

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS

WASHINGTON, DC

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COMPARATIVE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

**KENDALL, PREBOLA AND JONES**

Certified Public Accountants

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# Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors  
Richard Wright Public Charter School  
for Journalism and Media Arts  
770 M Street, SE  
Washington, DC 20003

## INDEPENDENT AUDITOR'S REPORT

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Richard Wright Public Charter School for Journalism and Media Arts (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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***

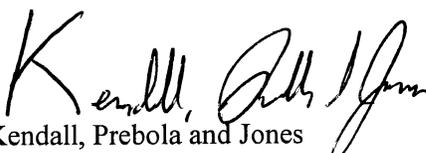
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Richard Wright Public Charter School for Journalism and Media Arts, as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are 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 30, 2017, on our consideration of the Richard Wright Public Charter School for Journalism and Media Arts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Richard Wright Public Charter School for Journalism and Media Arts' internal control over financial reporting and compliance.

  
Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
November 30, 2017

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 228,188	\$ 103,724
Accounts Receivable	74,725	183,728
Grants Receivable	56,329	30,782
Promises Receivable	5,516	-
Prepaid Expenses	<u>13,068</u>	<u>2,550</u>
Total Current Assets	<u>\$ 377,826</u>	<u>\$ 320,784</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 218,488</u>	<u>\$ 325,099</u>
Total Fixed Assets	<u>\$ 218,488</u>	<u>\$ 325,099</u>
<u>Other Assets:</u>		
Security Deposit	<u>\$ 72,350</u>	<u>\$ 72,350</u>
Total Other Assets	<u>\$ 72,350</u>	<u>\$ 72,350</u>
TOTAL ASSETS	<u>\$ 668,664</u>	<u>\$ 718,233</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 213,109	\$ 455,384
Accrued Salaries and Payroll Withholdings	191,181	199,490
Deferred Revenues	-	18,103
Current Portion of Deferred Rent	49,433	28,859
Current Portion of Capital Lease Payable	<u>47,274</u>	<u>37,303</u>
Total Current Liabilities	<u>\$ 500,997</u>	<u>\$ 739,139</u>
<u>Long-Term Liabilities:</u>		
Deferred Rent	\$ 53,695	\$ 82,554
Less: Current Portion of Deferred Rent	(49,433)	(28,859)
Capital Lease Payable	61,758	67,892
Less: Current Portion of Capital Lease Payable	<u>(47,274)</u>	<u>(37,303)</u>
Total Long-Term Liabilities	<u>\$ 18,746</u>	<u>\$ 84,284</u>
Total Liabilities	<u>\$ 519,743</u>	<u>\$ 823,423</u>
<u>Net Assets:</u>		
Unrestricted	\$ 148,921	\$ (105,190)
Temporarily Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 148,921</u>	<u>\$ (105,190)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 668,664</u>	<u>\$ 718,233</u>

(See Accompanying Notes and Auditor's Report)

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017			June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 4,889,973	\$ -	\$ 4,889,973	\$ 4,370,786	\$ -	\$ 4,370,786
Per Pupil Funding - Facilities Allowance	937,200	-	937,200	874,720	-	874,720
Federal Entitlements and Grants	489,248	-	489,248	390,479	-	390,479
Other Grants	24,210	-	24,210	71,176	-	71,176
Program Service Fees	18,103	-	18,103	-	-	-
Contributions	50,108	-	50,108	44,557	-	44,557
Student and Activity Fees	10,694	-	10,694	6,382	-	6,382
Interest and Dividends	120	-	120	101	-	101
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	-	-	-	-	-	-
Total Revenues and Other Support	<u>\$ 6,419,656</u>	<u>\$ -</u>	<u>\$ 6,419,656</u>	<u>\$ 5,758,201</u>	<u>\$ -</u>	<u>\$ 5,758,201</u>
<u>Expenses:</u>						
Educational Services	\$ 5,579,423	\$ -	\$ 5,579,423	\$ 5,665,382	\$ -	\$ 5,665,382
General and Administrative	547,109	-	547,109	865,678	-	865,678
Fundraising	39,013	-	39,013	63,604	-	63,604
Total Expenses	<u>\$ 6,165,545</u>	<u>\$ -</u>	<u>\$ 6,165,545</u>	<u>\$ 6,594,664</u>	<u>\$ -</u>	<u>\$ 6,594,664</u>
Changes in Net Assets	\$ 254,111	\$ -	\$ 254,111	\$ (836,463)	\$ -	\$ (836,463)
Net Assets/(Deficit), Beginning of Year	(105,190)	-	(105,190)	731,273	-	731,273
Net Assets/(Deficit), End of Year	<u>\$ 148,921</u>	<u>\$ -</u>	<u>\$ 148,921</u>	<u>\$ (105,190)</u>	<u>\$ -</u>	<u>\$ (105,190)</u>

