

**MONUMENT ACADEMY, INC.**

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

**JUNE 30, 2016**

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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 statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, 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 Monument Academy, Inc. as of June 30, 2016, 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**

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, 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.

*Jane Marusa & M<sup>o</sup>Quade PA*

Washington, DC  
November 16, 2016

**MONUMENT ACADEMY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	551,468
Grants receivable		50,634
Accounts receivable		91,846
Prepaid expenses		19,743
Total Current Assets		713,691

**OTHER ASSETS**

Property and equipment, net		107,681
Security deposits		6,395
Total Other Assets		114,076

**TOTAL ASSETS**

**\$ 827,767**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$	68,085
Accrued vacation		12,709
Total Current Liabilities		80,794

**TOTAL LIABILITIES**

**80,794**

**COMMITMENTS AND CONTINGENCIES (Notes E & F)**

**NET ASSETS**

Unrestricted		746,973
		746,973

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 827,767**

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

**MONUMENT ACADEMY, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

	2016		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 1,914,703	-	\$ 1,914,703
Per pupil facility allowance	335,800	-	335,800
Federal and local government entitlements and grants	606,955	-	606,955
Other grants and contributions	399,954	25,000	424,954
Donated materials	19,600	-	19,600
Donated services	168,142	-	168,142
Program service fees	238	-	238
Net assets released from restrictions	25,000	(25,000)	-
Total Revenue and Support	3,470,392	-	3,470,392
<b>EXPENSES</b>			
Program/educational services	2,385,611	-	2,385,611
Management and general	454,207	-	454,207
Fundraising	96,271	-	96,271
Total Expenses	2,936,089	-	2,936,089
<b>CHANGE IN NET ASSETS</b>	534,303	-	534,303
<b>NET ASSETS, beginning of year</b>	212,670	-	212,670
<b>NET ASSETS, end of year</b>	\$ 746,973	-	\$ 746,973

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

**MONUMENT ACADEMY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

	Program/ Educational Services	Supporting Services		Total
		Management and General	Fundraising	
<b>Personnel Costs</b>				
Salaries	\$ 1,162,265	\$ 121,601	\$ -	\$ 1,283,866
Employee benefits	157,502	16,478	-	173,980
Payroll taxes	100,661	10,531	-	111,192
Professional development	41,466	-	-	41,466
Other staff-related expense	48,603	6,668	-	55,271
In-kind Executive Director salary	-	70,000	70,000	140,000
<b>Total Personnel Costs</b>	<b>1,510,497</b>	<b>225,278</b>	<b>70,000</b>	<b>1,805,775</b>
<b>Direct Student Costs</b>				
Supplies, materials, snacks	60,991	-	-	60,991
Fieldwork and other transportation	13,628	-	-	13,628
Contracted instruction fees	126,131	-	-	126,131
Textbooks	19,765	-	-	19,765
Student assessments	14,066	-	-	14,066
Student food service	127,271	-	-	127,271
Uniforms	31,526	-	-	31,526
Other student costs	57,984	-	-	57,984
<b>Total Direct Student Costs</b>	<b>451,362</b>	<b>-</b>	<b>-</b>	<b>451,362</b>
<b>Occupancy Expense</b>				
Rent	319,149	33,391	-	352,540
Maintenance and repairs	11,836	1,238	-	13,074
Utilities and garbage removal	759	79	-	838
Janitorial supplies	507	53	-	560
<b>Total Occupancy Expense</b>	<b>332,251</b>	<b>34,761</b>	<b>-</b>	<b>367,012</b>
<b>Office Expense</b>				
Office supplies	30,568	3,197	-	33,765
Equipment rental	9,978	1,044	-	11,022
Telephone	15,531	1,625	-	17,156
Postage	704	-	-	704
Printing and copying	1,690	-	-	1,690
Computer support	-	9,900	-	9,900
<b>Total Office Expense</b>	<b>58,471</b>	<b>15,766</b>	<b>-</b>	<b>74,237</b>
<b>General Expense</b>				
Insurance	-	28,028	-	28,028
Authorizer fees	-	28,773	-	28,773
Accounting, auditing and payroll	-	55,646	-	55,646
Legal fees	6,000	-	-	6,000
Donated legal services	-	28,142	-	28,142
Other professional and fundraising fees	-	33,703	26,271	59,974
Dues, fees, and fines	-	2,534	-	2,534
Other general expense	8,218	-	-	8,218
Donated materials	3,750	-	-	3,750
Depreciation - operating assets	15,062	1,576	-	16,638
<b>Total General Expense</b>	<b>33,030</b>	<b>178,402</b>	<b>26,271</b>	<b>237,703</b>
<b>Total Expenses</b>	<b>\$ 2,385,611</b>	<b>\$ 454,207</b>	<b>\$ 96,271</b>	<b>\$ 2,936,089</b>

