

**THE MERIDIAN PUBLIC CHARTER SCHOOL
AND SUBSIDIARY**

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

JUNE 30, 2018 AND 2017

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Independent Auditor's Report

The Board of Trustees
The Meridian Public Charter School and Subsidiary
Washington, DC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Meridian Public Charter School and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Meridian Public Charter School and Subsidiary as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and consolidating schedules of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report November 27, 2018 on our consideration of The Meridian Public Charter School and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Meridian Public Charter School and Subsidiary's internal control over financial reporting and compliance.

Jane Marusa & M^oQuade PA

Washington, DC
November 27, 2018

(except for the Consolidated Statement of Cash Flows and Note L - Restatement, as to which the date is January 17, 2019)

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,626,887	\$ 2,524,368
Grants and accounts receivable	651,109	523,426
Prepaid expenses	7,454	8,267
Total Current Assets	4,285,450	3,056,061
LONG-TERM ASSETS		
Property and equipment, net	13,215,459	13,877,128
Cash and cash equivalents restricted by debt agreements	2,403,731	2,040,409
Deposits	7,000	7,000
Total Long-Term Assets	15,626,190	15,924,537
TOTAL ASSETS	\$ 19,911,640	\$ 18,980,598
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 412,606	\$ 717,072
Accrued expenses	409,577	374,603
Deferred revenue	5	4,878
Note payable, current portion	10,080,532	-
Capital lease payable, current	43,714	43,714
Total Current Liabilities	10,946,434	1,140,267
LONG-TERM LIABILITIES		
Capital lease payable, net of current	102,052	142,786
Note payable, net	2,408,143	12,443,375
Total Long-Term Liabilities	2,510,195	12,586,161
TOTAL LIABILITIES	13,456,629	13,726,428
NET ASSETS		
Unrestricted	6,455,011	5,254,170
TOTAL LIABILITIES AND NET ASSETS	\$ 19,911,640	\$ 18,980,598

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

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Per pupil appropriations	\$ 10,352,045	\$ 9,818,638
Per pupil facility allowance	2,030,576	2,161,808
Federal entitlements and grants	1,038,017	1,314,807
Other grants and contributions	60,248	61,392
Before and after school care	6,290	15,317
Rental income	12,600	14,273
Interest income	17,600	10,530
Other income	452	7,045
Total Unrestricted Revenues and Other Support	13,517,828	13,403,810
EXPENSES		
Program service	10,696,739	10,406,024
General and administrative	1,619,208	1,562,019
Fundraising	1,040	4,083
Total Expenses	12,316,987	11,972,126
CHANGE IN NET ASSETS	1,200,841	1,431,684
NET ASSETS , beginning of year	5,254,170	3,822,486
NET ASSETS , end of year	\$ 6,455,011	\$ 5,254,170

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

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Service	General and Administrative	Fundraising	Total
PERSONNEL, SALARIES AND BENEFITS				
Salaries	\$ 5,124,989	\$ 757,676	\$ -	\$ 5,882,665
Employee benefits	574,942	85,000	-	659,942
Payroll taxes	444,783	65,756	-	510,539
Professional development	111,111	16,426	-	127,537
Travel and meetings	2,002	296	-	2,298
Total Personnel, Salaries and Benefits	<u>6,257,827</u>	<u>925,154</u>	<u>-</u>	<u>7,182,981</u>
DIRECT STUDENT COSTS				
Supplies and materials	188,593	-	-	188,593
Transportation	40,285	-	-	40,285
Contracted instruction fees	222,046	-	-	222,046
Food service	432,212	-	-	432,212
Student assessments	58,926	-	-	58,926
Other student expense	13,580	-	-	13,580
Total Direct Student Costs	<u>955,642</u>	<u>-</u>	<u>-</u>	<u>955,642</u>
OCCUPANCY EXPENSES				
Rent	379,721	56,138	-	435,859
Maintenance and repairs	71,629	10,590	-	82,219
Utilities	186,387	27,556	-	213,943
Contracted building services	164,292	24,289	-	188,581
Total Occupancy Expenses	<u>802,029</u>	<u>118,573</u>	<u>-</u>	<u>920,602</u>
OFFICE EXPENSES				
Office supplies and materials	5,414	68,012	-	73,426
Telecommunications	43,655	6,454	-	50,109
Printing and publications	4,031	596	-	4,627
Postage and shipping	6,045	894	-	6,939
Total Office Expenses	<u>59,145</u>	<u>75,956</u>	<u>-</u>	<u>135,101</u>
GENERAL EXPENSES				
Insurance	51,758	7,651	-	59,409
Interest	582,066	86,052	-	668,118
Bad debt expense	18,065	2,671	-	20,736
Authorizer fee	-	116,958	-	116,958
Professional fees	992,036	144,959	-	1,136,995
Fundraising fees	-	-	1,040	1,040
Computer support fees	164,504	24,321	-	188,825
Depreciation and amortization	773,523	114,358	-	887,881
Other general expenses	40,144	2,555	-	42,699
Total General Expenses	<u>2,622,096</u>	<u>499,525</u>	<u>1,040</u>	<u>3,122,661</u>
TOTAL EXPENSES	<u><u>\$ 10,696,739</u></u>	<u><u>\$ 1,619,208</u></u>	<u><u>\$ 1,040</u></u>	<u><u>\$ 12,316,987</u></u>