(See Accompanying Notes and Auditor's Report)

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 254,111	\$ (836,463)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	197,383	255,475
Accounts Receivable - (Increase)/Decrease	109,003	(43,646)
Grants Receivable - (Increase)/Decrease	(25,547)	182,078
Promises Receivable - (Increase)/Decrease	(5,516)	4,125
Prepaid Expenses - (Increase)/Decrease	(10,518)	6,943
Deferred Rent - Increase/(Decrease)	(28,859)	(8,286)
Accounts Payable - Increase/(Decrease)	(242,275)	305,647
Accrued Salary and Payroll Withholdings - Increase/(Decrease)	(8,309)	(103,554)
Deferred Revenues - Increase/(Decrease)	<u>(18,103)</u>	<u>18,103</u>
Net Cash Flows from Operating Activities	<u>\$ 221,370</u>	<u>\$ (219,578)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	<u>\$ (50,295)</u>	<u>\$ (77,396)</u>
Net Cash Flows from Investing Activities	<u>\$ (50,295)</u>	<u>\$ (77,396)</u>
<u>Cash Flows from Financing Activities:</u>		
Payments on Capital Lease	<u>\$ (46,611)</u>	<u>\$ (53,526)</u>
Net Cash Flows from Financing Activities	<u>\$ (46,611)</u>	<u>\$ (53,526)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 124,464	\$ (350,500)
Cash and Cash Equivalents at Beginning of Year	<u>103,724</u>	<u>454,224</u>
Cash and Cash Equivalents at End of Year	<u>\$ 228,188</u>	<u>\$ 103,724</u>

Supplemental Disclosures:

- a) Cash paid for interest for the years ended June 30, 2017 and 2016 was \$7,855 and \$11,672, respectively.
- b) No income taxes were paid during the years ended June 30, 2017 and 2016.

Non-Cash Activities:

- a) During the year ended June 30, 2016, the Charter School purchased Dell laptop computers in the amount of \$109,468 by financing through a capital lease.
- b) During the year ended June 30, 2017, the Charter School purchased Chromebook laptops in the amount of \$40,477 by financing through a capital lease.

(See Accompanying Notes and Auditor's Report)

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

The Richard Wright Public Charter School for Journalism and Media Arts (the Charter School), a nonprofit organization incorporated in the District of Columbia in 2010, has been granted a charter as a DC public charter school by the District of Columbia Public Charter School Board, as authorized by the DC School Reform Act.

As a DC public charter school, the Richard Wright Public Charter School for Journalism and Media Arts has a guaranteed funding stream from the District of Columbia (uniform per student funding) and the U.S. federal government (federal grants for education and other programs) provided it meets certain compliance requirements. A DC public charter school is considered a Local Educational Agency (LEA) under federal education guidelines. As a DC public charter school, the Richard Wright Public Charter School for Journalism and Media Arts enjoys significant freedom from the budget and operational restrictions placed on traditional public schools, allowing it to create a unique educational mission and approach.

The Charter School's primary sources of support are local appropriations for charter schools from the District of Columbia.

**Basic Programs**

The mission of Richard Wright Public Charter School for Journalism and Media Arts is to transform students in grades 8-12 into well-versed media contributors by providing a student-centered environment that connects them to the classics and modern languages and a curriculum focused on strong writing skills and vocabulary.

Named after prominent African American novelist Richard Wright, the Charter School will emphasize the development of students' skills in communication and expression, while providing a comprehensive education that prepares students for college and career. The Charter School has adopted the Boston Latin School framework for grades 8-12 and aligned the curriculum to DCPS Learning Standards, where applicable. The Boston Latin Model has proven to be successful for well over 300 years. The Charter School will review its curriculum annually to ensure adherence to state and federal academic goals, and to incorporate best practices from education research.