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

**MONUMENT ACADEMY, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 534,303
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	16,638
Decrease (increase) in assets:	
Grants receivable	(50,634)
Accounts receivable	(63,565)
Prepaid expenses	541
Security deposits	(5,000)
(Decrease) increase in liabilities:	
Accounts payable and accrued expenses	(6,723)
Accrued vacation	12,709
Net Cash Provided by Operating Activities	438,269
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(79,573)
Net Cash Used by Investing Activities	(79,573)
<b>NET INCREASE IN CASH</b>	358,696
<b>CASH, beginning of year</b>	192,772
<b>CASH, end of year</b>	\$ 551,468

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

**MONUMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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. Monument Academy is a weekday boarding school for students in Washington, DC. Monument Academy opened with its first class of 40 fifth graders in August of 2015.

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 year ended June 30, 2016.

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.

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.

**MONUMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Cash

Monument Academy's cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Monument Academy believes it is not exposed to any significant credit risk on cash.

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

Per pupil appropriated revenue is recognized during the period for which the associated educational services are provided. Per pupil appropriations includes \$1,535,023 for enhancements, such as special education, at risk students, and residential for the year ended June 30, 2016.

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 year ended June 30, 2016, the Per Pupil Facilities Allowance equals \$3,072.

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.

**MONUMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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 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 market value at the date of donation. Monument Academy received donated materials in the amount of \$19,600 for the year ended June 30, 2016. 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 \$28,142 during the year ended June 30, 2016, which met the criteria for recognition. Monument Academy also received in-kind Executive Director services totaling \$140,000 during the year ended June 30, 2016, which met the criteria for recognition.

**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, through 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.

**MONUMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
(continued)

**NOTE D – PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30, 2016.

Furniture and equipment	\$ 106,771
Computers	<u>16,605</u>
	123,376
Accumulated depreciation	<u>(15,695)</u>
Property and Equipment, net	<u>\$ 107,681</u>

Depreciation expense totaled \$16,638 for the year ended June 30, 2016.

**NOTE E – 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. 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 year ended June 30, 2016, rent expense under this agreement was \$352,540.

*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. Future minimum payments under this lease agreement are as follows for the year ended June 30:

2017	\$ 5,426
2018	5,426
2019	5,426
2020	5,426
2021	<u>452</u>
Total	<u>\$ 22,156</u>

**MONUMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
(continued)

**NOTE F - 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.

**NOTE G - DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT**

Monument Academy has been approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The contract was dated July 1, 2015. The contract provides for a 15 year charter unless sooner terminated in accordance with the contract.

**NOTE H - RETIREMENT PLAN**

During January 2015, a qualified 401(k) Plan was established for eligible employees after one year of employment. The 401(k) Plan allow the 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 year ended June 30, 2016 totaled \$22,308.

**NOTE I - CONCENTRATION OF RISK**

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 year ended June 30, 2016, 68% of total revenue and support was provided by per-pupil funding.

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 J - SUBSEQUENT EVENTS**

As required by the Subsequent Events topic of the FASB ASC, management evaluated subsequent events through November 16, 2016, which is the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.



**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***

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, 2016, 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 November 16, 2016.

**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 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 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jane Marston & McQuade PA*

Washington, DC  
November 16, 2016