Maya Angelou Public Charter School

Financial Report
June 30, 2017

Contents

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Maya Angelou Public Charter School

Report on the Financial Statements
We have audited the accompanying financial statements of Maya Angelou Public Charter School (the School), an affiliated entity of See Forever Foundation, which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 Maya Angelou Public Charter School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our reports dated February 12, 2018 and November 22, 2016, 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 these reports 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. These reports are 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.

RSM US LLP

Washington, D.C.
February 12, 2018

Maya Angelou Public Charter School

Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash	$ 267,015	$ 1,943,089
Grants receivable	580,988	374,586
Prepaid expenses and deposits	66,065	102,380
Investments	1,084,736	-
Total current assets	1,998,804	2,420,055
Long-term assets:		
Property and equipment, net	14,662,197	14,581,467
Total assets	$ 16,661,001	$ 17,001,522
Liabilities and Net Assets		
Current liabilities:		
Accrued expenses and accounts payable	$ 738,775	$ 605,265
Due to parent entity	7,500	165,555
Due to parent entity – construction loan reimbursement, current portion	91,441	87,321
Capital lease obligations, current portion	23,481	-
Deferred revenue	-	11,831
Total current liabilities	861,197	869,972
Long-term liabilities:		
Due to parent entity – construction loan reimbursement, net of current portion	3,725,532	3,816,606
Deferred rent	2,155,460	1,611,001
Capital lease obligations, net of current portion	29,453	-
Total liabilities	6,771,642	6,297,579
Contingencies and commitments (Notes 5, 6 and 7)		
Net assets:		
Unrestricted	9,652,735	10,703,943
Temporarily restricted	236,624	-
	9,889,359	10,703,943
Total liabilities and net assets	$ 16,661,001	$ 17,001,522

See notes to financial statements.

Maya Angelou Public Charter School

Statements of Activities
Years Ended June 30, 2017 and 2016

	2017			All Unrestricted
	Unrestricted	**Temporarily Restricted**	**Total**	2016
Support and revenue:				
Per-pupil allocations	**$ 7,774,348**	**$ -**	**$ 7,774,348**	$ 8,886,856
Private grants and contributions	**933,349**	**236,624**	**1,169,973**	3,309
Federal grants and entitlements	**722,522**	**-**	**722,522**	797,293
Other government grants and entitlements	**403,236**	**-**	**403,236**	136,417
Donated services	**66,822**	**-**	**66,822**	153,670
Investment income	**22,198**	**-**	**22,198**	-
Other revenue	**1,357**	**-**	**1,357**	4,197
Total support and revenue	**9,923,832**	**236,624**	**10,160,456**	9,981,742
Expenses:				
Educational programs	**8,300,264**	**-**	**8,300,264**	8,097,820
Supporting services:				
General and administrative	**2,409,783**	**-**	**2,409,783**	2,483,165
Fundraising	**264,993**	**-**	**264,993**	-
Total expenses	**10,975,040**	**-**	**10,975,040**	10,580,985
Change in net assets	**(1,051,208)**	**236,624**	**(814,584)**	(599,243)
Net assets:				
Beginning	**10,703,943**	**-**	**10,703,943**	11,303,186
Ending	**$ 9,652,735**	**$ 236,624**	**$ 9,889,359**	$ 10,703,943

See notes to financial statements.

Maya Angelou Public Charter School

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ (814,584)	$ (599,243)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	777,283	803,293
Deferred rent	544,459	544,459
Unrealized gain on investments	(13,597)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(206,402)	456,762
Prepaid expenses and deposits	36,315	(59,902)
Increase (decrease) in:		
Accrued expenses and accounts payable	133,510	41,560
Deferred revenue	(11,831)	11,831
Net cash provided by operating activities	445,153	1,198,760
Cash flows from investing activities:		
Purchases of investments	(1,071,139)	-
Purchases of property and equipment	(786,675)	(1,277,470)
Net cash used in investing activities	(1,857,814)	(1,277,470)
Cash flows from financing activities:		
Net repayments to parent entity	(245,009)	(261,551)
Principal payments on capital lease obligations	(18,404)	-
Net cash used in financing activities	(263,413)	(261,551)
Net decrease in cash	(1,676,074)	(340,261)
Cash:		
Beginning	1,943,089	2,283,350
Ending	$ 267,015	$ 1,943,089
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 244,130	$ 162,965
Supplemental schedule of noncash investing and financing activities:		
Equipment acquired under capital lease	$ 71,338	$ -

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Maya Angelou Public Charter School (the School), a District of Columbia (D.C. or the District) nonprofit entity, was incorporated on July 1, 1998, to provide educational opportunities for neglected boys and girls coming out of the juvenile justice system in order to increase their academic skills and move them forward to college or full-time employment. In addition, students learn personal responsibility and develop leadership skills and political awareness, while becoming competent contributors to a global society.