Philosophy

The Charter School will connect our students with the culture of the classics and modern languages while enhancing their education through an exploration of journalism and media arts. The Charter School believes in the following core values which will be instilled by the administration and staff and demonstrated by students on a daily basis:

- Self-discipline
- Academic rigor
- Moral conviction
- Self-respect
- Positive energy

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

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

(b) Revenue Recognition:

**Contributions**

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

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor imposed restrictions whose restrictions are met during the same reporting period as the contribution are recognized as unrestricted support. Contributions and promises to give with donor imposed restrictions that are not met in the same reporting period are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value.

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

**Federal and Charter School Funding**

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

(c) Corporate Taxes:

The Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective May 24, 2010. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes: (Continued)

The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The Charter School did not have any net unrelated business income for the years ended June 30, 2017 and 2016.

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia. These grants are subject to audits 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.

Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

(e) Net Assets:

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

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

**Unrestricted Net Assets**

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

**Temporarily Restricted Net Assets**

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Charter School reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. There were no temporarily restricted net assets as of June 30, 2017 or 2016. In addition, there were no net assets released from donor restrictions during June 30, 2017 or 2016.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Permanently Restricted Net Assets**

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2017 or 2016.

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There were no donated services and materials recorded in the financial statements during the years ended June 30, 2017 and 2016.

(g) Functional Expense Allocation Policies and Procedures:

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

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

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

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

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Functional Expense Allocation Policies and Procedures: (Continued)

Other expenses that are not directly identifiable by program are allocated based on management estimates of use of resources. For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for either personnel expenses is utilized for cost allocation purposes.

(h) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Recognition of Salary Expense:

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

(j) Fair Value of Certain Financial Instruments:

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

(k) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or to total net assets from prior years.

3. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2017, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2017, the Charter School had no accruals for interest and/or penalties.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Interest Bearing Savings Account	\$ 200,011	\$ 31,379
Non-Interest Bearing Checking Accounts	<u>28,177</u>	<u>72,345</u>
Total	<u>\$ 228,188</u>	<u>\$ 103,724</u>

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

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

As of June 30, 2017 and 2016, the bank balances did not exceed the Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds deposited in excess of FDIC limits may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

**Accounts and Grants Receivable**

Accounts and grants receivable are current and considered to be fully collectible by management. Balances at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Accounts Receivable</u>		
Activity and Student Fees	\$ 3,580	\$ -
Per Pupil Funding	17,388	53,224
PayPal	184	-
Reimbursable Expenses	51,139	130,504
Employee Receivable	<u>2,434</u>	<u>-</u>
Total	<u>\$ 74,725</u>	<u>\$ 183,728</u>

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

**Accounts and Grants Receivable** (Continued)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Grants Receivable</u>		
Federal Entitlement and Educational Grants	\$ 29,991	\$ 7,606
National School Lunch Program	25,155	22,913
Healthy Schools Act	<u>1,183</u>	<u>263</u>
Total	<u>\$ 56,329</u>	<u>\$ 30,782</u>

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

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2017 and 2016.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable when payment has not been received after 180 days.

**Promises Receivable**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Promises receivable were \$5,516 at June 30, 2017. These amounts were all due to be received within one year.

6. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

6. FIXED ASSETS: (Continued)

Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2017 and 2016 was \$197,383 and \$255,475, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2017

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture, Computers and Equipment	3-7 Years	\$ 909,626	\$ 734,840	\$ 174,786
Leasehold Improvements	Remaining Life of Lease	<u>387,768</u>	<u>344,066</u>	<u>43,702</u>
Total		<u>\$ 1,297,394</u>	<u>\$ 1,078,906</u>	<u>\$ 218,488</u>

June 30, 2016

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture, Computers and Equipment	3-7 Years	\$ 852,397	\$ 606,647	\$ 245,750
Leasehold Improvements	Remaining Life of Lease	<u>354,225</u>	<u>274,876</u>	<u>79,349</u>
Total		<u>\$ 1,206,622</u>	<u>\$ 881,523</u>	<u>\$ 325,099</u>

7. DEFERRED REVENUE:

Deferred revenue in the amount of \$18,103 consists of a contract with Humanities DC received for the Summer Youth Employment Program, not yet utilized as of June 30, 2016. As of June 30, 2017, there was no deferred revenue.

