

MAYA ANGELOU PUBLIC CHARTER SCHOOL

WASHINGTON, DC

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Maya Angelou Public Charter School
600 Pennsylvania Avenue, SE, Suite 210
Washington, DC 20003

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Maya Angelou Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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 Maya Angelou Public Charter 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

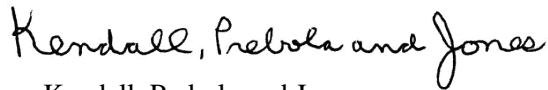
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the accompanying schedule of expenditures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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2019, on our consideration of the Maya Angelou Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Maya Angelou Public Charter School's internal control over financial reporting and compliance.

Adjustment to Prior Period Statements

The financial statements for the year ended June 30, 2017, were audited by other auditors. As reported in Note 3 to the financial statements, the Maya Angelou Public Charter School restated its 2017 financial statements during the current year for the effects of these prior period adjustments. Because the comparability of the financial statements is not consistent, the previously audited financial statements for the year ended June 30, 2017, are not presented. Our opinion is not modified with respect to that matter.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
February 27, 2019

MAYA ANGELOU PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 598,898
Investments	845,673
Accounts Receivable	94,743
Grants Receivable	820,191
Promises Receivable	50,000
Prepaid Expenses	<u>105,033</u>
Total Current Assets	<u>\$ 2,514,538</u>

Fixed Assets:

Property and Equipment	\$ 18,040,486
Construction in Progress	638,295
Less: Accumulated Depreciation	<u>(3,601,271)</u>
Total Fixed Assets	<u>\$ 15,077,510</u>

Other Assets:

Deposits	\$ 9,500
Total Other Assets	<u>\$ 9,500</u>
TOTAL ASSETS	<u>\$ 17,601,548</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 818,242
Accrued Interest Payable	15,647
Accrued Salaries and Compensated Absences	393,399
Payroll Taxes and Related Liabilities	22,630
Due to Parent Entity	235,154
Due to Parent Entity - Construction Loan, Current Portion	96,157
Capital Lease Obligation, Current Portion	<u>23,075</u>
Total Current Liabilities	<u>\$ 1,604,304</u>

Long-Term Liabilities:

Due to Parent Entity - Construction Loan, Net of Current Portion	\$ 3,629,375
Security Deposit Payable	50,000
Capital Lease Obligation, Net of Current Portion	<u>4,349</u>
Total Long-Term Liabilities	<u>\$ 3,683,724</u>
Total Liabilities	<u>\$ 5,288,028</u>

Net Assets:

Unrestricted	\$ 11,753,806
Temporarily Restricted	<u>559,714</u>
Total Net Assets	<u>\$ 12,313,520</u>

TOTAL LIABILITIES AND NET ASSETS \$ 17,601,548

(See Accompanying Notes and Auditor's Report)

MAYA ANGELOU PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues, Gains, and Other Support:</u>			
Tuition - Per Pupil Funding Allocation	\$ 7,906,506	\$ -	\$ 7,906,506
Federal Entitlements and Grants	1,155,736	-	1,155,736
Donated Federal Commodities	6,510	-	6,510
Other Government Grants and Entitlements	236,548	-	236,548
Private Grants and Contributions	247,223	1,280,225	1,527,448
Contributions, See Forever Foundation	-	511,160	511,160
Donated Services and Materials	89,226	-	89,226
Student Fees and Other	2,313	-	2,313
Interest, Dividends and Realized Gains,			
Net of Investment Fees	51,758	-	51,758
Unrealized Gains/(Losses) on Investments	(29,085)	-	(29,085)
Rental Income	437	-	437
Net Assets Released from Restrictions -			
Satisfaction of Program Restrictions	1,468,295	(1,468,295)	-
Subtotal	<u>\$ 11,135,467</u>	<u>\$ 323,090</u>	<u>\$ 11,458,557</u>
Unusual Item - Gain from Forgiveness of Rent (Note 16)	<u>\$ 2,155,460</u>	<u>\$ _____-</u>	<u>\$ 2,155,460</u>
Total Revenues, Gains and Other Support	<u>\$ 13,290,927</u>	<u>\$ 323,090</u>	<u>\$ 13,614,017</u>
<u>Expenses:</u>			
Educational Services	\$ 9,765,018	\$ -	\$ 9,765,018
General and Administrative	1,209,715	-	1,209,715
Fundraising	215,164	-	215,164
Total Expenses	<u>\$ 11,189,897</u>	<u>\$ _____-</u>	<u>\$ 11,189,897</u>
Change in Net Assets	<u>\$ 2,101,030</u>	<u>\$ 323,090</u>	<u>\$ 2,424,120</u>
Net Assets, Beginning of Year as Previously Reported	\$ 9,652,735	\$ 236,624	\$ 9,889,359
Adjustment for Restatement of Net Assets Beginning Balance (Note 3)	41	-	41
Net Assets, Beginning of Year, as Restated	<u>9,652,776</u>	<u>236,624</u>	<u>9,889,400</u>
Net Assets, End of Year	<u>\$ 11,753,806</u>	<u>\$ 559,714</u>	<u>\$ 12,313,520</u>

(See Accompanying Notes and Auditor's Report)

MAYA ANGELOU PUBLIC CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities:

Changes in Net Assets	\$ 2,424,120
 Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:	
Depreciation and Amortization	936,761
Unrealized (Gain)/Loss on Investments	29,085
Unusual Item - Rent Forgiveness	(2,155,460)
Accounts Receivable - (Increase)/Decrease	(2,951)
Grants Receivable - (Increase)/Decrease	(396,428)
Prepaid Expenses - (Increase)/Decrease	(46,433)
Deposits - (Increase)/Decrease	(2,035)
Accounts Payable and Accrued Expenses - Increase/(Decrease)	120,936
Accrued Interest Payable - Increase/(Decrease)	1,805
Accrued Salaries and Compensated Absences - Increase/(Decrease)	(176,544)
Payroll Taxes and Related Liabilities - Increase/(Decrease)	(12,717)
Due to Parent Entity - Increase/(Decrease)	238,591
Security Deposit Payable - Increase/(Decrease)	<u>50,000</u>
Net Cash Flows from Operating Activities	<u>\$ 1,008,730</u>

Cash Flows from Investing Activities:

Purchase of Investments	\$ (643,023)
Sale of Investments	789,111
Purchase of Property and Equipment	(713,780)
Payments for Construction in Progress	<u>(56,055)</u>
Net Cash Flows from Investing Activities	<u>\$ (623,747)</u>

Cash Flows from Financing Activities:

Repayments to Parent Entity - Construction Loan	\$ (91,441)
Principal Payments on Capital Lease Obligations	<u>(25,510)</u>
Net Cash Flows from Financing Activities	<u>\$ (116,951)</u>

Net Increase in Cash and Cash Equivalents	\$ 268,032
Cash and Cash Equivalents at Beginning of Year	<u>330,866</u>
Cash and Cash Equivalents at End of Year	<u>\$ 598,898</u>

Supplemental Disclosures:

- a) No income taxes were paid during the year ended June 30, 2018.
- b) Interest in the amount of \$195,032 was paid during the year ended June 30, 2018.