The School serves a population of 400 students at its campus for high school and young adult students. The School's activities are primarily funded by local appropriations from the District, as well as federal entitlements. These funds are expended on programs and activities designed to provide educational services, such as short-term training, leadership skills and the development of program services to assist the School's students.

See Forever Foundation (the Foundation) is the parent of the School, which has a primary purpose of securing resources needed to supplement the School's local appropriation.

A summary of the School's significant accounting policies follows:

Basis of accounting: The financial statements of the School have been prepared on the accrual basis of accounting consistent with accounting principles generally accepted in the United States (GAAP), whereby unconditional support is recognized when received, revenue is recognized when earned, and expenses are recognized when the related obligations have been incurred.

Single entity-only financial statements: These financial statements were prepared on a single entity-only basis for the use of the Board of Directors, management, District of Columbia Public Charter School Board (DCPCSB) and federal awarding agencies. For purposes of this presentation, the assets and revenue of the School's parent entity are not presented. For purposes of presenting certain government reports, the School prepares these single entity-only financial statements.

The Foundation's financial statements include the School's financial statements in accordance with GAAP. In those financial statements, all affiliated entity transactions, balances receivable, liabilities and balances payable are eliminated.

Basis of presentation: The School's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC), Topic 958 Not-For-Profit Entities section "Presentation of Financial Statements". Under this standard, the School reports information regarding its financial position and activities according to three classes of net assets – unrestricted, temporarily restricted and permanently restricted – based on the existence or absence of donor-imposed restrictions. The School did not have temporarily or permanently restricted net assets at June 30, 2017 and 2016.

Charter school agreement: On September 4, 1998, the School entered into a 15-year Charter School Agreement with the DCPCSB. This agreement was renewed effective July 1, 2013, for another 15-year term. Under the terms of this agreement, the School will operate a charter school for students grades 7 through 12, in accordance with the mission established in the School's by-laws. The School currently operates one campus in the District.

Financial risk: The School maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to any significant financial risk on cash.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The School invests in a professionally managed portfolio that contains mutual funds and money market funds which are publicly traded. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near-term would materially affect investment balances and the amounts reported in the financial statements. Cash equivalents temporarily held in the investment portfolio for investment are classified as investments.

Grants receivable: Grants receivable are stated at net realizable value. On a periodic basis, management evaluates its grants receivable and establishes an allowance for doubtful accounts based on management’s analysis of possible bad debts. It is the School’s policy to write off uncollectible accounts and grants receivable when management determines that such amounts are uncollectible. Management considered grants receivable fully collectible as of June 30, 2017 and 2016.

Investments: Investments in mutual funds with readily determinable fair values are reflected at fair market value. To adjust the carrying values of these securities, the change in fair market value is recorded as a component of investment income in the statement of activities. Investments are classified as short-term as they are available for current operations.

Property and equipment: Property and equipment valued in excess of $2,500 are capitalized and recorded at cost, if purchased, or estimated at fair value at the date of gift, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 25 years.

Repairs, maintenance and minor replacements are expensed as incurred, while major replacements and/or improvements that extend the useful lives of assets are capitalized and depreciated over the lives of the assets. Leasehold improvements are amortized over the shorter of the remaining term of the lease or the useful life of the improvement based on the straight-line method.

Valuation of long-lived assets: The School reviews property and equipment and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Accrued expenses and accounts payable: Accrued expenses and accounts payable include accrued payroll, employee vacation and other expenses.

Due to/from parent entity: The School occasionally receives advances from the Foundation enabling the School to meet its operating obligations, and such amounts are recorded as due to parent entity in the statements of financial position. Additionally, the School has a memorandum of understanding with the Foundation, whereby the School obtained a $4 million loan from the Foundation to reimburse the Foundation for the construction loan the Foundation obtained for the Evans building renovation.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Deferred rent: The School has a lease agreement for a school building in D.C. The lease includes provisions for annual increases in base rent and various abatements and incentives, which are being recognized on a straight-line basis over the life of the lease agreement.

