

**MONUMENT ACADEMY, INC.**

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

**JUNE 30, 2017 AND 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 statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Other Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, 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 Marice & McQuade PA*

Washington, DC  
November 28, 2017

**MONUMENT ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	2017	2016
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 603,481	\$ 551,468
Grants receivable	86,997	50,634
Accounts receivable	72,935	91,846
Prepaid expenses	46,100	19,743
Total Current Assets	809,513	713,691
<b>OTHER ASSETS</b>		
Property and equipment, net	1,487,018	107,681
Security deposits	5,000	6,395
Total Other Assets	1,492,018	114,076
<b>TOTAL ASSETS</b>	<b>\$ 2,301,531</b>	<b>\$ 827,767</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 93,241	\$ 68,085
Accrued salaries and related expenses	31,517	12,709
Deferred revenue	41,633	-
Total Current Liabilities	166,391	80,794
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net	699,149	-
Total Noncurrent Liabilities	699,149	-
<b>TOTAL LIABILITIES</b>	865,540	80,794
<b>COMMITMENTS AND CONTINGENCIES (Note G)</b>		
<b>NET ASSETS</b>		
Unrestricted	1,066,937	746,973
Temporarily restricted	369,054	-
Total Net Assets	1,435,991	746,973
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,301,531</b>	<b>\$ 827,767</b>

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

**MONUMENT ACADEMY, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017		2016	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Total	Total	Total	Total
<b>REVENUE AND SUPPORT</b>				
Per pupil appropriations	\$ 3,789,356	\$ -	\$ 3,789,356	\$ -
Per pupil facility allowance	638,020	-	638,020	-
Federal entitlements and grants	943,437	-	943,437	-
Other grants and contributions	321,405	431,701	753,106	25,000
Donated materials	3,125	-	3,125	-
Donated services	164,323	-	164,323	-
Program service fees	5,291	-	5,291	-
Net assets released from restrictions	62,647	(62,647)	-	(25,000)
Total Revenue and Support	<u>5,927,604</u>	<u>369,054</u>	<u>6,296,658</u>	<u>-</u>
			<u>3,470,392</u>	<u>3,470,392</u>
<b>EXPENSES</b>				
Program/educational services	4,674,609	-	4,674,609	-
Management and general	775,366	-	775,366	-
Fundraising	157,665	-	157,665	-
Total Expenses	<u>5,607,640</u>	<u>-</u>	<u>5,607,640</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>				
	319,964	369,054	689,018	-
<b>NET ASSETS, beginning of year</b>	<u>746,973</u>	<u>-</u>	<u>746,973</u>	<u>-</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,066,937</u>	<u>\$ 369,054</u>	<u>\$ 1,435,991</u>	<u>\$ -</u>
			<u>\$ 746,973</u>	<u>\$ 746,973</u>

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

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

	<b>Program/ Educational Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
<b>Personnel Costs</b>				
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
<b>Total Personnel Costs</b>	<b>3,153,865</b>	<b>453,204</b>	<b>125,633</b>	<b>3,732,702</b>
<b>Direct Student Costs</b>				
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
<b>Total Direct Student Costs</b>	<b>822,621</b>	<b>-</b>	<b>-</b>	<b>822,621</b>
<b>Occupancy Expense</b>				
Rent	563,698	65,785	8,537	638,020
Maintenance and repairs	6,444	752	98	7,294
<b>Total Occupancy Expense</b>	<b>570,142</b>	<b>66,537</b>	<b>8,635</b>	<b>645,314</b>
<b>Office Expense</b>				
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
<b>Total Office Expense</b>	<b>61,468</b>	<b>25,987</b>	<b>1,644</b>	<b>89,099</b>
<b>General Expense</b>				
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
<b>Total General Expense</b>	<b>66,513</b>	<b>229,638</b>	<b>21,753</b>	<b>317,904</b>
<b>Total Expenses</b>	<b>\$ 4,674,609</b>	<b>\$ 775,366</b>	<b>\$ 157,665</b>	<b>\$ 5,607,640</b>

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

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

	<b>Program/ Educational Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
<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	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.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 689,018	\$ 534,303
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	36,285	16,638
Imputed interest	(100,851)	-
Decrease (increase) in assets:		
Grants receivable	(36,363)	(50,634)
Accounts receivable	18,911	(63,565)
Prepaid expenses	(26,357)	541
Security deposits	1,395	(5,000)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	25,156	(6,723)
Accrued salaries and related expenses	18,808	12,709
Deferred revenue	41,633	-
Net Cash Provided by Operating Activities	667,635	438,269
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,415,622)	(79,573)
Net Cash Used by Investing Activities	(1,415,622)	(79,573)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	800,000	-
Net Cash Provided by Financing Activities	800,000	-
<b>NET INCREASE IN CASH</b>	52,013	358,696
<b>CASH, beginning of year</b>	551,468	192,772
<b>CASH, end of year</b>	\$ 603,481	\$ 551,468

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

**MONUMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 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. 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 its first class of 40 fifth graders in August of 2015 and subsequently expanded to include sixth grade as well in August of 2016..

