

**THE CHILDREN'S GUILD PUBLIC
CHARTER SCHOOL D.C. CAMPUS**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY
INFORMATION**

JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Children's Guild Public Charter School D.C. Campus

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Guild Public Charter School D.C. Campus, which comprise the statements of financial position as of June 30, 2018 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of The Children's Guild Public Charter School D.C. Campus, as of June 30, 2017, were audited by other auditors whose report dated November 21, 2017, expressed an unqualified opinion on those 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization'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 Children's Guild Public Charter School D.C. Campus as of June 30, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 13 - 14 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 15, 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 audits 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 27, 2018, on our consideration of The Children's Guild Public Charter School D.C. Campus'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 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 Children's Guild Public Charter School D.C. Campus's internal control over financial reporting and compliance.

Hamilton Enterprises LLC

Greenbelt, Maryland
November 27, 2018

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

ASSETS

| | <u>2018</u> | <u>2017¹</u> |
|---------------------------------------|----------------------------|--------------------------------|
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 1,113,031 | \$ 418,145 |
| Grants and contracts receivable - net | 498,394 | 579,326 |
| Other receivables | 106,785 | 206,785 |
| Prepaid expenses | <u>33,021</u> | <u>18,501</u> |
| TOTAL CURRENT ASSETS | <u>1,751,231</u> | <u>1,222,757</u> |
| | | |
| <u>FIXED ASSETS - NET</u> | <u>4,060,158</u> | <u>4,476,148</u> |
| | | |
| <u>OTHER ASSETS</u> | | |
| Security deposits | <u>185,000</u> | <u>185,000</u> |
| TOTAL OTHER ASSETS | <u>185,000</u> | <u>185,000</u> |
| | | |
| TOTAL ASSETS | <u>\$ 5,996,389</u> | <u>\$ 5,883,905</u> |

¹ The financial statements of The Children's Guild Public Charter School D.C. Campus, as of June 30, 2017, were audited by other auditors whose report dated November 21, 2017, expressed an unqualified opinion on those statements.

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

LIABILITIES AND NET ASSETS

| | <u>2018</u> | <u>2017¹</u> |
|---|---------------------|--------------------------------|
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable | \$ 55,050 | \$ 102,173 |
| Line of credit | 603,878 | 864,370 |
| Accrued expenses | 341,648 | 261,831 |
| Deferred rent | 143,157 | 172,981 |
| Unearned revenue | <u>-</u> | <u>201,996</u> |
| TOTAL CURRENT LIABILITIES | <u>1,143,733</u> | <u>1,603,351</u> |
| <u>LONG-TERM LIABILITIES</u> | | |
| Deferred rent | <u>4,111,503</u> | <u>4,254,709</u> |
| TOTAL LIABILITIES | 5,255,236 | 5,858,060 |
| <u>NET ASSETS</u> | | |
| Unrestricted | <u>741,153</u> | <u>25,845</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,996,389</u> | <u>\$ 5,883,905</u> |

¹ The financial statements of The Children's Guild Public Charter School D.C. Campus, as of June 30, 2017, were audited by other auditors whose report dated November 21, 2017, expressed an unqualified opinion on those statements.

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

| | <u>2018</u> | <u>2017¹</u> |
|------------------------------------|-------------------|-------------------------|
| <u>SUPPORT AND REVENUES</u> | | |
| Grants - federal awards | \$ 865,745 | \$ 587,168 |
| Grants - other | 88,724 | - |
| Contributed services | - | 696,235 |
| Per-pupil allocation | 11,860,551 | 9,359,050 |
| Other revenue | <u>203,473</u> | <u>29,251</u> |
| TOTAL SUPPORT AND REVENUES | <u>13,018,493</u> | <u>10,671,704</u> |
| <u>EXPENSES</u> | | |
| Functional expenses: | | |
| Educational program services | 9,931,476 | 9,124,618 |
| Management and general | <u>2,371,709</u> | <u>1,286,330</u> |
| TOTAL EXPENSES | <u>12,303,185</u> | <u>10,410,948</u> |
| Change in Net Assets | 715,308 | 260,756 |
| Net Assets - Beginning of the Year | <u>25,845</u> | <u>(234,911)</u> |
| Net Assets - End of the Year | <u>\$ 741,153</u> | <u>\$ 25,845</u> |