Per-pupil allocations: Per-pupil allotments are received from the District and are recognized in the period earned, which is the school year. Amounts received that have not been earned through the end of the fiscal year are recorded as deferred revenue.

Grants: The School receives grants from federal and local agencies and private grantors for various purposes. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant or award. The School defers amounts received under approved awards from grantors to the extent the amounts exceed expenses incurred for the purposes specified under the grant restrictions. These deferred grants, if any, are recorded as refundable advances.

Contributions: Unconditional contributions are recorded when pledged or awarded and are classified as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor or grant restrictions. Temporarily restricted contributions and grants for which restrictions are fulfilled in the same period that they are received are recorded as unrestricted support in the statements of activities. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Conditional promises to give are recognized only when the promises on which they depend are substantially met and the promises become unconditional.

Contributed property and equipment is recorded at fair value at the date of donation. Unless donor restrictions are present which restrict the use of such assets, contributed property and equipment are recorded as unrestricted support in the statements of activities.

Donated services: Donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, which would typically need to be purchased if not provided by donation, are recorded at fair value in the period provided.

During the years ended June 30, 2017 and 2016, the School also received donated services from a variety of volunteers and legal counsel. Amounts have been recognized in the accompanying statements of activities for those donated services which satisfy the criteria for recognition under the FASB ASC Topic, Revenue Recognition.

Salary expenses: Salary expense is recognized in the year the service is rendered, which coincides with the fiscal year. Salaries unpaid at June 30 are recognized as expense and accrued.

Functional allocation of expenses: The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative expenses include those costs not directly identifiable with any other specific function but that provide for the overall support and administration of the School.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Tax status: The School received a determination letter from the Internal Revenue Service (IRS) exempting the School from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and applicable income tax laws and regulations of the District. The School is classified as other than a private foundation within the meaning of Section 509(a)(1) of the Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The School did not have any net unrelated business income for the years ended June 30, 2017 and 2016. The School's management evaluated its tax positions and concluded there were no uncertain tax positions that would require adjustment to the financial statements.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain items in the June 30, 2016, financial statements have been reclassified to conform to the June 30, 2017, financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The School is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, along with the various updates in 2016 and 2015, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The School has not yet selected a transition method and is currently evaluating the effect that the ASU will have on the financial statements.

In August, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The School has not evaluated the impact of this ASU on the financial statements.

Subsequent events: The School evaluated subsequent events through February 12, 2018, which is the date the financial statements were available to be issued.

Note 2. Property and Equipment

Property and equipment consist of the following at June 30, 2017 and 2016:

	Estimated Useful Lives	2017	2016
Leasehold improvements	15-25 years	$ 16,472,820	$ 15,802,657
Equipment	3-5 years	731,593	599,126
Vehicles	5 years	68,210	68,210
Construction-in-process	-	54,083	46,937
		17,326,706	16,516,930
Less accumulated depreciation		(2,664,509)	(1,935,463)
		$ 14,662,197	$ 14,581,467

Depreciation expense for the years ended June 30, 2017 and 2016, was $777,283 and $803,293, respectively.

Note 3. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the year ended June 30, 2017, were as follows:

	Balance June 30, 2016	Additions	Released	Balance June 30, 2017
Time restricted:				
General support	$ -	$ 25,000	$ -	$ 25,000
Purpose restricted:				
School Parent Liason	-	7,147	-	7,147
School Communications Specialist	-	17,945	-	17,945
School Arts Program	-	22,586	-	22,586
Summer School	-	44,500	-	44,500
Young Adult Center Teachers/Counselors	-	104,446	-	104,446
Post-secondary Success Program	-	15,000	-	15,000
Total	$ -	$ 236,624	$ -	$ 236,624

Note 4. Fair Value Measurements

The Fair Value Measurement topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

The mutual funds and money market funds are classified as a Level 1 instrument as its fair value is based on quoted values in observable markets. The tables below present the balances of assets, measured at fair value on a recurring basis with the hierarchy.