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

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Service	General and Administrative	Fundraising	Total
PERSONNEL, SALARIES AND BENEFITS				
Salaries	\$ 4,710,149	\$ 646,347	\$ 1,945	\$ 5,358,441
Employee benefits	598,824	82,173	247	681,244
Payroll taxes	398,593	54,695	164	453,452
Professional development	68,558	9,408	27	77,993
Travel and meetings	8,180	1,122	4	9,306
Total Personnel, Salaries and Benefits	5,784,304	793,745	2,387	6,580,436
DIRECT STUDENT COSTS				
Supplies and materials	191,987	-	-	191,987
Transportation	30,087	-	-	30,087
Contracted instruction fees	380,295	-	-	380,295
Food service	423,196	-	-	423,196
Students assessments	51,220	-	-	51,220
Total Direct Student Costs	1,076,785	-	-	1,076,785
OCCUPANCY EXPENSES				
Rent	371,131	51,416	387	422,934
Maintenance and repairs	97,357	13,360	40	110,757
Utilities	210,151	28,838	87	239,076
Contracted building services	113,197	15,533	47	128,777
Total Occupancy Expenses	791,836	109,147	561	901,544
OFFICE EXPENSES				
Office supplies and materials	36,011	50,379	15	86,405
Telecommunications	97,716	13,409	40	111,165
Printing and publications	485	67	-	552
Postage and shipping	7,902	1,084	4	8,990
Total Office Expenses	142,114	64,939	59	207,112
GENERAL EXPENSES				
Insurance	53,048	7,280	22	60,350
Interest	585,169	80,300	241	665,710
Bad debt expense	-	27,246	-	27,246
Authorizer fee	117,553	16,131	49	133,733
Professional fees	835,906	323,587	344	1,159,837
Computer support fees	201,490	27,649	84	229,223
Depreciation and amortization	788,432	108,192	325	896,949
Other general expenses	29,387	3,803	11	33,201
Total General Expenses	2,610,985	594,188	1,076	3,206,249
TOTAL EXPENSES	\$ 10,406,024	\$ 1,562,019	\$ 4,083	\$ 11,972,126

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

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,200,841	\$ 1,431,684
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	887,881	896,949
Amortization of loan costs (as restated)	45,300	45,300
(Increase) decrease in assets		
Grants and accounts receivable	(127,683)	(113,782)
Prepaid expenses	813	52,652
Cash and cash equivalents restricted by debt agreements	(363,322)	(362,652)
Deposits	-	23,400
Increase (decrease) in liabilities		
Accounts payable	(304,466)	(146,469)
Accrued expenses	34,974	(299,994)
Deferred revenues	(4,873)	404
Net Cash (Used for) Provided by Operating Activities (as restated)	1,369,465	1,527,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(226,212)	(9,831)
Net Cash Used for Investing Activities	(226,212)	(9,831)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on capital lease payable	(40,734)	(115,119)
Net Cash Used for Financing Activities	(40,734)	(115,119)
NET CHANGE IN CASH AND CASH EQUIVALENTS (as restated)	1,102,519	1,402,542
CASH AND CASH EQUIVALENTS , beginning of year	2,524,368	1,121,826
CASH AND CASH EQUIVALENTS , end of year (as restated)	\$ 3,626,887	\$ 2,524,368
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 622,818	\$ 624,343
SUPPLEMENTAL DISCLOSURE OF NON CASH INFORMATION		
Acquisition of equipment under capital lease	\$ -	\$ 174,125

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

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE A – ORGANIZATION AND PURPOSE

The Meridian Public Charter School (the “School”) was incorporated as a not-for-profit organization on November 23, 1998 under the laws of the District of Columbia. The School received a charter in 1999 to operate as a charter school pursuant to the District of Columbia School Reform Act of 1995.