(See Accompanying Notes and Auditor's Report)

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

Maya Angelou Public Charter School (the Charter School or Maya Angelou), a District of Columbia Not-for-Profit organization, 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 skills and political awareness, while becoming competent contributors to a global society. In 2006, the DC Office of the State Superintendent of Education (OSSE) designated Maya Angelou Public Charter School as an alternative education program.

The Charter School serves a population of approximately 300 students at its campus for high school and young adult students. The Charter School's primary source of support is local appropriations for Charter Schools from the District of Columbia. The Charter School also receives federal entitlement funding through the Office of the State Superintendent of Education. 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 Charter School's students.

See Forever Foundation

The Maya Angelou Public Charter School is a subsidiary of the See Forever Foundation, a nonprofit organization incorporated within the District of Columbia on August 23, 1995. The See Forever Foundation donates private funds to Maya Angelou and provides it central-office support. In addition, the See Forever Foundation Board of Directors is represented in full on the Maya Angelou Board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of Maya Angelou are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(b) **Revenue Recognition:** (Continued)

Contributions (Continued)

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor-imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor-imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. An allowance for uncollectible contributions receivable is based upon management's judgment, including such factors as prior collection history and type of contribution.

The Charter School reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Charter School reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Federal and Charter School Funding

The Charter School receives a student allocation from the District of Columbia, as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The Charter School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

(c) **Corporate Taxes:**

The Maya Angelou Public Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective May 21, 1999. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The Charter School did not have any net unrelated business income for the year ended June 30, 2018.

The Maya Angelou Public Charter School is also exempt from District of Columbia sales and personal property taxes.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(d) **Grants:**

Foundation Grants

Grant revenues from foundations are recognized as increases in unrestricted net assets unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as net assets released from restrictions between the applicable classes of net assets.

Government Grants

The Charter School receives grants from federal and state governmental agencies for various purposes in the form of exchange transactions. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue.

(e) **Net Assets:**

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*, which requires reporting information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are defined as net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets are defined as net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(e) **Net Assets:** (Continued)

Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets were available at year-end for the following activities:

	<u>June 30, 2018</u>
Young Adult Center Teachers/Counselors	\$ 164,773
High School - Office Support	101,626
Young Adult Learning Center - Office Support	94,222
Summer School	50,000
School Communications Specialist	46,536
School Arts Program	30,575
Parent Engagement Site	20,000
Health and Wellness	16,338
TED Talk	15,000
School Parent Liaison	10,644
Professional Development	<u>10,000</u>
 Total Net Assets Available	 <u>\$ 559,714</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, the passage of time, or by occurrence of events specified by donors for the following activities:

	<u>June 30, 2018</u>
School Facility Roof Replacement	\$ 511,160
High School - Office Support	323,374
Young Adult Learning Center - Office Support	230,778
Young Adult Center Teachers/Counselors	219,673
School Communications Specialist	36,410
School Arts Program	22,235
Summer School	44,500
School Parent Liaison	36,503
General - Time Restricted	25,000
Post-Secondary Success Program	15,000
Health and Wellness	<u>3,662</u>
 Total Released from Restrictions	 <u>\$ 1,468,295</u>

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(e) **Net Assets:** (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets are defined as net assets subject to donor-imposed stipulations that require the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2018.

(f) **Donated Services and Materials:**

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

A number of volunteers donated significant amounts of their time in the Charter School's supporting services for which no value has been assigned. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received.

The estimated value of donated services has been recorded in the financial statements as follows:

		<u>June 30, 2018</u>
Legal Services		<u>\$ 89,226</u>
Total Donated Services		<u>\$ 89,226</u>

(g) **Basic Programs:**

The primary mission of the Maya Angelou Public Charter School is to create learning communities in lower income urban areas where all students, particularly those who have not succeeded in traditional schools, can reach their potential and prepare for college, career, and a lifetime of success. At Maya Angelou, students develop the academic, social, and employment skills they need to build rewarding lives and promote positive change. The Maya Angelou Public Charter high school and the Young Adult Learning Center provide a comprehensive education in a non-traditional setting to all students including those who have not been successful in their educational experiences. This is achieved through a demanding academic program, socio-emotional learning support, and tiered interventions that focus on the whole child. Students leave with a foundation to be successful in their pursuit of education and careers.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(g) **Basic Programs:** (Continued)

Founded in 1997, the See Forever Foundation was created to offer a holistic program to teens involved in the juvenile justice system. At that time, court-involved teens told the organization's co-founders that they wanted to earn money, learn marketable skills, and gain responsibility. When they returned to school, they also wanted to attend small classes with teachers who cared about them, and they wanted help making hard decisions.

The Maya Angelou School opened its doors in 1997 as a comprehensive program for 20 teens, all of whom were committed to the DC Department of Youth and Rehabilitation Services or were on probation. The Charter School grew each year, as students from all over the city and from all sorts of academic backgrounds actively sought admission. Some of these young people were out of school, some were doing poorly in traditional school settings and heard about the one-on-one support offered to students, and others were referred by governmental agencies. Nearly all of the students are years behind grade level academically, many have special needs, and most have experienced significant trauma at some point in their lives. At the Maya Angelou Charter School, the aim is to provide these students with the best education they have ever had.

To meet the needs of the growing student population, particularly in the Ward 7 and Ward 8 areas of the District of Columbia, in September 2004 the See Forever Foundation opened a second campus of the Maya Angelou Public Charter School in partnership with the District of Columbia Public Schools. The second campus, located in the former DCPS Evans Middle School, is located in the 5600 block of East Capitol Street, NE.

In 2010, Maya Angelou established a Young Adult Learning Center (YALC), which opened in fall 2012. The purpose of the adult program is to provide academic and workforce development to older youth/young adults, ages 17-24, who do not have a high school credential, and particularly those transitioning from incarceration. These adult students work toward attaining their GED and can also pursue vocational certifications and participate in work programs.

Maya Angelou offers a residential program to select students. The residential program provides single sex homes (two males, three female) to students who benefit from the stability of a safe, supportive, and structured environment. Each home is staffed by a residential counselor.

(h) **Functional Expense Allocation Policies and Procedures:**

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(h) **Functional Expense Allocation Policies and Procedures:** (Continued)

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment materials, contracted student services, and field trips) are allocated entirely to program services.

Personnel expenses for salaries are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (administration, teachers, other educational staff, etc.) and then a percentage of time spent on program services, general and administrative activities, and fundraising activities is applied. All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for personnel expenses is utilized for cost allocation purposes.

(i) **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 the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) **Recognition of Salary Expense:**

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

(k) **Fair Value of Certain Financial Instruments:**

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(l) **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, the District of Columbia Public Charter School Board (DC PCSB), and federal awarding agencies. For purposes of this presentation, the assets and revenue of the Charter School's parent entity are not presented.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(I) Single Entity-Only Financial Statements: (Continued)

The See Forever Foundation's financial statements include the Charter School's financial statements in accordance with Generally Accepted Accounting Principles. In those financial statements, all affiliated entity transactions, balances receivable, liabilities and balances payable are eliminated.