As of June 30, 2017:

Mutual funds	$ 1,020,847
Money market funds	63,889
	$ 1,084,736

The School had no investments in 2016.

Investment income for the year ended June 30, 2017, consists of the following:

Interest and dividends	$ 8,601
Unrealized gains	13,597
	$ 22,198

There was no investment income for the year ended June 30, 2016.

Note 5. Contingencies and Commitments

Building leases: The School entered into a 25-year lease with the District for the Evans building effective July 15, 2013. The lease requires an annual base rent of $1,686,630, with a provision for increases in rental payments equal to 2% annually. The School will receive a 12-month rent abatement for every $1,000,000 of renovation costs made to the building, for a maximum abatement of 180 months. The renovations were completed in July 2017. In addition the School will receive an annual credit of $10 per square foot against the base rent to be used for the operating cost of the building. The lease contains one option to extend for another 25-year period at fair market value.

Additionally, the School holds one one-year residential lease for property in the Northeast section of D.C. with three other residential leases in Northeast and Southeast section of D.C. that are month-to-month.

Note 5. Contingencies and Commitments (Continued)

Future minimum rental payments (net of abatements) on leases with terms of one year or more are due as follows:

Years ending June 30:		
2018	$	2,500
2019		-
2020		-
2021		-
2022		-
Thereafter		13,611,469
	$	13,613,969

Total rent expense under these leases for the years ended June 30, 2017 and 2016, was $766,458 and $755,004, respectively.

Equipment lease: During the fiscal year ended June 30, 2017, the School entered into a lease agreement for certain equipment expiring in 2020. The assets and liabilities under a capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are depreciated over the shorter of the estimated life of the assets or lease term. Depreciation of assets under capital leases is included in depreciation on the statement of activities.

Following is a summary of assets held under capital leases:

Cost of equipment	$	71,338
Less accumulated depreciation		(17,834)
	$	53,504

Minimum future lease payments under capital leases as of June 30, 2017, is as follows:

Years ending June 30:		
2018	$	24,122
2019		26,315
2020		6,579
		57,016
Thereafter		(4,082)
	$	52,934

Federal grants: The School participates in federally-assisted grant programs, which are subject to financial and compliance audits by the grantors or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

Note 6. Related Entity Transactions

The School shares office space in a building leased by the Foundation. The School has a shared cost arrangement with the Foundation, such that certain administrative costs are contributed by the Foundation to the extent that the School does not have the requisite funding. In addition, the School and the Foundation each pay for respective portions of certain other common expenses. The Foundation facilitates funding for operating expenses from time to time.

Transactions with the Foundation for the years ended June 30, 2017 and 2016, are as follows:

	2017	2016
Administrative costs paid to the Foundation by the School:		
Non-personnel costs	$ 413,895	$ 293,378
Personnel costs	449,484	395,090
	$ 863,379	$ 688,468
Balance of funds loaned by the Foundation to the School:		
Operating short-term loan	$ (7,500)	$ (165,555)
Construction long-term loan	(3,816,973)	(3,903,927)
Amount due to parent entity recorded as a liability	$ (3,824,473)	$ (4,069,482)

Note 7. Due to Parent Entity – Construction Loan and Guarantee

In April 2014, the Foundation, the School's parent, obtained a $4 million loan from Suntrust Bank (the Bank) to finance the Evans building renovations. The loan is collateralized by all property and equipment of the Foundation and the School. Per the loan agreement between the Foundation and the Bank, the School is guarantor on the loan and as such has agreed to guaranty payment and performance of all of the Foundation's obligations. The loan bears interest at the London InterBank Offered Rate (LIBOR) plus 2.20% and matures on April 7, 2021. The Foundation and School, on a consolidated basis, are subject to various financial covenants including a debt service coverage ratio of at least 1.10 to 1. At June 30, 2017 and 2016, the outstanding loan balance was $3,816,973 and $3,903,927, respectively.

The Foundation contributed the Evans building improvements to the School and has a memorandum of understanding with the School whereas the School will provide the funds for the loan repayment.

Future minimum payments on the Foundation's note payable are as follows:

Years ending June 30:	
2018	$ 91,441
2019	96,561
2020	101,542
2021	3,527,429
	$ 3,816,973

Interest expense on the loan was $230,799 and $151,079 for the years ended June 30, 2017 and 2016, respectively.

