

MONUMENT ACADEMY, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

JUNE 30, 2018 AND 2017

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Independent Auditor's Report

The Board of Trustees
Monument Academy, Inc.
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Monument Academy, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monument Academy, Inc. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of Monument Academy, Inc.'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 Monument Academy, Inc.'s internal control over financial reporting and compliance.

James Maruca & McQuade PA

Washington, DC
October 31, 2018

MONUMENT ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,441,501	\$ 603,481
Grants receivable	117,609	86,997
Accounts receivable	25,829	72,935
Prepaid expenses	96,548	46,100
Total Current Assets	1,681,487	809,513
OTHER ASSETS		
Property and equipment, net	1,393,176	1,487,018
Security deposits	5,000	5,000
Total Other Assets	1,398,176	1,492,018
TOTAL ASSETS	\$ 3,079,663	\$ 2,301,531
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 129,334	\$ 93,241
Accrued salaries and related expenses	140	31,517
Deferred revenue	1,700	41,633
Capital lease obligation, current	3,930	-
Total Current Liabilities	135,104	166,391
NONCURRENT LIABILITIES		
Capital lease obligation, net of current portion	15,808	-
Long-term debt, net	914,923	699,149
Total Noncurrent Liabilities	930,731	699,149
TOTAL LIABILITIES	1,065,835	865,540
NET ASSETS		
Unrestricted	1,318,007	1,066,937
Temporarily restricted	695,821	369,054
Total Net Assets	2,013,828	1,435,991
TOTAL LIABILITIES AND NET ASSETS	\$ 3,079,663	\$ 2,301,531

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

MONUMENT ACADEMY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018		2017		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
REVENUE AND SUPPORT					
Per pupil appropriations	\$ 6,364,702	-	\$ 6,364,702	\$ -	\$ 3,789,356
Per pupil facility allowance	991,373	-	991,373	-	638,020
Federal entitlements and grants	555,760	-	555,760	-	943,437
Other grants and contributions	289,105	1,731,273	2,020,378	431,701	753,106
Donated materials	9,002	-	9,002	-	3,125
Donated services	415,552	-	415,552	-	164,323
Program service fees	439	-	439	-	5,291
Net assets released from restrictions	1,404,506	(1,404,506)	-	(62,647)	-
Total Revenue and Support	<u>10,030,439</u>	<u>326,767</u>	<u>10,357,206</u>	<u>369,054</u>	<u>6,296,658</u>
EXPENSES					
Program/educational services	8,300,552	-	8,300,552	-	4,674,609
Management and general	1,350,435	-	1,350,435	-	775,366
Fundraising	128,382	-	128,382	-	157,665
Total Expenses	<u>9,779,369</u>	<u>-</u>	<u>9,779,369</u>	<u>-</u>	<u>5,607,640</u>
CHANGE IN NET ASSETS	251,070	326,767	577,837	369,054	689,018
NET ASSETS, beginning of year	<u>1,066,937</u>	<u>369,054</u>	<u>1,435,991</u>	<u>-</u>	<u>746,973</u>
NET ASSETS, end of year	<u>\$ 1,318,007</u>	<u>\$ 695,821</u>	<u>\$ 2,013,828</u>	<u>\$ 369,054</u>	<u>\$ 1,435,991</u>