3. PRIOR PERIOD ADJUSTMENTS:

Grants and Accounts Receivable

As of June 30, 2017, the amount recorded as receivable from E-rate for technology reimbursements was overstated by \$35,015. Likewise, other grants and accounts receivable were understated by a total amount of \$21,731. Accordingly, an adjustment of \$13,284 was made to decrease the grants and accounts receivable asset account and a respective adjustment was made to decrease previously reported unrestricted net assets.

Accounts Payable and Accrued Liabilities

As of June 30, 2017, the amount of accrued interest on loans payable was understated by \$16,031. In addition, payroll taxes and accounts payable were overstated by an amount of \$18,419. Accordingly, an adjustment of \$2,388 was made to decrease the liability accounts and a respective adjustment was made to increase previously reported unrestricted net assets.

Intercompany Due To/Due From Balance

As of June 30, 2017, the amount reflected as being payable to the See Forever Foundation was overstated by an amount of \$10,937. Accordingly, an adjustment of \$10,937 was made to decrease the amount payable to the See Forever Foundation and a respective adjustment was made to increase previously reported unrestricted net assets.

4. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Maya Angelou Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2018, the statute of limitations for tax years 2014 through 2016 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2018, the Charter School had no accruals for interest and/or penalties.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS:

The carrying amount of cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2018</u>
Checking Accounts - Non-Interest Bearing	\$ 590,058
Money Market Mutual Account	6,810
Cash - Pending Investment	<u>2,030</u>
 Total Cash and Cash Equivalents	 <u>\$ 598,898</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

The Charter School maintains its operating funds in one financial institution in the form of a non-interest bearing business checking account. This account is covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per account category. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total insured up to \$250,000.

As of June 30, 2018, \$6,810 was held in a brokerage money market fund that was not federally insured. Management has minimized risk related to this money market fund by investing in high-quality, short-term securities that are backed by high quality securities. The money market fund seeks to maintain a share price of \$1.00. Investments held by the School's brokerage firm are insured by the Securities Investor Protection Corporation (SIPC) for loss, theft, or destruction of securities while in the brokerage firm's custody.

As of June 30, 2018, \$339,626 of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to this account and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

6. INVESTMENTS:

The Charter School invested in equity securities during the year, which are subject to market fluctuations. Investments in equity securities have been measured at fair value and are recorded as such in the statement of financial position. The fair values for marketable equity securities are based on quoted market prices. Unrealized gains and losses are included in the change in net assets.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. INVESTMENTS: (Continued)

A comparison of the carrying values of these investments at year end was as follows:

	<u>June 30, 2018</u>		Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Cost				
Mutual Funds - Equity	\$ 108,461	\$ 4,695	\$ -	\$ 113,156	
Mutual Funds - Fixed Income	645,128	-	(18,196)	626,932	
Exchange Traded Funds	<u>107,572</u>	<u>5,596</u>	<u>(7,583)</u>	<u>105,585</u>	
Total Investments	<u>\$ 861,161</u>	<u>\$ 10,291</u>	<u>\$ (25,779)</u>	<u>\$ 845,673</u>	

Unrealized gains and losses on investments are based on the difference between book value and fair value. Net unrealized losses at June 30, 2018, were \$15,488.

The composition of investment return during the year consisted of the following:

	<u>June 30, 2018</u>
Interest and Dividends	\$ 29,491
Capital Gains	1,525
Realized Gains	35,782
Unrealized (Loss)	(29,085)
Less: Investment Expenses	<u>(15,040)</u>
 Total	 <u>\$ 22,673</u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could affect the amounts reported in the statement of financial position. The Charter School attempts to limit its credit risk associated with investments through diversification and by utilizing the expertise and processes of an outside investment consultant.

Expenses related to investment revenues, including trustee fees and investment advisory fees, amounted to \$15,040 during the year ended June 30, 2018, and have been netted against investment revenues in the accompanying statement of activities.

7. FAIR VALUE MEASUREMENT:

Financial Accounting Standards Board ASC Topic No. 820-10, *Fair Value Measurement*, establishes a framework for measuring fair value. Fair value is defined 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. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENT: (Continued)

The three levels of the fair value hierarchy under FASB ASC No. 820-10 are described as follows:

Level 1 - Valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 - Valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (such as interest rate and yield curves);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable (supported by little or no market activity) and not corroborated by market data. Unobservable inputs reflect the organization's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Mutual Funds: Valued at the net asset value ("NAV") of shares held by the Charter School at year end.

Exchange Traded Funds: Valued at the net asset value ("NAV") of shares held by the Charter School at year end. Unlike mutual funds and common stock, these investments can be traded intraday.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Charter School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following table sets forth by level, within the fair value hierarchy, the Charter School's assets measured at fair value as of June 30, 2018.

June 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange Traded Funds	\$ 105,585	\$ -	\$ -	\$ 105,585
Mutual Funds	<u>740,088</u>	<u>-</u>	<u>-</u>	<u>740,088</u>
Total	<u>\$ 845,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 845,673</u>

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

8. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2018, consisted of the following:

June 30, 2018

Accounts Receivable

Per Pupil Funding	\$ 35,726
E-Rate (USAC) Program	41,878
AnyBill - Escrow Funds	8,932
Reimbursable Expenses	8,007
Employee Receivable	<u>200</u>

Total Accounts Receivable \$ 94,743

Grants Receivable

Public Facilities (SOAR)	\$ 571,703
Workforce Investment Act - Youth	47,715
Elementary and Secondary Education	45,504
School Improvement Grant	29,541
Individuals with Disabilities Education Act	24,828
Perkins and Technical Education Act	18,599
National School Lunch and Breakfast Program	8,868
McKinney Vento Homeless Grant	7,826
Other Non-Federal Grants	<u>65,607</u>

Total Grants Receivable \$ 820,191

The Charter School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for the amounts owed to it throughout the year and at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required based on its evaluation of collectability of receivables for the year ended June 30, 2018.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

8. **ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:** (Continued)

Promises Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Promises receivable at year end consisted of:

<u>June 30, 2018</u>	
General - Unrestricted	<u>\$ 50,000</u>
Total Promises Receivable	<u>\$ 50,000</u>

The above promises receivable are due to be received in less than one year.