8. DEFERRED RENT:

The Charter School entered into a lease agreement for the rental of space located at 770 M Street SE, Washington, DC, for 60 months, commencing on August 1, 2013, and expiring on July 31, 2018. An amount of \$53,695 and \$82,554 as of June 30, 2017 and 2016, respectively, of future rent payments has been recorded to adjust the actual rent paid to conform to the straight-line basis.

Accounting principles generally accepted in the United States of America require rent expenses, pursuant to a non-cancelable lease that includes fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

9. CAPITAL LEASE PAYABLE:

During the year ended June 30, 2017, the Charter School entered into a capital lease for the purchase of Chromebook laptops. The amount financed on the capital lease was \$40,477, payable over 36 months with a quarterly payment of \$3,789. Maturity is scheduled for June 1, 2019. Interest expense was \$2,245 for the year ended June 30, 2017, using an implicit rate of 7.34%. The lease is secured by the laptops that cost \$40,477 and is presented as part of Fixed Assets. For the year ended June 30, 2017, depreciation expense in the amount of \$10,119 on the laptops has been included in depreciation expense. Accumulated depreciation was \$10,119 at June 30, 2017. The balance of the capital lease was \$31,170 at June 30, 2017.

During the year ended June 30, 2016, the Charter School entered into a capital lease for the purchase of Dell Laptop Computers. The amount financed on the capital lease was \$109,468, payable over 36 months with a quarterly payment of \$10,728. Maturity is scheduled for March 17, 2018. Interest expense was \$5,610 and \$12,066 for the years ended June 30, 2017 and 2016, respectively, using an implicit rate of 10.35%. The lease is secured by the laptops that cost \$109,468 and is presented as part of Fixed Assets. For the years ended June 30, 2017 and 2016, depreciation expense in the amount of \$36,489 and \$33,448, respectively, on the laptops has been included in depreciation expense. Accumulated depreciation was \$69,937 and \$33,448 at June 30, 2017 and 2016, respectively. The balance of the capital lease was \$30,588 and \$67,892 at June 30, 2017 and 2016, respectively.

During the year ended June 30, 2013, the Charter School entered into a capital lease for the purchase of 110 Dell Laptop Computers. The amount financed on the capital lease was \$65,921 payable over 36 months with a quarterly payment of \$6,131. This lease matured on November 1, 2015. Interest expense was \$311 for the year ended June 30, 2016, using an implicit rate of 6.92%. The lease was secured by the laptops that cost \$65,921 and is presented as part of Fixed Assets. For the year ended June 30, 2016, depreciation expense in the amount of \$21,974 on the laptops has been included in depreciation expense. Accumulated depreciation was \$80,570 at June 30, 2016. The balance of the capital lease was \$-0- at June 30, 2016.

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

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 51,128	\$ 47,274	\$ 3,854
2019	<u>15,154</u>	<u>14,484</u>	<u>670</u>
Total	<u>\$ 66,282</u>	<u>\$ 61,758</u>	<u>\$ 4,524</u>

10. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract dated May 14, 2011, provides for a 15-year charter effective the date of first operation. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Charter School is in compliance with its charter contract and District statutory provisions.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

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

In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2017 and 2016, the Charter School incurred \$63,994 and \$56,735, respectively, in administrative fees.

The charter contract provides that the Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2017, was not permitted to be greater than 500 students. Audit enrollment for the 2016/2017 year was 300 students and enrollment for the 2015/2016 year was 280 students.

11. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2017, the per-student rate ranged from \$10,457 to \$11,812 for education allotment and \$3,124 for the facility allotment. For the year ended June 30, 2016, the per-student rate ranged from \$10,251 to \$11,580 for the education allotment and \$3,124 for the facility allotment. Additional allotments were made for Special Education Services and English as a Second Language. Per-pupil funding for the years ended June 30, 2017 and 2016 was as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Grade Level - 8 <sup>th</sup> - 12 <sup>th</sup> Grade	\$ 3,507,014	\$ 3,214,561
Special Education	896,229	740,425
At-Risk Funding	486,730	415,800
Facilities Allowance	<u>937,200</u>	<u>874,720</u>
Total	<u>\$ 5,827,173</u>	<u>\$ 5,245,506</u>

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
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NOTES TO FINANCIAL STATEMENTS

12. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2017 and 2016, the Charter School participated in the following federal award programs:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Elementary and Secondary Education Act (Title I)	\$ 209,965	\$ 173,502
National School Lunch and Breakfast Programs	165,089	170,012
Individuals with Disabilities Act	62,868	-
Elementary and Secondary Education Act (Title II)	<u>51,326</u>	<u>46,965</u>
Total	<u>\$ 489,248</u>	<u>\$ 390,479</u>

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

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

13. COMMITMENTS:

**Building Lease**

On June 22, 2012, the Charter School entered into a lease agreement with Madison 770 M Street, LLC, for its School location at 770 M Street, SE, Washington, DC. The lease commenced August 1, 2012, and was scheduled to expire during July 2015. The monthly base rent in year 1 was \$48,333, and is based on \$20 per square foot for approximately 29,000 square feet. This lease was amended during June 2013 effective for the period beginning on August 1, 2013. The lease term was extended for five (5) years from August 1, 2013, through July 31, 2018, and includes approximately 41,147 square feet of space. The monthly base rent is \$64,750 in year one (1) and increases each year during the lease to a monthly amount of \$73,653 in the fifth and final year of the lease. Accordingly, \$53,695 of future rent payments have been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. In addition to the base rent, the Charter School will also be responsible to pay the landlord for monthly operating expenses associated with the leased property. An estimate of the annual increase in operating cost has not been provided for below. As a requirement of this lease, a security deposit of \$50,750 was made.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

**Building Lease** (Continued)

Total rent expense for the years ended June 30, 2017 and 2016 was \$1,103,400 and \$1,105,305, respectively. Included in rent expense for the years ended June 30, 2017 and 2016 are credits for real estate tax rebates in the amount of \$178,299 and \$167,762, respectively.

Future minimum payments due:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Net Obligation</u>
2018	\$ 881,491	\$ 49,433	\$ 930,924
2019	<u>78,008</u>	<u>4,262</u>	<u>82,270</u>
Total	<u>\$ 959,499</u>	<u>\$ 53,695</u>	<u>\$ 1,013,194</u>

**Photocopier Leases**

The Charter School entered into an operating lease with GE Capital for the rental of a Copystar CS-5551 Photocopier. This lease called for thirty-six (36) monthly payments of \$495, commencing on July 1, 2014, and expiring on June 30, 2017. Rental expense for the years ending June 30, 2017 and 2016 was \$5,940.

The Charter School entered into an operating lease with Wells Fargo on October 9, 2015, for the rental of a Copystar 800iI Photocopier. This lease calls for thirty-six (36) monthly payments of \$490, commencing on November 1, 2015. Rental expense for the years ending June 30, 2017 and 2016 was \$5,880 and \$3,920, respectively.

The Charter School entered into an operating lease with EverBank Commercial Finance on June 29, 2017, for the rental of a CS 5052CI Photocopier. This lease calls for thirty-six (36) monthly payments of \$364, commencing on July 1, 2017. There was no rental expense related to this lease for the years ending June 30, 2017 and 2016.

Future minimum payments due under the above leases are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 10,248
2019	6,328
2020	<u>4,368</u>
Total	<u>\$ 20,944</u>

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

14. CONCENTRATIONS:

**Revenues**

The Charter School receives public funds from the District of Columbia based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2017 and 2016, ninety-one percent (91%) of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB). The DCPCSB may revoke the charter for material violations of laws and the terms of its charter agreement or if the Charter School fails to meet established goals and student achievement expectations.

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

15. CONTINGENCIES:

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

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of Directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors. The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administrations of the District of Columbia. Any future change in dynamics could adversely affect the operations of public charter schools.

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

16. SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 30, 2017, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

**Enrollment**

Enrollment for the 2017/2018 school year is projected to be approximately three hundred and two (302) students. These enrollment numbers are up from the current enrollment number of three hundred (300) students during the 2016/2017 school year.

**Additional Funding - Washington Teacher's Union Contract**

On October 1, 2017, the City Council approved the Washington Teacher's Union Contract. This contract will result in additional funds to both DC Public Schools and DC Public Charter Schools through an increase in the Uniform per Student Funding Formula. These additional funds result in a 5.9% increase above the original per pupil funding amounts. The Charter School will receive an additional one-time payment during the year ended June 30, 2018 to reflect the increase to the 2017 fiscal year per pupil funding base rate. The amount paid to the Charter School will be calculated based on the final enrollment audit count, supplemental payments and extended school year funding for the year ended June 30, 2017. The 2017 fiscal year base rate will increase by an amount of \$203 over the original base rate of \$9,682 to a revised base rate of \$9,885.