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

MONUMENT ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program/ Educational Services	Supporting Services		Total
		Management and General	Fundraising	
Personnel Costs				
Salaries	\$ 4,438,726	\$ 427,550	\$ 17,500	\$ 4,883,776
Employee benefits	591,329	67,258	12,380	670,967
Payroll taxes	367,309	41,778	7,690	416,777
Professional development	86,265	-	-	86,265
Other staff-related expense	135,265	15,378	2,830	153,473
In-kind Executive Director salary	-	75,000	75,000	150,000
Total Personnel Costs	5,618,894	626,964	115,400	6,361,258
Direct Student Costs				
Supplies, materials, snacks	182,782	-	-	182,782
Fieldwork and other transportation	15,386	-	-	15,386
Contracted instruction fees	620,194	-	-	620,194
Textbooks	18,284	-	-	18,284
Student assessments	6,460	-	-	6,460
Student food service	314,935	-	-	314,935
Transportation	42,708	-	-	42,708
Uniforms	3,615	-	-	3,615
Other student costs	17,097	-	-	17,097
Total Direct Student Costs	1,221,461	-	-	1,221,461
Occupancy Expense				
Rent	1,116,434	107,537	4,402	1,228,373
Maintenance and repairs	26,832	2,584	106	29,522
Interest	-	37,911	-	37,911
Total Occupancy Expense	1,143,266	148,032	4,508	1,295,806
Office Expense				
Office supplies	51,334	5,836	1,074	58,244
Equipment rental	23,993	2,727	502	27,222
Telephone	16,380	1,862	342	18,584
Postage	1,302	150	27	1,479
Printing and copying	1,067	122	22	1,211
Total Office Expense	94,076	10,697	1,967	106,740
General Expense				
Computer support	-	4,635	-	4,635
Insurance	-	26,739	-	26,739
Authorizer fees	-	71,514	-	71,514
Accounting, auditing and payroll	-	113,560	-	113,560
Bad debt	-	3,190	-	3,190
Legal fees	-	11,021	-	11,021
Donated legal services	111,211	154,341	-	265,552
Other professional and fundraising fees	-	149,627	6,507	156,134
Dues, fees, and fines	-	5,902	-	5,902
Other general expense	-	4,018	-	4,018
Donated materials	-	9,001	-	9,001
Depreciation and amortization	111,644	11,194	-	122,838
Total General Expense	222,855	564,742	6,507	794,104
Total Expenses	\$ 8,300,552	\$ 1,350,435	\$ 128,382	\$ 9,779,369

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

MONUMENT ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program/ Educational Services	Supporting Services		Total
		Management and General	Fundraising	
Personnel Costs				
Salaries	\$ 2,572,407	\$ 300,210	\$ 38,956	\$ 2,911,573
Employee benefits	226,297	36,214	6,378	268,889
Payroll taxes	208,655	33,391	5,881	247,927
Professional development	78,457	-	-	78,457
Other staff-related expense	68,049	10,889	1,918	80,856
In-kind Executive Director salary	-	72,500	72,500	145,000
Total Personnel Costs	3,153,865	453,204	125,633	3,732,702
Direct Student Costs				
Supplies, materials, snacks	191,115	-	-	191,115
Fieldwork and other transportation	25,065	-	-	25,065
Contracted instruction fees	297,757	-	-	297,757
Textbooks	19,943	-	-	19,943
Student assessments	7,092	-	-	7,092
Student food service	226,828	-	-	226,828
Transportation	15,174	-	-	15,174
Uniforms	13,951	-	-	13,951
Other student costs	25,696	-	-	25,696
Total Direct Student Costs	822,621	-	-	822,621
Occupancy Expense				
Rent	563,698	65,785	8,537	638,020
Maintenance and repairs	6,444	752	98	7,294
Total Occupancy Expense	570,142	66,537	8,635	645,314
Office Expense				
Office supplies	21,978	3,518	619	26,115
Equipment rental	17,356	2,777	489	20,622
Telephone	17,502	2,801	493	20,796
Postage	3,109	-	-	3,109
Printing and copying	1,523	244	43	1,810
Computer support	-	16,647	-	16,647
Total Office Expense	61,468	25,987	1,644	89,099
General Expense				
Insurance	-	24,002	-	24,002
Authorizer fees	-	53,539	-	53,539
Accounting, auditing and payroll	-	78,745	-	78,745
Bad debt	-	5,236	-	5,236
Legal fees	5,150	10,000	-	15,150
Donated legal services	11,823	7,500	-	19,323
Other professional and fundraising fees	14,357	40,757	21,753	76,867
Dues, fees, and fines	-	1,672	-	1,672
Other general expense	-	3,960	-	3,960
Donated materials	3,125	-	-	3,125
Depreciation	32,058	4,227	-	36,285
Total General Expense	66,513	229,638	21,753	317,904
Total Expenses	\$ 4,674,609	\$ 775,366	\$ 157,665	\$ 5,607,640