9. **FIXED ASSETS:**

Furniture and equipment, and leasehold improvements are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$2,500 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated or amortized over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Leasehold improvements have been amortized over the remaining term of the rental lease agreement. Depreciation and amortization expense for the year ended June 30, 2018, was \$936,761. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

	Depreciable Life	Cost	Accumulated Depreciation	Net Book Value
Leasehold Improvements	15-25 Years	\$ 17,104,658	\$ 2,920,347	\$ 14,184,311
Computer and Office Equipment	3-5 Years	867,618	613,988	253,630
Vehicles	5 Years	68,210	66,936	1,274
Construction-in-Progress	N/A	<u>638,295</u>	<u>-</u>	<u>638,295</u>
Total Fixed Assets		<u>\$ 18,678,781</u>	<u>\$ 3,601,271</u>	<u>\$ 15,077,510</u>

The federal or state government retains a reversionary interest in equipment funded by federal or state monies, respectively, for individual items greater than \$5,000. Sale, trade-in or other disposition of such equipment generally requires notification of the appropriate federal or state authorities.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. DUE TO PARENT ENTITY:

Because of the relationship between Maya Angelou and the See Forever Foundation, certain common costs are shared dependent upon the respective benefits derived. Personnel wages and fringe benefits for central-office support are provided to the Charter School and are invoiced on a monthly basis. Such amounts are recorded as due to the parent entity. As of June 30, 2018, \$235,154 was due to be paid to the See Forever Foundation and has been reported as a current liability on the statement of financial position.

11. DUE TO PARENT ENTITY - CONSTRUCTION LOAN:

On April 7, 2014, the See Forever Foundation obtained a \$4 million-dollar construction loan from SunTrust Bank to finance the renovations of the Maya Angelou High School located at 5600 East Capital Street, NE (formerly the Evans Middle School). The loan is collateralized by all property and equipment of both the See Forever Foundation and Maya Angelou. Per the loan agreement between the Foundation and SunTrust Bank and an executed Guaranty Agreement, the Charter School is the guarantor on the loan and as such has agreed to guaranty payment and performance of all the Foundation's obligations. The Foundation contributed the Evans building improvements to Maya Angelou and has a memorandum of understanding with the Charter School, whereby the Charter School provides the funds equivalent to the required monthly payments. The loan bears interest at the one-month London InterBank Offered Rate (LIBOR) plus 2.20% and matures on April 7, 2021. The Foundation and the Charter School, on a consolidated basis, are subject to various financial covenants, including a debt service coverage ratio of at least 1.10 to 1. The debt service coverage ratio minimum was not met for the fiscal year ended June 30, 2018, however SunTrust Bank is expected to provide a waiver. The balance of this loan at June 30, 2018, was \$3,725,532. The Charter School is committed under this loan and guaranty to make future minimum payments as follows:

Year Ending June 30,

	2019	\$ 96,157
	2020	109,776
	2021	<u>3,519,599</u>
	Total Future Minimum Payments	<u>\$ 3,725,532</u>

Interest expense incurred on this loan during the year ended June 30, 2018, was \$192,549.

12. CAPITAL LEASE PAYABLE:

On September 29, 2016, the Charter School entered into a capital lease for the purchase of computer servers. The total amount financed on the capital lease was \$71,338 payable over thirty-six (36) months with a monthly required payment of \$2,193. Maturity is scheduled for August 29, 2019. Interest expense was \$2,099 for the year ended June 30, 2018, using an implicit rate of 6.70%. The balance of the capital lease debt was \$27,424 at June 30, 2018.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. CAPITAL LEASE PAYABLE: (Continued)

The Charter School is committed under this capital lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 24,122	\$ 23,075	\$ 1,047
2020	<u>4,385</u>	<u>4,349</u>	<u>36</u>
Total Future Minimum Lease Payments	<u>\$ 28,507</u>	<u>\$ 27,424</u>	<u>\$ 1,083</u>

The lease is secured by the server equipment and is presented as part of the carrying balance of fixed assets. For the year ended June 30, 2018, depreciation expense in the amount of \$23,779 on the server equipment has been included in depreciation expense.

Following is a summary of assets held under capital leases:

	<u>June 30, 2018</u>
Computer Server Equipment - Cost	\$ 71,338
Less: Accumulated Depreciation	<u>(41,614)</u>
Net Book Value Leased Equipment	<u>\$ 29,724</u>

13. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract dated September 4, 1998, provided for a 15-year charter unless sooner terminated in accordance with the contract. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Maya Angelou Public Charter School is in compliance with its charter contract and District statutory provisions. The original charter contract was renewed on August 19, 2013 for an additional 15-year term. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the Maya Angelou Public Charter School's charter every five years, which most recently occurred during 2018. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.09% for the 17/18 school year) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the year ended June 30, 2018, the Charter School incurred \$83,768 in administrative fees.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

The charter contract provides that the Maya Angelou Public Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2018, was not permitted to be greater than 550 students. Audit enrollment for the 2017/2018 year was 306 students.

14. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2018, the per-student rate was \$14,770 for the alternative educational allotment and \$3,193 for the facility allotment.

Additional allotments were made for special education services and residential services. Per-pupil funding for the year ended June 30, 2018, was as follows:

	<u>June 30, 2018</u>
Alternative Education	\$ 3,752,420
Special Education	2,327,644
Facilities Allowance	1,145,240
Residential	531,005
Teachers Collective Bargaining	140,145
English Language Learners	<u>10,052</u>
 Total	 <u>\$ 7,906,506</u>

15. FEDERAL ENTITLEMENTS AND GRANTS:

During the year ended June 30, 2018, the Charter School participated in the following federal award programs:

	<u>June 30, 2018</u>
Public Facilities (SOAR)	\$ 571,703
Elementary and Secondary Education, Title I	130,528
School Improvement Grant	117,907
Workforce Investment Act - Youth	97,715
Individuals with Disabilities Education Act	71,725
Perkins and Technical Education Act	71,338
National School Lunch and Breakfast Program	54,726
Elementary and Secondary Education, Title II	23,582
McKinney Vento Homeless Grant	9,075
Elementary and Secondary Education, Title IV	7,437
Donated Federal Commodities	<u>6,510</u>
 Total	 <u>\$ 1,162,246</u>

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

15. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

Federal formula grants are allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

16. COMMITMENTS:

Building Ground Lease - Department of General Services

The Maya Angelou Public Charter School entered into a lease agreement with the District of Columbia, Department of General Services on July 15, 2013 for the rental of a school facility located at 5600 East Capital Street, NE, Washington, DC (formally known as the Evans Junior High School). The lease term is for an initial twenty-five (25) year period through September 30, 2040, with the option to renew for one additional term of twenty-five (25) years based on the market value of the leased property at the commencement of the lease extension period. This lease requires an initial annual base rent of \$1,686,630 with an escalation clause of 2% on the yearly anniversary date.

As a provision of the lease agreement, Maya Angelou is entitled to a rent abatement equal to the annual base rent for each year the Charter School expends an amount of at least one-million dollars for construction costs for capital alterations during the term of the lease. Renovations to the facility were completed during the year ended June 30, 2018, and Maya Angelou provided the required support to the Department of General Services to validate the amount of rent credit to be received. Maya Angelou has been provided an initial abatement of fifteen (15) years based on capital improvements through June 30, 2018.