Located in Washington, DC, the School is a public academic elementary and middle school serving students in pre-school through eighth grade. The School is a model that is academic in focus with a concentration on reading and writing. The mission of the School is to instill within its students a passion for learning, self-confidence, and self-respect through academic achievement.

The School’s instruction program deals directly with the teaching of pupils including the interaction between teachers, assistants, specialists and pupils in the classroom, textbooks, and supplies. The School’s food service program consists of activities concerned with providing food to pupils in school and includes the preparation and serving of breakfast and lunch in connection with school activities.

Meridian – Harrison QALICB, Inc. (Qualified Active Low-Income Community Business – “QALICB”) is a District of Columbia non-profit corporation established to participate in the Internal Revenue Service’s New Market Tax Credit program to finance leasehold improvements of the School’s facility. The QALICB is controlled by the School.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School and QALICB’s (collectively, “Meridian”) consolidated financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Principles of Consolidation

Under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic Consolidations, these consolidated financial statements include the accounts of the School and the QALICB. All material inter-organization transactions and balances have been eliminated in consolidation.

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation

Consolidated financial statement presentation follows FASB ASC Topic for Not-for-Profit Entities. In accordance with the topic, Meridian reports information regarding its consolidated financial position based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and activities therein, are classified and reported as follows:

Basis of Presentation - continued

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School.

The School had no temporarily or permanently restricted net assets for the years ended June 30, 2018 and 2017.

Use of Estimates

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted revenue received that is expended in the year of receipt is treated as unrestricted for financial reporting purposes.

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition – continued

Federal entitlements and grants are received primarily from the District of Columbia government. Revenue is recognized when allowable expenditures in accordance with the grant terms have been incurred. The grants are subject to audit by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

The School receives a student allocation on a per pupil basis from the District of Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated educational services are provided. Per pupil appropriation revenue includes \$3,095,013 and \$2,295,724 for the years ended June 30, 2018 and 2017, respectively, for enhancements, such as special education, English language learners, and at-risk students. Before and after school care and rental income is recognized when the service is provided.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, Meridian considers all highly liquid debt instruments purchased with an original maturity of less than three months and money market funds to be cash equivalents.

Cash and Cash Equivalents Restricted by Debt Agreements

Cash and cash equivalents restricted by debt agreements is comprised of cash and cash equivalents deposited into a sinking fund account and construction disbursement account. The lender has a first priority security interest through debt maturity in each account. Meridian may not access the funds without prior permission of the lender.

Grants and Accounts Receivable

Grants and accounts receivable are stated at the amount management expects to collect from outstanding balances. Grants and accounts receivable primarily consists of amounts due from the federal government and the District of Columbia. Due to the nature of this funding, management believes that all grants and accounts receivable will be collected in one year or less; therefore, no allowance for bad debt has been recorded.

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

Property and equipment are stated at cost, or estimated fair value at date of receipt, if donated. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the underlying assets, which range from 5 to 40 years. All property and equipment expenditures in excess of \$1,000 are capitalized. Leasehold improvements are amortized over the remaining term of the 25 year leases.

Debt Issuance Costs

Cost incurred in the issuance of debt have been capitalized and are reported on the consolidated statement of financial position as a direct deduction from the related debt liability. Debt issuance costs are amortized as interest expense using the straight-line method over the remaining period of the debt, which approximates the effective interest method.

Deferred Revenue

Deferred revenues result from government grant funding received in the current fiscal year and are deferred until the next fiscal year in which the service is provided.

Functional Expenses

The costs of providing the Meridian's various programs and supporting services have been summarized on a functional basis in the accompanying Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

Reclassifications

Certain amounts for June 30, 2017 have been reclassified to conform to the current year presentation. The reclassification had no effect on previously reported net assets or change in net assets.

NOTE C – INCOME TAXES

The School qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509 (a)(1).