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

MONUMENT ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 577,837	\$ 689,018
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	122,838	36,285
Imputed interest	37,058	-
Decrease (increase) in assets:		
Grants receivable	(30,612)	(36,363)
Accounts receivable	47,106	18,911
Prepaid expenses	(50,448)	(26,357)
Security deposits	-	1,395
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	36,093	25,156
Accrued salaries and related expenses	(31,377)	18,808
Discount on long term debt	(30,596)	(100,851)
Deferred revenue	(39,933)	41,633
Net Cash Provided by Operating Activities	637,966	667,635
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,678)	(1,415,622)
Net Cash Used for Investing Activities	(7,678)	(1,415,622)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease obligation payments	(1,580)	-
Proceeds from issuance of debt	211,000	800,000
Loan costs incurred	(1,688)	-
Net Cash Provided by Financing Activities	207,732	800,000
NET INCREASE IN CASH	838,020	52,013
CASH, beginning of year	603,481	551,468
CASH, end of year	\$ 1,441,501	\$ 603,481
SUPPLEMENTAL DISCLOSURE OF NON CASH INFORMATION		
Acquisition of equipment under capital lease	\$ 21,318	\$ -

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

MONUMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE A – NATURE OF ORGANIZATION

Monument Academy, Inc. (“Monument Academy”), a District of Columbia not-for-profit corporation, was incorporated on September 13, 2013, exclusively for educational purposes. Monument Academy operates as part of the District of Columbia Public School system. On July 1, 2015, Monument Academy entered into a 15 year Charter School Agreement with the District of Columbia Public Charter School Board. Monument Academy is a weekday boarding school for students in Washington, DC. Monument Academy opened with it’s first class of 40 fifth graders in August of 2015, subsequently expanded to include sixth grade in August of 2016 and seventh grade in August of 2017 as well.

The mission of Monument Academy is to provide students, particularly those who have had or might have contact with the foster care system, with the requisite academic, social, emotional, and life skills to be successful in college, career, and community, and to create an outstanding school that attracts, supports, and retains exceptional and caring staff.

Monument Academy’s primary sources of support are local appropriations for Charter Schools from the District of Columbia Government.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic Not-for-Profit Entities. In accordance with the topic, Monument Academy is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of Monument Academy and changes therein are classified and reported as follows:

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 Monument Academy and/or the passage of time

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Monument Academy. Monument Academy had no permanently restricted net assets during the years ended June 30, 2018 or 2017.

Basis of Accounting

Monument Academy’s 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.

MONUMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Use of Estimates

Management uses estimates and assumptions in preparing 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 financial statements.

Accounts and Grants Receivable

Monument Academy's grants receivable consist of unsecured amounts due from public funding sources whose ability to pay are subject to appropriations. Monument Academy performs ongoing credit evaluations of its funding sources and generally does not require collateral. Due to the nature of funding from the federal government and the District of Columbia, management believes that all grants receivable will be collected within one year; therefore, no allowance for bad debt has been recorded.

Accounts receivables related to program service fees are recognized as revenue when earned. Accounts receivable are written off as uncollectible when payment has not been received after 180 days. Management believes that all outstanding accounts receivable will be collected, therefore no allowance for bad debt has been recorded.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Monument Academy capitalizes all expenditures for property and equipment over \$1,000 or purchases of bulk assets over \$5,000. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which ranges from 3 to 7 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Per Pupil Funding

Monument Academy 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 appropriations includes \$3,137,337 and \$3,010,149 for enhancements, such as special education, at risk students, and residential for the years ended June 30, 2018 and 2017, respectively.

The Per Pupil Facilities Allowance is determined by the District of Columbia Public Charter Schools ("DCPCS") capital budget divided by the previous school year DCPCS total pupil count. For the years ended June 30, 2018 and 2017, the Per Pupil Facilities Allowance equals \$8,621 and \$8,395, respectively.

MONUMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Federal and Local Government Entitlements and Grants

Grant revenues are received primarily from the District of Columbia Government. 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.

Other Grants and Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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 statement of activities as net assets released from restrictions.

Program Service Fees

Program service fee revenue is primarily from the school store and uniform sales and is recognized when earned.

Functional Expenses

The costs of providing Monument Academy's various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs, management and general, and fundraising services benefited.

