy Public Charter School (School) under programs of the federal government for the year June 30, 2018. The information in this 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). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on 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 expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
• Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	Yes
Identification of Major Federal Programs:	
10.553/10.555 National School Breakfast and Lunch Program	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low risk auditee:	No

MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section II: Financial Statement Findings

No matters were noted.

MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section III: Federal Award Findings

Finding No:	2018-01
Federal Program:	National School Breakfast and Lunch Program
CFDA No:	10.553/10.555
Condition:	The School's meal reimbursements requests for (4) months did not agree with its daily tally forms. For some months, the School underreported the number of meals served.
Criteria:	Under its agreement with the District for the National School Breakfast and Lunch program, the School is required to complete on a monthly basis a reimbursement claim form of the number of meals served for lunch, breakfast, and snacks.
Context:	The School submitted 12 monthly reimbursements requests during the fiscal year.
Effect:	The School over and under reported the number of meals served for the months tested.
Cause:	The School used a manual process of counting and compiling the meals served each month.
Recommendation:	We recommend the School evaluate the feasibility of using an automated system for counting and compiling the meals served each month.
Questioned Costs:	The question costs were below the threshold under the Uniform Guidance.
Views of Responsible Officials and Planned Corrective Action:	To address deficiencies with regards to the number of meals served, effective December 1, 2018, the Food Service Supervisor will record and report on a daily basis all meals served to Mr. Cole, Facilities Manager. Mr. Cole will review the daily calculations and enter the information onto an Excel spreadsheet on a weekly basis. At the end of each month, the Excel file will be reconciled against the daily/weekly records prior to the submission of reimbursement request.

MARY MCLEOD BETHUNE DAY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section IV-Corrective Action Plan

Finding No: 2018-01

Finding: The School's meal reimbursement requests for four (4) months did not agree with its daily tally forms.

Name of Contact Person: Don Cole, School Facility Manager

Corrective Action Plan: To address deficiencies with regards to the number of meals served, effective December 1, 2018, the Food Service Supervisor will record and report on a daily basis all meals served to Mr. Cole, Facilities Manager. Mr. Cole will review the daily calculations and enter the information onto an Excel spreadsheet on a weekly basis. At the end of each month, the Excel file will be reconciled against the daily/weekly records prior to the submission of reimbursement request.

Anticipated Completion Date: December 1, 2018