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE C – INCOME TAXES - continued

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

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2015-2017), or expected to be taken in its 2018 tax return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

NOTE D – PROPERTY AND EQUIPMENT

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

	2018	2017
Leasehold improvements	\$ 16,701,844	\$ 16,579,214
Furniture and equipment	1,151,265	1,047,683
Capital leased equipment	208,943	208,943
	18,062,052	17,835,840
Less accumulated depreciation	(4,846,593)	(3,958,712)
Property and Equipment, Net	\$ 13,215,459	\$ 13,877,128

Depreciation expense of property and equipment for the years ended June 30, 2018 and 2017 was \$887,881 and 896,949, respectively. Accumulated depreciation includes accumulated depreciation of capital leased equipment in the amount of \$60,360 and \$18,571 as of June 30, 2018 and 2017, respectively. Depreciation expense related to capital leased equipment was \$41,789 and \$12,768 for years ended June 30, 2018 and 2017, respectively.

NOTE E – CONSULTING SERVICES

During July 2016, Meridian entered into 4-year amended consulting services agreement with TenSquare, LLC. Under this agreement, TenSquare, LLC is to provide performance management and strategic intervention services to Meridian. Monthly payments are due based on fixed compensation agreed upon in the agreement. For the years ended June 30, 2018 and 2017, consulting service fees expensed were \$870,000 and \$942,500 and are reported as professional fees in the consolidated financial statements.

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE E – CONSULTING SERVICES - continued

The future minimum consulting service fees are as follows for years ending June 30:

2019	\$ 870,000
2020	<u>797,500</u>
Total	<u>\$ 1,667,500</u>

NOTE F – OPERATING LEASES

During October 2011, the School entered into a 25 year lease agreement for use of the facility for its elementary school. In order to secure financing described in Note I, the School assigned all of its rights, title, and interest of the lease to the QALICB. The QALICB then entered into a sublease agreement with the School for the same facility. The sublease agreement is for a 20 year term, which expires October 13, 2031. Under the terms of the sublease, the School is required to make monthly payments of \$53,784, which continue through September 18, 2018. After this time, the sublease payments will be renegotiated since they are based on the interest and loan payments that the QALICB is required to pay in accordance with the loan agreement.

The future minimum lease payments of leases under non-cancelable agreements are for the year ending June 30, 2019 is \$161,351.

During July 2015, the School entered into a 26-month lease agreement with a DC nonprofit organization for use of a facility for its middle school. The School was required to make payments on a monthly basis. Annual rent was equal to the DC appropriated facilities allowance per pupil multiplied by 160 and 90%. At the end of each lease year, additional amounts were to be due, or credited, in accordance with the lease agreement based on the landlord's actual costs of providing access to the facility to the School. During February 2017, the lease agreement was amended to terminate August 31, 2019. Additionally, the amended terms require quarterly payments of \$94,120. On July 1st of each year, payments made are adjusted to the landlord's actual costs of providing access to the facility to the School. Accordingly, the School cannot reasonably estimate its future minimum lease payments under the terms of this lease.

Rent expense for the years ended June 30, 2018 and 2017 was \$422,131 and \$422,934, respectively.

NOTE G – CAPITAL LEASE PAYABLE

During April 2017, the School entered into a 60 month capital lease for copier equipment. During July 2015, the School entered into a 48 month lease for playground equipment. Under the terms of the leases, the School is required to make monthly payments of \$4,073.

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE G – CAPITAL LEASE PAYABLE - continued

Future minimum lease payments are as follows for years ending June 30:

2019	\$	48,082
2020		39,288
2021		39,288
2022		32,740
		<u>159,398</u>
Less interest		(13,632)
Total	\$	<u>145,766</u>

NOTE H – NOTE PAYABLE

The New Market Tax Credit (“NMTC”) program encourages investment in real estate projects in low-income communities by allowing investors to receive tax credits against their federal income tax return in exchange for making qualified investments in Community Development Entities (“CDE”). The CDE’s purpose is to make loans and investments in low-income communities to QALICBs.

During October 2011, the CDE utilized qualified funding to loan \$12,500,000 to the QALICB to finance leasehold improvements for the School. The loan agreement consists of three loans totaling \$12,500,000 and expiring between October 14, 2018 and October 14, 2041. Each loan has a fixed interest rate of 4.85% per annum. Interest only payments on the loans are due monthly through 2018 with balloon payments due at maturity on two loans totaling \$10,043,000. The third loan is payable in monthly installments of \$14,884 including interest beginning November 2018. As of June 30, 2018 and 2017, the outstanding principal balance was \$12,500,000.