Donated Services and Materials

Donated materials are recorded at fair value at the date of donation. Monument Academy received donated materials in the amount of \$9,002 and \$3,125 for the years ended June 30, 2018 and 2017, respectively. Donated services are recognized at their fair value if the service requires specialized skills and the services would typically need to be purchased, if not donated. Contributed services and promises to give services that do not meet the above criteria are not recognized. Monument Academy received donated legal services totaling \$265,552 and \$19,323 during the years ended June 30, 2018 and 2017, respectively, which met the criteria for recognition. Monument Academy also received in-kind Executive Director services totaling \$150,000 and \$145,000 during the years ended June 30, 2018 and 2017, respectively, which met the criteria for recognition.

MONUMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE C – INCOME TAXES

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

Monument Academy believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

Monument Academy’s information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. Monument Academy’s information returns for the years ended June 30, 2015 through 2017 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2018 and 2017.

	2018	2017
Leadhold improvement	\$ 1,347,500	\$ -
Furniture and equipment	104,771	104,771
Computers	93,999	86,322
Machine and equipment	21,318	-
Construction in progress	-	1,347,500
	<u>1,567,588</u>	<u>1,538,593</u>
Accumulated depreciation	<u>(174,412)</u>	<u>(51,575)</u>
Property and equipment, net	<u>\$ 1,393,176</u>	<u>\$ 1,487,018</u>

Construction in progress includes ongoing renovations construction, and improvement projects at Monument Academy. As of June 30, 2017, construction in progress includes costs to renovate the third floor of the facility. Depreciation and amortization expense totaled \$122,838 and \$36,285 for the years ended June 30, 2018 and 2017, respectively.

NOTE E – CAPITAL LEASE OBLIGATIONS

In January 2018, Monument Academy entered into a copier lease with a five year term. Under the terms of this lease, base monthly payment due totals \$402 in addition to charges for maintenance and supplies used. The capital lease cost totaled \$24,138, and accumulated depreciation of the copier totaled \$1,776. The remaining capital lease liabilities totaled \$19,738 as of June 30, 2018.

MONUMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE E – CAPITAL LEASE OBLIGATIONS – continued

Future minimum lease payments are as follows for the year ended June 30, 2018:

	2019	\$	4,828
	2020		4,828
	2021		4,828
	2022		4,828
	2023		2,815
			22,127
Less: interest			(2,389)
Total		\$	19,738

Total interest expense totaled \$431 for the year ended June 30, 2018.

NOTE F – LONG-TERM DEBT

On June 6, 2017, Monument Academy entered into a noninterest bearing, unsecured, loan agreement with a private foundation. Under the terms of the loan agreement, the original principal received by Monument Academy totaled \$800,000. In addition, the loan does not require monthly payments and is to be paid in full to the private foundation on June 16, 2020. This loan was provided for the purpose of investing in facilities for Monument Academy.

On December 28, 2017, Monument Academy entered into a noninterest bearing, unsecured, loan agreement with a private foundation. Under the terms of the loan agreement, the original principal received by Monument Academy totaled \$211,000. In addition, the loan does not require monthly payments and is to be paid in full to the private foundation on June 30, 2020. This loan was provided for the purpose of investing in facilities for Monument Academy.

Long-term debt as of June 30, 2018 consists of the following:

Non-interest bearing unsecured loan payable, due in full on June 16, 2020	\$	1,011,000
Net of unamortized discount (effective interest rate of 4.5%)		(94,389)
Long-term debt, net	\$	914,923

NOTE G – OPERATING LEASES

School Grounds

On July 24, 2015, Monument Academy entered into a use agreement with Charter School Incubator Initiative (“CSII”) to use a portion of the school facility. In accordance with this use agreement CSII has agreed to grant use of approximately 47,000 square feet of space within the former Gibbs Elementary School. The term of the agreement continues through June 30, 2020 and may be extended for up to three additional terms of five years each.

MONUMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE G – OPERATING LEASES – continued

This use agreement is subject to and subordinate to the terms of the prime lease between the District of Columbia and CSII for the school. In exchange for this use of space, Monument Academy has agreed to pay CSII a usage fee equal to the number of students enrolled with Monument Academy multiplied by the Per Pupil Facilities Allowance, as determined annually, payable in equal quarterly installments on August 1, November 1, February 1, and May 1. Accordingly, Monument Academy cannot reasonably estimate its future minimum payments under the terms of this agreement. During the years ended June 30, 2018 and 2017, rent expense under this agreement totaled \$1,228,373 and \$638,020, respectively.

Equipment

In August 2015, Monument Academy entered into a copier lease with a five year term. Under the terms of this lease the base monthly payment due totals \$452 in addition to charges for maintenance and supplies used. In January 2018, Monument Academy entered into a copier lease with a five year term.

2019	\$	5,426
2020		5,426
2021		<u>452</u>
Total		<u><u>\$ 11,304</u></u>

NOTE H - COMMITMENTS AND CONTINGENCIES

On July 31, 2015, Monument Academy entered into a guaranty agreement to induce United Bank (the “Beneficiary”) to make a loan to CSII (the “Borrower”). This guaranty agreement relates to a loan from United Bank to CSII for \$8,200,000 with a term of July 31, 2015 through September 15, 2020. The proceeds of the loan are for improvements to the facility from which Monument Academy operates. Under the terms of the guaranty agreement, Monument Academy unconditionally guarantees to the Beneficiary the obligations of the Borrower with respect to the payment of principal, interest and fees, related to the loan, however, Monument Academy shall have no duty to pay or perform the guaranteed obligations unless the Borrower first defaults in the payments and/or performance of its obligations under the related loan agreement. During September 2017, this guaranty was amended to include additional loans from United Bank to CSII under the same terms as noted above, these additional loans totaled an additional \$7,500,000. The total amount of loans under the new guaranty agreement equals \$15,700,000.

MONUMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018, temporarily restricted net assets were restricted for the following purposes:

PerMANent Homes Campaign	\$	562,500
Loan discount		94,389
Student Life Homes		10,000
Professional Development		22,250
A&M consulting		5,000
Teacher lead Stipend		1,682
Total	<u>\$</u>	<u>695,821</u>

As of June 30, 2017, temporarily restricted net assets were restricted for the following purposes:

PerMANent Homes Campaign	\$	250,000
Loan discount		100,851
Student Life Homes		10,000
Professional Development		7,000
A&M consulting		1,203
Total	<u>\$</u>	<u>369,054</u>

NOTE J - RETIREMENT PLAN

During January 2015, a qualified 401(k) Plan (the “Plan”) was established for eligible employees after one year of employment. The Plan allows participants to make voluntary contributions up to the maximum amount allowable by the Internal Revenue Code and are eligible to make such contributions upon date of hire. Eligible participants receive automatic elective deferrals upon enrollment in the plan. These elective deferrals begin at a rate of 3% of the participant’s salary and subsequently increase 1% each year up to the maximum automatic elective deferral of 6%. Monument Academy matches 100% of the participant’s contribution up to 3% of the participant’s salary, and 50% of participant’s contribution between 3% and 6%, subject to a vesting schedule. Total expenses related to the Plan for the years ended June 30, 2018 and 2017 totaled \$169,692 and \$57,996, respectively.

NOTE K - CONCENTRATION OF RISKS

Monument Academy 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, 71% and 70% of total revenue and support was provided by per-pupil funding, respectively.

MONUMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(continued)

NOTE K - CONCENTRATION OF RISKS – continued

Monument Academy maintains its cash in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. Monument Academy’s cash routinely exceeds the FDIC limit. Management does not believe Monument Academy is exposed to any significant credit risk on its cash and cash equivalents.

NOTE L - SUBSEQUENT EVENTS

In preparing these financial statements, Monument Academy has evaluated events and transactions for potential recognition or disclosure through October 31, 2018, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



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

To the Board of Trustees
Monument Academy, Inc.
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Monument Academy, Inc. (a nonprofit organization) ("Monument Academy"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Monument Academy'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 Monument Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Monument Academy'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 Monument Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

To the Board of Trustees
Monument Academy, Inc.

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.

Janet Marusa & McQuade PA

Washington, DC
October 31, 2018