Note 8. Concentration

The School receives a substantial portion of its revenue from the District and the Federal Government. If a significant reduction in this revenue should occur, it may have an effect on the School's programs. During the years ended June 30, 2017 and 2016, 87% and 98%, respectively, of the School's revenue was comprised of grant funding from the District and the Federal Government.

Note 9. Retirement Plan

The School has a defined contribution plan (the Plan) under Section 403(b) of the Code. The School contributed 5% of each employee's gross salary for the years ended June 30, 2017 and 2016, subject to IRS limitations, upon the completion of one year's employment. The School contributed $167,351 and $164,114 to the Plan for the years ended June 30, 2017 and 2016, respectively.

Note 10. Pupil Allocation

The components of pupil allocation revenue for the years ended June 30, 2017 and 2016, are as follows:

	2017	2016
Pupil allocation – general education and other	$ 6,679,404	$ 7,619,899
Pupil allocation – facilities	1,094,944	1,266,957
	$ 7,774,348	$ 8,886,856

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Maya Angelou Public Charter School

We have audited the financial statements of Maya Angelou Public Charter School (the School) as of and for the years ended June 30, 2017 and 2016, and have issued our report thereon which contains an unmodified opinion on those financial statements (see pages 1 and 2). Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information 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 audits 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.

RSM US LLP

Washington, D.C.
February 12, 2018

Maya Angelou Public Charter School

Schedule of Functional Expenses
Year Ended June 30, 2017

	Educational Programs	General and Administrative	Fundraising	Total
Personnel, salaries and benefits:				
Salaries	$ 4,918,603	$ 182,561	$ 131,025	$ 5,232,189
Employee benefits	422,868	52,858	52,858	528,584
Payroll taxes	401,117	50,140	50,140	501,397
Professional development	107,366	13,421	13,421	134,208
Total personnel, salaries and benefits	5,849,954	298,980	247,444	6,396,378
Direct student costs:				
Supplies and materials	120,499	-	-	120,499
Transportation	30,589	-	-	30,589
Contracted instruction fees	101,627	-	-	101,627
Textbooks	24,047	-	-	24,047
Student assessments	34,768	-	-	34,768
Other student costs	367,594	-	-	367,594
Total direct student costs	679,124	-	-	679,124
Occupancy expenses:				
Rent	686,719	79,739	-	766,458
Maintenance and repairs	18,960	170,642	-	189,602
Utilities	236,995	1,461	-	238,456
Contracted building services	54,733	492,594	-	547,327
Total occupancy expenses	997,407	744,436	-	1,741,843
Office expenses:				
Office supplies and materials	35,783	4,473	4,473	44,729
Equipment rental	1,983	17,846	-	19,829
Telecommunications	2,073	18,655	-	20,728
Professional fees	207,347	298,599	-	505,946
Printing and publications	16,138	2,017	2,017	20,172
Postage and shipping	458	4,123	-	4,581
Computer and related	12,575	113,176	-	125,751
Memberships and subscriptions	1,130	10,169	-	11,299
Other office expenses	4,974	622	622	6,218
Total office expenses	282,461	469,680	7,112	759,253
General expenses:				
Insurance	15,563	140,064	-	155,627
DCPCSB administration fee	104,827	-	-	104,827
Depreciation	77,728	699,555	-	777,283
Fees and licenses	-	5,670	-	5,670
Mortgage interest	207,719	23,080	-	230,799
Food service/catering	1,987	17,881	-	19,868
Advertising	-	-	-	-
Other general expenses	83,494	10,437	10,437	104,368
Total general expenses	491,318	896,687	10,437	1,398,442
	$ 8,300,264	$ 2,409,783	$ 264,993	$ 10,975,040