The Maya Angelou Public Charter School accrued a deferred rent liability through June 30, 2017, in the total amount of \$2,155,460. This liability was being accrued on this lease for potentially required lease payments until such time as the Department of General Services validated the amount and the number of years the Charter School rent liability would be forgiven. Because the first fifteen years of rent has been abated, the liability amount of \$2,155,460 has been reported in the statement of activities as an unusual item and a gain from the forgiveness of the rent liability has been recognized as income.

Monthly Residential Operating Leases

The Maya Angelou Public Charter School entered into various operating leases for the rental of student residential space that renew automatically on a monthly or yearly basis. Rental expense related to these leases during the year ended June 30, 2018, was \$162,645.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

16. COMMITMENTS: (Continued)

Sublease Rental Agreement - Charter School Incubator Initiative

The Maya Angelou Public Charter School entered into a sublease agreement with the Charter School Incubator Initiative (CSII) on March 16, 2018, for the rental space at the 5600 East Capitol Street, SE, Washington, DC, facility (Evans Junior Middle School). The term of the lease commenced on July 1, 2018, and is scheduled to extend through July 14, 2038, consistent with the terms of the prime lease with the Department of General Services. The lease calls for an annual base rent in an amount equal to ten dollars (\$10) per rentable square foot, as well as an additional five dollars (\$5) per square foot for annual operating expenses. Effective July 1, 2018, the rentable square footage is 31,170 and will be increased to 44,163 square foot for each year in the remainder of the term. The Charter School Incubator Initiative is obligated to pay rent effective July 1, 2018, however, Maya Angelou is forgiving base rent payments until June 30, 2023, in exchange for approximately \$7,400,000 of capital improvements to be made by CSII to the portion of the space being rented. The amount payable for operating expenses is subject to an escalation of three percent (3%) on the anniversary date of July 1st of each year of the lease term. As a condition of this lease, Maya Angelou received a security deposit at the time of the lease execution in the amount of \$50,000. Future sublease payments to be received by Maya Angelou for the next five years are as follows:

Year Ending June 30,

2019	\$ 155,850
2020	227,439
2021	234,263
2022	241,291
2023	<u>248,529</u>
Total Future Sub-Lease Payments	<u>\$ 1,107,372</u>

17. RELATED PARTY TRANSACTIONS:

Related Entity

The Charter School has a shared cost arrangement with the See Forever Foundation, such that certain administrative and other common expenses are paid by the Foundation and subsequently reimbursed by the Charter School. Amounts owed to the Foundation for these expenses are recorded on the statement of financial position as a liability. In addition, the Charter School is obligated to make payments to SunTrust Bank on a loan obtained by the See Forever Foundation used to renovate the Maya Angelou high school facility (Evans building). Transactions with the Foundation for the year ended June 30, 2018, were as follows:

<u>Liability to See Forever Foundation</u>	<u>June 30, 2018</u>
Due to See Forever Foundation - Expense Reimbursement	\$ 235,154
Due to See Forever Foundation - Construction Bank Loan	<u>3,725,532</u>
Amounts Payable to See Forever Foundation	<u>\$ 3,960,686</u>

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. **RELATED PARTY TRANSACTIONS:** (Continued)

Related Entity (Continued)

Administrative Costs paid to the Foundation by the School

Personnel Costs - Wages and Fringes	\$ 576,235
Contracted Instruction Fees	158,808
Facility Rental - 600 Pennsylvania Avenue	85,587
Non-Personnel Costs - Operating Costs	<u>274,685</u>
Total Amounts Paid to See Forever Foundation	<u>\$ 1,095,315</u>

During the year ended June 30, 2018, the See Forever Foundation provided a donation to Maya Angelou in the amount of \$511,160. This donation was restricted for the purpose of replacing the roof on the Maya Angelou high school facility.

Contributions

A law firm, for which a member of the See Forever Foundation board of directors was a partner, provided donations to the Maya Angelou Public Charter School in the amount of \$81,354 during the year ended June 30, 2018. Included in this amount is a promise made as of year end in the amount of \$25,000. In addition to the monetary contributions, pro-bono legal services in the amount of \$89,226 were provided during the year and has been recognized as income in the statement of activities. The board member retired from the law firm at the end of 2017.

Guarantee of Indebtedness

The Charter School utilizes a corporate credit card issued by SunTrust Bank for purchases related to the organization's activity. The credit cards are issued in the name of the Charter School with a total credit limit of \$75,000, however the debt is guaranteed by the employees of the Charter School for whose name they are issued.

Board of Directors

Two of the board members appointed to serve on the Board of Directors are parents of students attending the Charter School. Parent trustees are elected by a majority vote of the board members from a list of qualified individuals submitted to the board.

18. **CONCENTRATIONS:**

Revenues

The Charter School receives public funds from the DC Government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the year ended June 30, 2018, seventy percent (70%) of total support, excluding donated services, was received from the District of Columbia in the form of per pupil funding.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

18. CONCENTRATIONS: (Continued)

Revenues (Continued)

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education passed through the Office of the DC Office of State Superintendent of Education. The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Maya Angelou must compete for students against the DC Public School system as well as other DC Public Charter Schools.

19. CONTINGENCIES:

The Charter School was granted its initial charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding of funds) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's board of directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

The Charter School receives funding from various federal and state grant reimbursement programs, which are governed by various rules and regulations of the respective grantor agencies. To the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

Litigation

From time to time, the Charter School is involved in routine litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the Charter School is a party for which management believes the ultimate outcome would have a material adverse effect on the Charter School's financial position.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

20. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 27, 2019, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

21. FUNDRAISING:

During the year ended June 30, 2018, expenses incurred for the purpose of fundraising were \$215,164.

22. RETIREMENT PLAN:

401(k) Profit Sharing Plan

The Maya Angelou Public Charter School provides pension benefits for its employees through a multi-employer defined contribution 401(k) retirement plan which is currently administered by Retirement Planners and Administrators, Inc. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code. The Charter School contributes 5% of annual employee compensation for employees with one or more years of employment. Participants are 100% vested in their contributions and the 5% employer contribution. The authorized entry date into the plan is the first pay period following the date that the eligibility requirements are met. There is no unfunded past service liability. In addition, there is a discretionary profit-sharing contribution determined on an annual basis that becomes vested immediately. The employer expense for the year ending June 30, 2018, was \$189,590.

23. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the year ended June 30, 2018, consisted of the following:

	<u>June 30, 2018</u>
Social Security/Medicare	\$ 370,345
Health and Dental Insurance	289,279
Retirement	189,590
Unemployment	69,482
Workers Compensation	37,870
Disability and Life Insurance	<u>7,304</u>
 Total	 <u>\$ 963,870</u>

Flexible Benefits Plan

The Maya Angelou Public Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health and dental insurance premiums as well as other employee selected benefits.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>				
Salaries and Wages	\$ 4,734,789	\$ 3,960,559	\$ 608,184	\$ 166,046
Leased Employees	494,065	415,014	74,110	4,941
Employee Benefits	524,043	438,352	67,313	18,378
Payroll Taxes	439,827	367,907	56,496	15,424
Professional Development	164,477	164,477	-	-
Other Staff Costs	<u>76,853</u>	<u>64,556</u>	<u>11,528</u>	<u>769</u>
Total Personnel, Salaries and Benefits	<u>\$ 6,434,054</u>	<u>\$ 5,410,865</u>	<u>\$ 817,631</u>	<u>\$ 205,558</u>
<u>Direct Student Costs:</u>				
Supplies and Materials	\$ 228,184	\$ 228,184	\$ -	\$ -
Transportation	10,758	10,758	-	-
Contracted Instruction Fees	514,683	514,683	-	-
Textbooks	26,944	26,944	-	-
Student Assessments	69,184	69,184	-	-
Food Service	111,598	111,598	-	-
Other Student Costs	<u>437,800</u>	<u>437,800</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 1,399,151</u>	<u>\$ 1,399,151</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>				
Rent	\$ 247,331	\$ 222,598	\$ 24,733	\$ -
Maintenance and Repairs	104,308	93,877	10,431	-
Utilities	317,609	285,848	31,761	-
Contracted Building Services	712,502	641,252	71,250	-
Mortgage Interest	192,549	173,294	19,255	-
Depreciation and Amortization	<u>737,932</u>	<u>664,139</u>	<u>73,793</u>	<u>-</u>
Total Occupancy Costs	<u>\$ 2,312,231</u>	<u>\$ 2,081,008</u>	<u>\$ 231,223</u>	<u>\$ -</u>

(See Accompanying Notes and Auditor's Report)

MAYA ANGELOU PUBLIC CHARTER SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Total	Educational Services	General and Administrative	Fundraising
<u>Office Expenses:</u>				
Office Supplies and Materials	\$ 44,624	\$ 37,484	\$ 6,694	\$ 446
Equipment Rental and Maintenance	1,178	989	177	12
Telecommunications	73,251	61,530	10,988	733
Professional Fees	436,118	366,339	65,418	4,361
Printing and Copying	13,895	11,672	2,084	139
Postage and Shipping	4,245	3,566	637	42
Computer and Related	<u>53,944</u>	<u>45,313</u>	<u>8,092</u>	<u>539</u>
Total Office Expenses	<u>\$ 627,255</u>	<u>\$ 526,893</u>	<u>\$ 94,090</u>	<u>\$ 6,272</u>
<u>General Expenses:</u>				
Insurance	\$ 106,379	\$ 89,358	\$ 15,957	\$ 1,064
Authorizer Fee	83,768	67,014	16,754	-
Depreciation and Amortization	198,829	167,016	29,825	1,988
Fees and Licenses	15,005	12,604	2,251	150
Interest	10,464	8,790	1,570	104
Advertising	<u>2,761</u>	<u>2,319</u>	<u>414</u>	<u>28</u>
Total General Expenses	<u>\$ 417,206</u>	<u>\$ 347,101</u>	<u>\$ 66,771</u>	<u>\$ 3,334</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 11,189,897</u>	<u>\$ 9,765,018</u>	<u>\$ 1,209,715</u>	<u>\$ 215,164</u>

(See Accompanying Notes and Auditor's Report)

MAYA ANGELOU PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Period of Award	Grant Receivable at 7/1/17	Current Year Activity	Grant Receivable at 6/30/18
					Receivables	Disbursements	
					Receipts	Expenditures	
U.S. Department of Education:							
Passed Through the District of Columbia:							
Title I, Part A, Grants to Local Educational Agencies	84.010A	82010A	\$ 146,461	07/01/17 to 09/30/18	\$ -	\$ 93,934	\$ 130,528
Title I, Part A, Grants to Local Educational Agencies	84.010A	72010A	\$ 163,701	07/01/16 to 09/30/17	\$ 30,941	\$ 30,941	\$ -
Special Education Cluster:							
Special Education - IDEA 611, Grants to States	84.027A	82027A	\$ 71,725	07/01/17 to 09/30/18	\$ -	\$ 46,897	\$ 71,725
Special Education - IDEA 611, Grants to States	84.027A	72027A	\$ 94,546	07/01/16 to 09/30/17	\$ 3,939	\$ 3,939	\$ -
Total Special Education Cluster					\$ 3,939	\$ 50,836	\$ 71,725
Career and Technical Education - Basic Grants to States	84.048A	82048A	\$ 108,080	07/01/17 to 09/30/18	\$ -	\$ 24,385	\$ 42,984
Career and Technical Education - Basic Grants to States	84.048A	72048A	\$ 114,926	07/01/16 to 09/30/17	\$ 51,076	\$ 79,430	\$ 28,354
Education for Homeless Children and Youth	84.196A	82196A	\$ 13,299	07/01/17 to 09/30/18	\$ -	\$ -	\$ 7,826
Education for Homeless Children and Youth	84.196A	62196A	\$ 10,201	10/01/16 to 09/30/17	\$ 5,999	\$ 7,248	\$ 1,249
Title II, Part A, Improving Teacher Quality State Grants	84.367A	82367A	\$ 30,205	07/01/17 to 09/30/18	\$ -	\$ 16,756	\$ 23,582
Title II, Part A, Improving Teacher Quality State Grants	84.367A	72367A	\$ 36,335	07/01/16 to 09/30/17	\$ 35,769	\$ 35,769	\$ -
DC School Choice Incentive Program	84.370C	U370C170001	\$ 571,703	10/01/17 to 09/30/18	\$ -	\$ -	\$ 571,703
School Improvement Grants	84.377A	82377A	\$ 91,261	10/01/17 to 09/30/18	\$ -	\$ -	\$ 29,541
School Improvement Grants	84.377A	52377A	\$ 280,804	10/01/16 to 09/30/17	\$ 72,725	\$ 161,091	\$ 88,366
Title IV, Student Support and Academic Enrichment Program	84.424A	84424A	\$ 10,000	07/01/17 to 09/30/18	\$ -	\$ 5,353	\$ 7,437
Total U.S. Department of Education					\$ 200,449	\$ 505,743	\$ 1,003,295
U.S. Department of Agriculture:							
Passed Through the District of Columbia:							
Child Nutrition Cluster:							
Donated Commodities	10.555	N/A	\$ 7,606	07/01/17 to 06/30/18	\$ -	\$ 6,510	\$ 6,510
School Breakfast Program	10.553	N/A	N/A	07/01/17 to 06/30/18	\$ -	\$ 11,267	\$ 13,568
School Breakfast Program	10.553	N/A	N/A	07/01/16 to 06/30/17	\$ 749	\$ 749	\$ -
National School Lunch Program	10.555	N/A	N/A	07/01/17 to 06/30/18	\$ -	\$ 34,591	\$ 41,158
National School Lunch Program	10.555	N/A	N/A	07/01/16 to 06/30/17	\$ 2,327	\$ 2,327	\$ -
Total Child Nutrition Cluster					\$ 3,076	\$ 55,444	\$ 61,236
Total U.S. Department of Agriculture					\$ 3,076	\$ 55,444	\$ 61,236
U.S. Department of Labor:							
Passed Through the District of Columbia:							
WIA Cluster:							
WIA Youth Activities	17.259	YIGP2018-05	\$ 10,000	10/01/17 to 09/30/18	\$ -	\$ 50,000	\$ 97,715
Total WIA Cluster					\$ -	\$ 50,000	\$ 97,715
Total U.S. Department of Labor					\$ -	\$ 50,000	\$ 97,715
Total Federal Awards					\$ 203,525	\$ 611,187	\$ 1,162,246
							\$ 754,584