The following summarizes long-term debt as of June 30:

	<u>2018</u>	<u>2017</u>
<u>Meridian-Harrison QALICB, Inc.</u>		
TRF NMTC Fund XV, LP- Loan A	\$ 6,840,218	\$ 6,840,218
TRF NMTC Fund XV, LP- Loan B	3,203,261	3,203,261
TRF NMTC Fund XV, LP- Loan C	<u>2,456,521</u>	<u>2,456,521</u>
	12,500,000	12,500,000
Less: current maturity	(10,080,532)	-
Less: debt issuance costs, net of accumulated amortization	<u>(11,325)</u>	<u>(56,625)</u>
Total Long-Term Debt, Net	<u>\$ 2,408,143</u>	<u>\$12,443,375</u>

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE H – NOTE PAYABLE - continued

Meridian reports amortization of debt issuance costs as interest expense. The amortization of debt issuance costs as interest expense for the year ended June 30, 2018 and 2017 was \$45,300.

Debt issuance costs and accumulated amortization are as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Debt issuance costs	\$ 317,101	\$ 317,101
Less accumulated amortization	<u>9,774,756</u>	<u>(260,476)</u>
Debt Issuance Costs, Net	<u>\$ 10,091,857</u>	<u>\$ 56,625</u>

The future minimum payments on the note payable are as follows for years ending June 30:

2019	\$ 10,080,532
2020	60,657
2021	64,036
2022	67,255
2023	70,639
Thereafter	<u>2,156,881</u>
	<u>\$ 12,500,000</u>

According to the terms of the note payable, Meridian is required to maintain specified ratios and other covenants. In the opinion of management, Meridian has complied with the required covenants and ratios for the year ended June 30, 2018.

NOTE I – RETIREMENT BENEFITS

The School established a 401(k) qualified retirement plan, under which full-time and part-time employees, 21 years of age and older, are eligible to participate after the first full month of employment. Under the plan, the School will match up to 5% of the participants' contribution, and a discretionary contribution is also available. The total matching and discretionary contributions made by the School for the years ended June 30, 2018 and 2017 were \$119,585 and \$137,360, respectively.

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE J – CONCENTRATIONS

The School is dependent on per pupil funding from the District of Columbia Public School System, as authorized by the District of Columbia Public Charter School Board. During the years ended June 30, 2018 and 2017, 92% and 89% of total revenue and support was provided by per pupil funding, respectively. Meridian also receives various federal grants, which are subject to audit by the overseeing agency.

As of June 30, 2018 and 2017, Meridian had cash that exceeded the \$250,000 federally insured limit in the amounts of approximately \$5,254,000 and \$3,789,000, respectively. Meridian has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash held by this financial institution.

NOTE K – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, The Meridian Public Charter School's management has evaluated events and transactions for potential recognition or disclosure through November 27, 2018, which is the date the financial statements were available to be issued. In October 2018, the school entered into refinance agreement with Eagle Bank for \$7,500,000. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.

NOTE L – RESTATEMENT

Subsequent to the issuance of the June 30, 2018 consolidated financial statements, the School discovered an error in the Consolidated Statement of Cash Flows. The statement originally reported amortization of loan costs of \$(10,035,232) and has been restated to correct this figure to show amortization of loan costs of \$45,300 for the year ended June 30, 2018. The restatement also corrects the net change in cash and cash equivalents to \$1,102,519, and cash and cash equivalents at the end of the year to \$3,626,887 for the year ended June 30, 2018.