17. FUNDRAISING:

During the years ended June 30, 2017 and 2016, expenses incurred for the purpose of fundraising were \$39,013 and \$63,604, respectively.

18. ADVERTISING:

Advertising and marketing costs are expensed when incurred. Advertising expenses were incurred for the purpose of promoting student enrollment and recruiting to the Charter School and to provide outreach to the community. Marketing expenses in the amount of \$27,800 and \$23,644 were incurred during the years ended June 30, 2017 and 2016, respectively.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

19. EMPLOYEE BENEFITS:

The cost of payroll taxes and fringe benefits incurred for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Social Security/Medicare	\$ 229,572	\$ 247,197
Health Insurance	223,743	265,675
Life and Disability Insurance	14,347	21,329
Unemployment	31,049	17,800
Retirement	28,639	29,744
Workers Compensation	<u>21,578</u>	<u>9,333</u>
Total	<u>\$ 548,928</u>	<u>\$ 591,078</u>

**403(b) Retirement Plan**

The Charter School provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by Lincoln Financial. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code. Plan provisions call for a dollar for dollar match up to three percent (3%) of eligible wages.

Participants become sixty percent (60%) vested after their first year and increased by ten percent (10%) each year thereafter until becoming fully vested after year five. There is no unfunded past service liability. The Charter School's contributions for the years ended June 30, 2017 and 2016 were \$28,639 and \$29,744, respectively.

**Flexible Benefits Plan**

The Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health insurance premiums.

20. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Rent	\$ 1,103,400	\$ 1,105,305
Depreciation Expense - Leasehold Improvements	69,190	79,920
Contracted Building Services	5,087	40,884
Janitorial Supplies	2,260	8,165
Maintenance and Repairs	<u>5,587</u>	<u>31,534</u>
Total	<u>\$ 1,185,524</u>	<u>\$ 1,265,808</u>

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>For Year Ending June 30, 2017</u>				<u>For Year Ending June 30, 2016</u>			
	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
School Leadership Salaries	\$ 503,576	\$ 428,040	\$ 62,947	\$ 12,589	\$ 511,564	\$ 409,251	\$ 76,735	\$ 25,578
Academic Salaries	1,888,636	1,888,636	-	-	2,021,070	2,021,070	-	-
Special Education Salaries	341,774	341,774	-	-	416,121	416,121	-	-
Operations Salaries	200,510	70,178	120,306	10,026	231,945	81,181	139,167	11,597
Clerical Salaries	181,738	127,217	54,521	-	189,594	-	189,594	-
Other Staff Salaries	33,161	33,161	-	-	25,213	25,213	-	-
Payroll Taxes	260,621	239,073	19,677	1,871	264,997	230,450	31,646	2,901
Benefits	288,307	264,470	21,767	2,070	326,081	283,570	38,941	3,570
Contracted Staff	143,044	20,360	122,684	-	115,455	34,929	80,526	-
Staff Development Expense	41,894	41,894	-	-	38,264	38,264	-	-
<b>Total Personnel, Salaries and Benefits</b>	<b>\$ 3,883,261</b>	<b>\$ 3,454,803</b>	<b>\$ 401,902</b>	<b>\$ 26,556</b>	<b>\$ 4,140,304</b>	<b>\$ 3,540,049</b>	<b>\$ 556,609</b>	<b>\$ 43,646</b>
<u>Direct Student Costs:</u>								
Textbooks	\$ 1,993	\$ 1,993	\$ -	\$ -	\$ 325	\$ 325	\$ -	\$ -
Student Supplies and Materials	40,472	40,472	-	-	73,966	73,966	-	-
Student Assessment Materials	16,093	16,093	-	-	12,515	12,515	-	-
Contracted Student Services	58,515	58,515	-	-	29,417	29,417	-	-
Transportation	11,422	11,422	-	-	33,771	33,771	-	-
Food Service	190,393	190,393	-	-	179,569	179,569	-	-
Other Student Costs	137,907	137,907	-	-	178,619	178,619	-	-
<b>Total Direct Student Costs</b>	<b>\$ 456,795</b>	<b>\$ 456,795</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 508,182</b>	<b>\$ 508,182</b>	<b>\$ -</b>	<b>\$ -</b>
<u>Occupancy Costs:</u>								
Rent	\$ 1,103,400	\$ 1,012,172	\$ 83,305	\$ 7,923	\$ 1,105,305	\$ 961,207	\$ 131,997	\$ 12,101
Depreciation - Leasehold Improvements	69,190	63,469	5,224	497	79,920	69,501	9,544	875
Contracted Building Services	5,087	4,666	384	37	40,884	35,554	4,882	448
Janitorial Supplies	2,260	2,073	171	16	8,165	7,101	975	89
Maintenance and Repairs	5,587	5,125	422	40	31,534	27,423	3,766	345
<b>Total Occupancy Costs</b>	<b>\$ 1,185,524</b>	<b>\$ 1,087,505</b>	<b>\$ 89,506</b>	<b>\$ 8,513</b>	<b>\$ 1,265,808</b>	<b>\$ 1,100,786</b>	<b>\$ 151,164</b>	<b>\$ 13,858</b>