(See Accompanying Notes and Auditor's Report)

MAYA ANGELOU PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Summary by CFDA

Programs	CFDA Number	Amount of Expenditures
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 130,528
Special Education - IDEA 611, Grants to States	84.027A	71,725
Career and Technical Education - Basic Grants to States	84.048A	71,338
Education for Homeless Children and Youth	84.196A	9,075
Title II, Part A, Improving Teacher Quality State Grants	84.367A	23,582
DC School Choice Incentive Program	84.370C	571,703
School Improvement Grants	84.377A	117,907
Title IV, Student Support and Academic Enrichment Program	84.424A	7,437
Donated Commodities	10.555	6,510
School Breakfast Program	10.553	13,568
National School Lunch Program	10.555	41,158
WIA Youth Activities	17.259	<u>97,715</u>
Total Federal Awards		<u>\$ 1,162,246</u>

(See Accompanying Notes and Auditor's Report)

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Charter School under programs of the federal government for the year ended 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 Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter 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.

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

Note 3 - Food Commodities:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 - Pass-Through Funds:

The Charter School did not pass through any federal funds to subrecipients.

Note 5 - Major Program Selection:

The major Federal Award Program selected for testing is as follows:

U.S. Department of Education

- DC School Choice Incentive Program

The requirements of the Office of Management and Budget Uniform Guidance prescribe that all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For Maya Angelou Public Charter School, the program subject to these requirements is as listed above. The total expenditures of this program represent 49.19% of the total federal expenditures.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Note 5 - Major Program Selection: (Continued)

Programs	CFDA #	Amount of Expenditures
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 130,528
Special Education - IDEA 611, Grants to States	84.027A	71,725
Career and Technical Education - Basic Grants to States	84.048A	71,338
Education for Homeless Children and Youth	84.196A	9,075
Title II, Part A, Improving Teacher Quality State Grants	84.367A	23,582
DC School Choice Incentive Program	84.370C	571,703*
School Improvement Grants	84.377A	117,907
Title IV, Student Support and Academic Enrichment Program	84.424A	7,437
Donated Commodities	10.555	6,510
School Breakfast Program	10.553	13,568
National School Lunch Program	10.555	41,158
WIA Youth Activities	17.259	<u>97,715</u>
Total Federal Awards		<u>\$ 1,162,246</u>

* Denotes Major Program

Note 6 - Major Program Disclosure:

I. U.S. Department of Education

1) DC School Choice Incentive Program

To provide low-income parents residing in the District of Columbia (District) with expanded options for the education of their children.

This program is part of a broader school improvement effort in the District that is founded on the belief that all education sectors (public schools, public charter schools, and nonpublic schools) can offer quality education experiences for the District's students, and that those students who are the most economically disadvantaged have the least access to such experiences.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
Maya Angelou Public Charter School
600 Pennsylvania Avenue, SE, Suite 210
Washington, DC 20003

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

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 Maya Angelou Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and 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 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Maya Angelou Public Charter 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 Maya Angelou Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

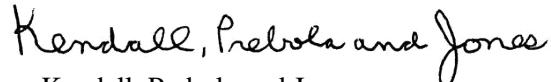
As part of obtaining reasonable assurance about whether Maya Angelou Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

Maya Angelou Public Charter School's Response to Findings

Maya Angelou Public Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Maya Angelou Public Charter 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
February 27, 2019

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
Maya Angelou Public Charter School
600 Pennsylvania Avenue, SE, Suite 210
Washington, DC 20003

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

Report on Compliance for Each Major Federal Program

We have audited Maya Angelou Public Charter School's (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Maya Angelou Public Charter School's major federal programs for the year ended June 30, 2018. Maya Angelou Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and in the notes to the schedule of expenditures of federal awards.

Management's Responsibility

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

Auditor's Responsibility

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

Basis for Qualified Opinion on the DC School Choice Incentive Program

As described in findings 2018-002 and 2018-003 in the accompanying schedule of findings and questioned costs, Maya Angelou Public Charter School did not comply with requirements regarding the following:

<u>Finding #</u>	<u>CFDA#</u>	<u>Program Name</u>	<u>Compliance Requirement</u>
2018-002	84.370C	DC School Choice Incentive Program	Procurement - Bidding
2018-003	84.370C	DC School Choice Incentive Program	Procurement - Manual

Compliance with such requirements is necessary, in our opinion for Maya Angelou Public Charter School to comply with the requirements applicable to the DC School Choice Incentive Program.

Qualified Opinion on the DC School Choice Incentive Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Maya Angelou Public Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

Maya Angelou Public Charter School's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Maya Angelou Public Charter School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on these responses.

Report on Internal Control Over Compliance

Management of Maya Angelou Public Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Maya Angelou Public Charter 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 Maya Angelou Public Charter 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Kendall, Prebola and Jones
Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
February 27, 2019

MAYA ANGELOU PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no findings reported in the prior year.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of Maya Angelou Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. One instance of noncompliance material to the financial statements of Maya Angelou Public Charter School, has been reported in accordance with *Government Auditing Standards*.
- d. No significant deficiencies relating to the audit of the major federal award program have been reported.
- e. The auditor's report on compliance for the DC School Choice Incentive Program, the major federal award program for Maya Angelou Public Charter School expresses a qualified opinion.
- f. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a) of the Uniform Guidance are reported in the schedule of findings and questioned costs.
- g. The major program of Maya Angelou Public Charter School was as follows:

<u>Program</u>	<u>CFDA #</u>
DC School Choice Incentive Program	84.370C

- h. The threshold used for distinguishing between Type A and Type B programs was \$750,000.

- i. Maya Angelou Public Charter School was determined to be a high-risk auditee.

II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

2018-001 Procurement and Contract Submission:

Condition: During the year ended June 30, 2018, Maya Angelou Public Charter School reimbursed the See Forever Foundation for procurement type contracts for vendors that provided services to both the Charter School and the Foundation on a shared basis. Over the course of the fiscal year, the contracts in question resulted in the Maya Angelou Public Charter School making payments in excess of \$25,000 for services received, however the contracts were not competitively bid by the See Forever Foundation.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

II. Findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards (Continued)

2018-001 Procurement and Contract Submission: (Continued)

Criteria: According to the School Reform Act, DC Code 38-1800, contracts obligating a vendor to furnish either supplies and/or services having a total value equal to or exceeding \$25,000 within a single fiscal year are required to be competitively bid. In addition, the School Reform Act requires the school to submit within three business days after the contract is awarded, all bids received for the contract, as well as the rationale for the award of the contract, to the DC Public Charter School Board. The See Forever Foundation alone is not subject to the bidding requirements as established by the School Reform Act. Based on the nature of the relationship between the organizations (i.e. structure and governance), the type of services being provided via the contracts, and the extent to which the Charter School utilizes the contracted services, we believe that the organizations should be jointly bidding the services.