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2018

	<u>School</u>	<u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,160,886	\$ 466,001	\$ -	\$ 3,626,887
Grants and accounts receivable	651,109	-	-	651,109
Due from QALICB	234,452	-	(234,452)	-
Prepaid expenses	7,454	-	-	7,454
Total Current Assets	<u>4,053,901</u>	<u>466,001</u>	<u>(234,452)</u>	<u>4,285,450</u>
LONG-TERM ASSETS				
Property and equipment, net	805,794	12,409,665	-	13,215,459
Cash and cash equivalents restricted by debt agreements	2,403,731	-	-	2,403,731
Deposits	7,000	-	-	7,000
Total Long-Term Assets	<u>3,216,525</u>	<u>12,409,665</u>	<u>-</u>	<u>15,626,190</u>
TOTAL ASSETS	<u>\$ 7,270,426</u>	<u>\$ 12,875,666</u>	<u>\$ (234,452)</u>	<u>\$ 19,911,640</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 412,606	\$ -	\$ -	\$ 412,606
Accrued expenses	409,577	-	-	409,577
Deferred revenue	5	-	-	5
Due to School	-	234,452	(234,452)	-
Note payable, current	-	10,080,532	-	10,080,532
Capital lease payable, current portion	43,714	-	-	43,714
Total Current Liabilities	<u>865,902</u>	<u>10,314,984</u>	<u>(234,452)</u>	<u>10,946,434</u>
LONG-TERM LIABILITIES				
Capital lease payable, net of current portion	102,052	-	-	102,052
Note payable, non current, net	-	2,408,143	-	2,408,143
Total Long-Term Liabilities	<u>102,052</u>	<u>2,408,143</u>	<u>-</u>	<u>2,510,195</u>
TOTAL LIABILITIES	967,954	12,723,127	(234,452)	13,456,629
NET ASSETS				
Unrestricted	<u>6,302,472</u>	<u>152,539</u>	<u>-</u>	<u>6,455,011</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,270,426</u>	<u>\$ 12,875,666</u>	<u>\$ (234,452)</u>	<u>\$ 19,911,640</u>

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2017

	<u>School</u>	<u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,088,861	\$ 435,507	\$ -	\$ 2,524,368
Grants and accounts receivable	523,426	-	-	523,426
Due from QALICB	234,452	-	(234,452)	-
Prepaid expenses	8,267	-	-	8,267
Total Current Assets	<u>2,855,006</u>	<u>435,507</u>	<u>(234,452)</u>	<u>3,056,061</u>
LONG-TERM ASSETS				
Property and equipment, net	817,235	13,059,893	-	13,877,128
Cash and cash equivalents restricted by debt agreements	2,040,409	-	-	2,040,409
Deposits	7,000	-	-	7,000
Total Long-Term Assets	<u>2,864,644</u>	<u>13,059,893</u>	<u>-</u>	<u>15,924,537</u>
TOTAL ASSETS	<u>\$ 5,719,650</u>	<u>\$ 13,495,400</u>	<u>\$ (234,452)</u>	<u>\$ 18,980,598</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 717,072	\$ -	\$ -	\$ 717,072
Accrued expenses	374,603	-	-	374,603
Deferred revenue	4,878	-	-	4,878
Due to School	-	234,452	(234,452)	-
Capital lease payable, current	43,714	-	-	43,714
Total Current Liabilities	<u>1,140,267</u>	<u>234,452</u>	<u>(234,452)</u>	<u>1,140,267</u>
LONG-TERM LIABILITIES				
Capital lease payable, net of current	142,786	-	-	142,786
Note payable, net	-	12,443,375	-	12,443,375
Total Long-Term Liabilities	<u>142,786</u>	<u>12,443,375</u>	<u>-</u>	<u>12,586,161</u>
TOTAL LIABILITIES	1,283,053	12,677,827	(234,452)	13,726,428
NET ASSETS				
Unrestricted	<u>4,436,597</u>	<u>817,573</u>	<u>-</u>	<u>5,254,170</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,719,650</u>	<u>\$ 13,495,400</u>	<u>\$ (234,452)</u>	<u>\$ 18,980,598</u>

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	<u>School</u>	<u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED REVENUES AND OTHER SUPPORT				
Per pupil appropriations	\$ 10,352,045	\$ -	\$ -	\$ 10,352,045
Per pupil facility allowance	2,030,576	-	-	2,030,576
Rental income	12,600	645,164	(645,164)	12,600
Federal entitlements and grants	1,038,017	-	-	1,038,017
Other grants and contributions	60,248	-	-	60,248
Before and after school care	6,290	-	-	6,290
Interest income	17,600	-	-	17,600
Other income	452	-	-	452
Total Unrestricted Revenues and Other Support	<u>13,517,828</u>	<u>645,164</u>	<u>(645,164)</u>	<u>13,517,828</u>
EXPENSES				
Program service	9,954,285	1,310,198	(567,744)	10,696,739
General and administrative	1,696,628	-	(77,420)	1,619,208
Fundraising	1,040	-	-	1,040
Total Expenses	<u>11,651,953</u>	<u>1,310,198</u>	<u>(645,164)</u>	<u>12,316,987</u>
CHANGE IN NET ASSETS	1,865,875	(665,034)	-	1,200,841
NET ASSETS, beginning of year	<u>4,436,597</u>	<u>817,573</u>	<u>-</u>	<u>5,254,170</u>
NET ASSETS, end of year	<u>\$ 6,302,472</u>	<u>\$ 152,539</u>	<u>\$ -</u>	<u>\$ 6,455,011</u>