Maya Angelou Public Charter School

Schedule of Functional Expenses
Year Ended June 30, 2016

	Educational Programs	General and Administrative	Total
Personnel, salaries and benefits:			
Salaries	$ 4,977,645	$ 518,907	$ 5,496,552
Employee benefits	548,179	58,072	606,251
Payroll taxes	441,421	38,668	480,089
Professional development	85,744	4,068	89,812
Total personnel, salaries and benefits	6,052,989	619,715	6,672,704
Direct student costs:			
Supplies and materials	47,320	-	47,320
Transportation	15,380	-	15,380
Contracted instruction fees	121,337	-	121,337
Textbooks	14,401	-	14,401
Student assessments	90,126	-	90,126
Other student costs	319,859	-	319,859
Total direct student costs	608,423	-	608,423
Occupancy expenses:			
Rent	680,228	74,776	755,004
Maintenance and repairs	11,684	105,160	116,844
Utilities	174,296	224	174,520
Contracted building services	29,203	262,824	292,027
Total occupancy expenses	895,411	442,984	1,338,395
Office expenses:			
Office supplies and materials	5,712	51,404	57,116
Equipment rental	2,290	20,607	22,897
Telecommunications	1,567	14,106	15,673
Professional fees	123,522	323,615	447,137
Printing and publications	7,592	15,648	23,240
Postage and shipping	398	3,586	3,984
Computer and related	48,079	73,798	121,877
Memberships and subscriptions	6,590	1,555	8,145
Total office expenses	195,750	504,319	700,069
General expenses:			
Insurance	13,863	124,765	138,628
DCPCSB administration fee	83,737	-	83,737
Depreciation	80,329	722,964	803,293
Fees and licenses	-	26,452	26,452
Mortgage interest	135,971	15,108	151,079
Food service/catering	7,431	8,710	16,141
Advertising	21,900	-	21,900
Other general expenses	2,016	18,148	20,164
Total general expenses	345,247	916,147	1,261,394
	$ 8,097,820	$ 2,483,165	$ 10,580,985

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Maya Angelou Public Charter School

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 Maya Angelou Public Charter School (the School), which comprise the statement of financial position as of June 30, 2017, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described below, that we consider to be a material weakness, 2017-001.

2017-001: Depreciation on Leasehold Improvements

Criteria: In accordance with auditing standards generally accepted in the United States of America (U.S. GAAP), leasehold improvements should be depreciated over the lesser of the useful life of the improvements or the lease term. In addition, depreciation should be calculated as of the placed-in-service date.

Condition: The School's procedures for assuring depreciation was accurately recorded was not effective.

Context: The School entered into a 25-year lease for a building with the District of Columbia. Building leasehold improvements occurred in phases over multiple years. Leasehold improvements completed and placed-in-service in years subsequent to the first year of the lease were being depreciated over 25 years instead of reducing for the year placed-in-service. In addition for leasehold improvements placed-in-service in years subsequent to the first lease year, depreciation was calculated as of the beginning of the lease term instead of just the year placed-in-service.

Effect: Depreciation over leasehold improvements is being calculated incorrectly that over time would result in a material misstatement to the financial statements. The effect on net assets at June 30, 2016, is an overstatement of accumulated depreciation of $142,373 and understatement of net assets. The error existing at June 30, 2016, was corrected during the year ended June 30, 2017.

Cause: A review of the depreciation schedule did not detect the error.

Recommendation: We recommend that the fixed asset schedule be independently reviewed for lives assigned, placed in service dates and calculations to ensure the accuracy of the schedule.

Views of responsible officials and correction action: The School's response is described separately in the corrective action plan.

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 separately in the corrective action plan. 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.

RSM US LLP

Washington, D.C.
February 12, 2018

Corrective Action Plan
Year Ended June 30, 2017

A. Auditors Finding 2017-001:

The School entered into a 25-year lease for a building with the District of Columbia. Building leasehold improvements occurred in phases over multiple years. For leasehold improvements completed and placed-in-service in years subsequent to the first year of the lease were being depreciated over 25 years instead of reducing for the year placed-in-service. In addition for leasehold improvements placed-in-service in years subsequent to the first lease year, depreciation was calculated as of the beginning of the lease term instead of just the year placed-in-service. The School's procedures for assuring depreciation was accurately recorded was not effective. In accordance with auditing standards generally accepted in the United States of America (U.S. GAAP), leasehold improvements should be depreciated over the lesser of the useful life of the improvements or the lease term. In addition, depreciation should be calculated as of the placed-in-service date.

B. Corrective Action to be Taken or Planned:

Management has examined the process for reviewing the fixed asset schedule. We have implemented a new system which reviews assets on a monthly basis regardless of when they were placed in service or if they were subject to a prior year audit. The review will look at the useful life of assets, calculations and accuracy of the schedule.

C. Proposed Completion Date:

February 28, 2018

D. Person Responsible for Implementing the Action Plan:

Chief Operating Officer