Cause: It was the belief of Charter School management that because the See Forever Foundation (a separate legal not for profit) was the contracting party, the Charter School was not required to competitively bid for these services. Furthermore, this issue has not been previously posed as a concern during any independent audit or DC Public Charter School Board desk or site review.

Effect: When a school fails to adhere to this regulation, including bidding requirements and document submission, the DC Public Charter School Board will issue an Early Warning Notice. Furthermore, an “Out of Compliance Notice” is issued if the school fails to meet the deadline set forth in the Early Warning Notice or if the school accumulates five Early Warning Notices.

Recommendation: We recommend that the individual within the school who is currently responsible for contracting and compliance be assigned the task of monitoring procurement contracts. This would include the determination of whether the contract billings to the Maya Angelou Public Charter School are expected to exceed \$25,000 and if so, ensuring appropriate publication of contract bidding and the respective document submission to the DC Public Charter School Board.

Views of Responsible Officials: Maya Angelou Public Charter School agrees with the recommendation above. The person within the school responsible for contracting and compliance will be assigned the task of monitoring procurement contracts. This monitoring will include but not be limited to determining whether a contract billing to Maya Angelou Public Charter School is expected to exceed \$25,000 and if, so, will ensure appropriate publication of contract bidding and the respective document submission to DC Public Charter School Board.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

III. Findings relating to federal awards, which are required to be reported in accordance with the Uniform Guidance

2018-002 DC School Choice Incentive Program: CFDA# 84.370C

Criteria and Condition: In accordance with the procurement standards as promulgated in Section 200.319 of 2 CFR Chapter 1, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as well as code Section 74.45 of the Education Department General Administrative Regulations (EDGAR), a cost and price analysis is required to be completed for every procurement action. For those contracts with an estimated cost value of greater than \$250,000, regulations require procurement through a competitive sealed bid process. As a requirement of formal bidding, the following requirements apply:

- Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time.
- The invitation for bids, must define the items or services for bidders to properly respond.
- All bids will be opened at the time and place prescribed in the invitation for bids.
- A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder.
- Any or all bids may be rejected if there is a sound documented reason.

Maya Angelou contracted with an architect and a construction company with the use of federal dollars, however procurement procedures were not followed.

Questioned Cost: \$0

Context: During the year ended June 30, 2018, Maya Angelou Public Charter School commenced the design and pre-construction phase of a rehabilitation project relating to the school auditorium which is a part of the educational facility. These services resulted in a cost greater than \$250,000, however formal sealed bids were not solicited. As a result, construction and architectural services were awarded without a competitive price and cost analysis.

Cause: The companies involved in the auditorium rehabilitation project had been utilized for multiple phases of a much larger construction project which was expected to be over a period of multiple years. Prior to the commencement of the first phase of the project, Maya Angelou Public Charter School publicly advertised and procured services in accordance with federal guidelines. Although each phase of the project was a new and separate contract, it was the belief of school management that the bidding from Phase I would satisfy subsequent phases of the project.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

III. Findings relating to federal awards, which are required to be reported in accordance with the Uniform Guidance (Continued)

2018-002 DC School Choice Incentive Program: CFDA# 84.370C: (Continued)

Effect: Federal procurement standards have been established to ensure that all procurement actions are conducted in a manner to ensure, to the maximum extent practical that the solicitation and award of a procurement transaction is most advantageous to both the federal government and Maya Angelou Public Charter School based on an analysis of price, quality, and other factors considered. When contracts are not publicly advertised and bid, a cost and price analysis is not conducted for those transactions resulting in no guarantee that the federal government has received the most advantageous award possible.

Recommendation: We recommend for future procurement contracts resulting in a cost greater than \$250,000, including additional planned phases of facility rehabilitation, that a formal bidding process be implemented. Once bids are received, a written cost and technical evaluation should be made. Based on the results, the contract should be awarded to the company whose proposal is most advantageous based on price and other factors considered.

Views of Responsible Official: Maya Angelou Public Charter School agrees with the proposed recommendation above. For all future procurement contracts that result in a cost of \$250,000, including already planned renovations and construction projects, a formal bidding process that complies with all relevant regulations and GAAP standards to select appropriate vendors will be implemented. An evaluation will be made based upon what is most advantageous for the organization and the project including, but not limited to, price and other factors.

2018-003 DC School Choice Incentive Program: CFDA# 84.370C

Criteria and Condition: In accordance with the procurement standards as promulgated in Section 200.318 of 2 CFR Chapter 1, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, an organization that receives federal funding is required to have a written procurement policy and procedures manual which reflect applicable federal laws and standards as identified in the Uniform Guidance. Maya Angelou Public Charter School has a written Procurement and Accountability Manual, however it does not include some of the necessary requirements as they relate to federal standards and compliance.

Questioned Cost: \$0

Context: The Charter School authorizing body has developed a detailed and robust set of standards to be followed by Charter Schools within the District of Columbia. Although these standards cover many facets of the procurement process, they do not encompass the additional requirements as required by federal statutes. In addition, procedures as issued from the District of Columbia Public Charter School Board also exempt certain services and items from the procurement standards that are not exempted under federal standards.

MAYA ANGELOU PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

III. Findings relating to federal awards, which are required to be reported in accordance with the Uniform Guidance (Continued)

2018-003 DC School Choice Incentive Program: CFDA# 84.370C: (Continued)

Cause: The Charter School has written procurement policies that correspond to the procurement standards as promulgated by the District of Columbia Public Charter School Board which primarily addresses those procedures necessary for procurement actions greater than \$25,000. It was management's belief that following the procedures as presented by the District of Columbia Public Charter School Board would satisfy the federal procurement standards.

Effect: The Federal procurement standards have been established to ensure that all procurement actions are conducted in a manner to ensure, to the maximum extent practical that the solicitation and award of a procurement transaction is most advantageous to both the federal government and a Charter School. By utilizing procurement standards that do not fully conform to federal standards a contract could be awarded that would otherwise not be considered most advantageous to one or either party.

Recommendation: We recommend that the current written procurement procedures be expanded to include the many additional provisions as required under the Uniform Guidance. This includes but is not limited to (1) micro-purchase procedures, (2) bidding processes between \$10,000 and \$250,000, (3) federal sole source provisions, and (4) conflict of interest policy addressing organizational (related entities) conflicts.

Views of Responsible Official: Maya Angelou Public Charter School agrees with the recommendation above. We will update our current procurement policies to reflect and incorporate provisions required under the Uniform Guidance including, but not limited to (1) micro-purchase procedures, (2) bidding processes between \$10,000 and \$250,000, (3) federal sole source provisions, and (4) conflict on interest policy addressing organizational (related entities) conflicts.