THE MERIDIAN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	<u>School</u>	<u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED REVENUES AND OTHER SUPPORT				
Per pupil appropriations	\$ 9,818,638	\$ -	\$ -	\$ 9,818,638
Per pupil facility allowance	2,161,808	-	-	2,161,808
Rental income	14,273	645,164	(645,164)	14,273
Federal entitlements and grants	1,314,807	-	-	1,314,807
Other grants and contributions	61,392	-	-	61,392
Before and after school care	15,317	-	-	15,317
Interest income	10,530	-	-	10,530
Other income	7,045	-	-	7,045
Total Unrestricted Revenues and Other Support	<u>13,403,810</u>	<u>645,164</u>	<u>(645,164)</u>	<u>13,403,810</u>
EXPENSES				
Program service	9,822,084	1,151,684	(567,744)	10,406,024
General and administrative	1,481,400	158,039	(77,420)	1,562,019
Fundraising	3,607	476	-	4,083
Total Expenses	<u>11,307,091</u>	<u>1,310,199</u>	<u>(645,164)</u>	<u>11,972,126</u>
CHANGE IN NET ASSETS	2,096,719	(665,035)	-	1,431,684
NET ASSETS , beginning of year	<u>2,339,878</u>	<u>1,482,608</u>	<u>-</u>	<u>3,822,486</u>
NET ASSETS , end of year	<u>\$ 4,436,597</u>	<u>\$ 817,573</u>	<u>\$ -</u>	<u>\$ 5,254,170</u>

SUPPLEMENTAL INFORMATION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees
The Meridian Public Charter School and Subsidiary
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Meridian Public Charter School and Subsidiary ("Meridian"), which comprise the consolidated statements of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Meridian'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meridian's internal control. Accordingly, we do not express an opinion on the effectiveness of Meridian'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jane Marusa & McQuade PA

Washington, DC
November 27, 2018



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

The Board of Trustees
The Meridian Public Charter School
Washington, DC

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Jane Mauer & McQuade PA

Washington, DC
November 27, 2018

**THE MERIDIAN PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
U. S. Department of Education			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Student Support and Academic Enrichment Program	84.424		\$ 10,226
Title I Grants to Local Educational Agencies	84.010	72010A, 62010A	275,022
Supporting Effective Instruction State Grant	84.367	72367A, 62367A	61,916
English Language Acquisition State Grant	84.365	72365A, 62365A	24,670
DC School Choice Incentive Program	84.370	U370C150002	166,006
Special Education - Grants to States	84.027	72027A, 62027A	163,588
Total U.S. Department of Education			<u>701,428</u>
U.S. Department of Agriculture			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Fresh Fruit and Vegetable Program	10.582		12,847
Child Nutrition Cluster			
School Breakfast Program	10.553		67,648
National School Lunch Program	10.555		203,377
Total Child Nutrition Cluster			<u>271,025</u>
School Snack Program			4,288
Total U.S. Department of Agriculture			<u>288,160</u>
U.S. Department of Health and Human Services			
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768		44,607
Total U.S. Department of Health and Human Services			<u>44,607</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,034,195</u>

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

THE MERIDIAN PUBLIC CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported 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 School elected not to use the 10 percent de minimis indirect cost rate. Pass-through entity identifying numbers are presented where available.

NOTE C – RECONCILIATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expenditures per the Schedule exclude \$3,822 of federal funds provided under the Federal Communications Commission E-Rate program, which are reported as federal entitlements and grant revenue in the consolidated statement of activities. Funding under the E-Rate program is considered to be federal funds, however, does not qualify as direct financial support, and therefore, is exempt from Single Audit requirements.

**THE MERIDIAN PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	___yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	___yes <u> X </u> none reported
Noncompliance material to financial statements noted	___yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weaknesses identified	___yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	___yes <u> X </u> none reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	___yes <u> X </u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Programs or Clusters</u>
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u> X </u> yes ___no

**THE MERIDIAN PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary Schedule of Prior Year Findings and Questioned Costs

None noted