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, 2017 or 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.

**MONUMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(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 \$3,010,149 and \$1,535,023 for enhancements, such as special education, at risk students, and residential for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the Per Pupil Facilities Allowance equals \$8,395 and \$8,395, respectively.

**MONUMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(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 \$3,125 and \$19,600 for the years ended June 30, 2017 and 2016, 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 \$19,323 and \$28,142 during the years ended June 30, 2017 and 2016, respectively, which met the criteria for recognition. Monument Academy also received in-kind Executive Director services totaling \$145,000 and \$140,000 during the years ended June 30, 2017 and 2016, respectively, 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, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE C – INCOME TAXES - continued**

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, 2014 through 2016 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, 2017 and 2016.

	2017	2016
Furniture and equipment	\$ 104,771	\$ 106,771
Computers	86,322	16,605
Construction in progress	1,347,500	-
	1,538,593	123,376
Accumulated depreciation	(51,575)	(15,695)
Property and Equipment, net	\$ 1,487,018	\$ 107,681

Construction in progress includes on-going 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 expense totaled \$36,285 and \$16,638 for the years ended June 30, 2017 and 2016, respectively.

**NOTE E – 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.

Long-term debt as of June 30, 2017 consists of the following:

Non-interest bearing unsecured loan payable, due in full on June 16, 2020	\$ 800,000
Net of unamortized discount (effective interest rate of 4.5%)	(100,851)
Long-term debt, net	\$ 699,149

**MONUMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE F – 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 years ended June 30, 2017 and 2016, rent expense under this agreement totaled \$638,020 and \$352,540, 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. Future minimum payments under this lease agreement are as follows for the years ending June 30:

2018	\$	5,426
2019		5,426
2020		5,426
2021		<u>452</u>
Total		<u>\$ 16,730</u>

**NOTE G - 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, 2017 AND 2016**  
(continued)

**NOTE H - TEMPORARILY RESTRICTED NET ASSETS**

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
Girls on the Run	<u>1,203</u>
Total	<u>\$ 369,054</u>

**NOTE I - 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, 2017 and 2016 totaled \$57,996 and \$22,308, respectively.

**NOTE J - 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 years ended June 30, 2017 and 2016, 70% and 65% of total revenue and support was provided by per-pupil funding, respectively.

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 K - SUBSEQUENT EVENTS**

In preparing these financial statements, Monument Academy has evaluated events and transactions for potential recognition or disclosure through November 28, 2017, 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.

**REPORTS AND SCHEDULES REQUIRED BY THE UNIFORM GUIDANCE**



JONES, MARESCA & MCQUADE, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

**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***

1730 Rhode Island Avenue, NW  
Suite 800  
Washington, DC 20036  
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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, 2017, 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 28, 2017.

### **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.

*Jane Marusa & McQuade PA*

Washington, DC  
November 28, 2017

**Independent Auditor's Report on Compliance for Each  
Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited Monument Academy, Inc.'s ("Monument Academy") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Monument Academy's major federal programs for the year ended June 30, 2017. Monument Academy'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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Monument Academy'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 Monument Academy'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 Monument Academy's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Monument Academy 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, 2017.

To the Board of Trustees  
Monument Academy, Inc.

***Report on Internal Control Over Compliance***

Management of Monument Academy 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 Monument Academy'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 Monument Academy'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.

Washington, D.C.  
November 28, 2017

**MONUMENT ACADEMY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 18,107
National School Lunch Program	10.555		38,454
Total Child Nutrition Cluster			<u>56,561</u>
Child and Adult Care Food Program	10.558		27,313
Total passed through from District of Columbia Public Schools			<u>83,874</u>
Total U.S. Department of Agriculture			<u>83,874</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through from Washington DC Office of the State Superintendent of Education			
Title I Grants to Local Government Agencies	84.010	72010A	63,345
Special Education Grants to States	84.027	72027A	22,670
Charter Schools	84.282	U282A100025	23,319
Improving Teacher Quality State Grants	84.367	72367A	13,812
DC School Choice Incentive Program	84.370	CHOICE	722,690
Total passed through from Washington DC Office of the State Superintendent of Education			<u>845,836</u>
Total U.S. Department of Education			<u>845,836</u>
Total Expenditures of Federal Awards			<u>\$ 929,710</u>

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

**MONUMENT ACADEMY, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2017**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Monument Academy under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Monument Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Monument Academy. Pass through identifying numbers are represented where available.

**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 in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Monument Academy elected not to use the 10% de minimis rate for indirect costs.

**NOTE C - RECONCILIATION TO THE FINANCIAL STATEMENTS**

Expenditures per the Schedule exclude \$13,727 of federal funds provided under the Federal Communications Commission E-Rate program, which are reported as federal entitlements and grant revenue in the 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.

**MONUMENT ACADEMY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2017**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

***Major programs***

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.370	DC School Choice Incentive Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**SECTION II – FINDING RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* - None noted**

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS - None noted**

**SECTION IV - PRIOR YEAR FINDINGS - None noted**