(See Accompanying Notes and Auditor's Report)

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>For Year Ending June 30, 2017</u>				<u>For Year Ending June 30, 2016</u>			
	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 13,590	\$ 12,467	\$ 1,025	\$ 98	\$ 45,138	\$ 39,254	\$ 5,390	\$ 494
Office Equipment Rental and Maintenance	15,770	14,466	1,191	113	21,738	18,904	2,596	238
Telephone/Telecommunications	51,035	46,815	3,854	366	27,625	24,024	3,299	302
Professional and Payroll Services	289,596	265,653	21,863	2,080	268,610	233,591	32,078	2,941
Printing and Copying	7,863	7,213	594	56	4,770	4,148	570	52
Postage and Shipping	4,134	3,792	312	30	2,607	2,267	311	29
Other Office Expense	<u>13,348</u>	<u>12,244</u>	<u>1,008</u>	<u>96</u>	<u>12,763</u>	<u>547</u>	<u>12,209</u>	<u>7</u>
Total Office Expenses	<u>\$ 395,336</u>	<u>\$ 362,650</u>	<u>\$ 29,847</u>	<u>\$ 2,839</u>	<u>\$ 383,251</u>	<u>\$ 322,735</u>	<u>\$ 56,453</u>	<u>\$ 4,063</u>
<u>General Expenses:</u>								
Insurance	\$ 12,145	\$ 11,221	\$ 924	\$ -	\$ 19,163	\$ 15,330	\$ 3,833	\$ -
Transportation, Travel and Meetings	6,810	6,292	518	-	6,066	4,853	1,213	-
Authorizer Fee	63,994	51,195	12,799	-	56,735	-	56,735	-
Depreciation Expense	128,193	117,594	9,678	921	175,555	152,668	20,965	1,922
Other General Expenses	<u>33,487</u>	<u>31,368</u>	<u>1,935</u>	<u>184</u>	<u>39,600</u>	<u>20,779</u>	<u>18,706</u>	<u>115</u>
Total General Expenses	<u>\$ 244,629</u>	<u>\$ 217,670</u>	<u>\$ 25,854</u>	<u>\$ 1,105</u>	<u>\$ 297,119</u>	<u>\$ 193,630</u>	<u>\$ 101,452</u>	<u>\$ 2,037</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 6,165,545</u>	<u>\$ 5,579,423</u>	<u>\$ 547,109</u>	<u>\$ 39,013</u>	<u>\$ 6,594,664</u>	<u>\$ 5,665,382</u>	<u>\$ 865,678</u>	<u>\$ 63,604</u>

(See Accompanying Notes and Auditor's Report)

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

June 30, 2017

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 4,491,918	\$ 14,973
Occupancy Cost	1,185,524	3,952
General and Administrative	457,603	1,525
Fundraising	<u>30,500</u>	<u>102</u>
Total	<u>\$ 6,165,545</u>	<u>\$ 20,552</u>

The above is the average per student cost for the year ended June 30, 2017, and is based on a full time equivalent (FTE) enrollment of 300 students.

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 4,564,596	\$ 16,302
Occupancy Cost	1,265,808	4,521
General and Administrative	714,514	2,552
Fundraising	<u>49,746</u>	<u>178</u>
Total	<u>\$ 6,594,664</u>	<u>\$ 23,553</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 280 students.

(See Accompanying Notes and Auditor's Report)

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

Board of Directors  
Richard Wright Public Charter School  
for Journalism and Media Arts  
770 M Street, SE  
Washington, DC 20003

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Richard Wright Public Charter School for Journalism and Media Arts, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Richard Wright Public Charter School for Journalism and Media Arts' 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 the Richard Wright Public Charter School for Journalism and Media Arts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Richard Wright Public Charter School for Journalism and Media Arts' 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 organization'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency as item 2017-001.

***Compliance and Other Matters***

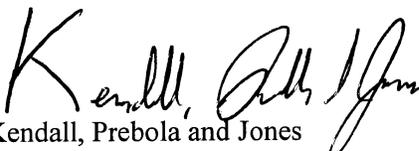
As part of obtaining reasonable assurance about whether the Richard Wright Public Charter School for Journalism and Media Arts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

***Richard Wright Public Charter School for Journalism and Media Arts' Response to Findings***

Richard Wright Public Charter School for Journalism and Media Arts' response to the findings identified in our audit is described in the accompany schedule of findings. Richard Wright Public Charter School for Journalism and Media Arts' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
November 30, 2017

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

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

2016-001      Condition: The Charter School utilizes a credit card, PayPal and electronic fund transfers to pay for many of its expenses. Many of these purchases are made online. The invoices for these purchases are not always printed to support the charge. Furthermore, the invoices for purchases with the credit card are not always saved and maintained to support the charges. Some of these charges and expenses are related to student needs, such as clothing items, food expense for athletic trips, etc. These particular types of charges are not noted as to the nature of the charge, name of students, athletic team and event for food purchases, etc. The credit card, PayPal and electronic fund transfers are not reconciled with the bank statements and credit card statements in a timely manner.

Status: This finding is repeated in a modified form.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Richard Wright Public Charter School for Journalism and Media Arts were prepared in accordance with generally accepted accounting principles.
- b. One significant deficiency disclosed during the audit of the financial statements has been reported, Item 2017-001. No material weaknesses reported.
- c. No instances of noncompliance material to the financial statements of the Richard Wright Public Charter School for Journalism and Media Arts were disclosed during the audit.

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

2017-001 Condition: The Charter School utilizes a credit card to pay for many of its expenses. The invoices for these purchases are not always printed or maintained to support the charge. There has been significant improvement in this area over the prior year. The majority of the credit card receipts were maintained during the year, however, there are still some receipts that were not maintained. Some of these charges and expenses are related to student needs, such as clothing items, food expense for athletic trips, etc. These particular types of charges are not always noted as to the nature of the charge, name of students, athletic team and event for food purchases, etc.

Criteria: All credit card charges for expenses should have a supporting invoice that is printed for online purchases or obtained for charges at the point of sale. These invoices need to be obtained and saved as supporting documentation at the time the charge is incurred. Depending on the nature of the charge and invoice, there should be an explanation of the charge.

Cause: Management has not obtained all receipts related to the charges described above.

Effect: By not having credit card receipts for all charges and not having a detailed note or explanation regarding the nature of the charge, the accounting controls are lacking over these charges.

Recommendation: We recommend that the Charter School require all receipts to be obtained and or printed immediately for credit card charges. For charges that are not self-explanatory from the invoice, a description and or memo should be noted to explain and support the nature of the charge.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

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

2017-001 (Continued)

Views of Responsible Officials: Building on the improvement from the prior year, the school's management team will continue to prioritize the timely reconciliation and documentation of all credit card purchases. The responsible officials understand the importance of this matter in protecting the school's assets and preventing fraud. To that end, the following steps will be implemented:

- Hard-copy credit card receipts will be attached to a purchase requisition form that includes a description of the expense (the "who, what, when, where, and why"). The requisition forms and accompanying receipts will be stored in a binder in a secure location at the school.
- Electronic credit card receipts will be stored in email format. They will also be forwarded to a designated school employee, who will print and attach them to a purchase requisition form that includes a description of the expense (similar to what is done for hard-copy credit card receipts).
- At the end of each month or billing cycle, a designated school employee will match each receipt in the binder against the charges on the credit card statement. For any charges that are missing a receipt, an attempt will be made to find the receipt. If the receipt cannot be found, in its place the responsible official will sign an attestation as to the business purpose of the expense.