¹ The financial statements of The Children's Guild Public Charter School D.C. Campus, as of June 30, 2017, were audited by other auditors whose report dated November 21, 2017, expressed an unqualified opinion on those statements.

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

| | <u>2018</u> | <u>2017¹</u> |
|---|---------------------|-------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 715,308 | \$ 260,756 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 510,448 | 445,771 |
| Changes in operating assets and liabilities: | | |
| Grants and contracts receivable | 80,932 | 282,582 |
| Other receivables | 100,000 | (70,117) |
| Prepaid expenses | (14,520) | 224 |
| Accounts payable | (47,123) | 14,850 |
| Accrued expenses | 79,817 | 42,483 |
| Deferred rent | (173,030) | (221,715) |
| Unearned revenue | <u>(201,996)</u> | <u>201,996</u> |
| Net Cash Provided by Operating Activities | <u>1,049,836</u> | <u>956,830</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Purchases of fixed assets | <u>(94,458)</u> | <u>(122,053)</u> |
| Net Cash Used in Investing Activities | <u>(94,458)</u> | <u>(122,053)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Net activity in line of credit | <u>(260,492)</u> | <u>(568,057)</u> |
| Net Cash Used in Financing Activities | <u>(260,492)</u> | <u>(568,057)</u> |
| NET INCREASE IN CASH | <u>694,886</u> | <u>266,720</u> |
| CASH AT THE BEGINNING OF THE YEAR | <u>418,145</u> | <u>151,425</u> |
| CASH AT THE END OF THE YEAR | <u>\$ 1,113,031</u> | <u>\$ 418,145</u> |

Supplemental Schedule of Noncash Investing and Financing Activities

| | | |
|--|-----------|------------|
| Landlord financed leasehold improvements and deferred rent | \$ 49,780 | \$ 876,152 |
| Construction in progress placed in service during the year | 42,974 | 136,668 |

¹ The financial statements of The Children's Guild Public Charter School D.C. Campus, as of June 30, 2017, were audited by other auditors whose report dated November 21, 2017, expressed an unqualified opinion on those statements.

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

During 2014, The Children's Guild, LTD was incorporated as a District of Columbia non-stock, not-for-profit corporation, and adopted the trade name of The Children's Guild Public Charter School D.C. Campus (Organization). The Organization was incorporated to operate a public charter school in the District of Columbia. The Organization's instructional program commenced in September 2015.

Effective July 1, 2015, the District of Columbia Public Charter School Board (DCPCSB) granted a charter allowing the Organization to operate a charter school in the District of Columbia. The charter defines the District's and the Organization's responsibilities in relation to the operation, management and administration of the school. The charter has a term of fifteen years unless renewed, revoked, or terminated. DCPCSB has the authority to revoke the charter for material violations of applicable laws or regulations set forth in the charter, or failure to meet certain goals and student academic achievement targets as defined in the charter. The Organization may request renewal of the charter at the end of the term.

Basis of accounting

The financial statements are prepared on the accrual basis of accounting.

Financial statement presentation

The Organization follows the Not-For-Profit Entities Presentation of Financial Statements Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification which requires it to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. During the years ended June 30, 2018 and 2017, there were no temporarily or permanently restricted net assets.

Grants and contracts receivable

Government and private grants and contracts are recognized based on the terms of the specific grant or contract document. Federal grant awards are typically recorded as revenue when the Organization expends the funds related to the grant award as the Organization makes progress towards the grant purpose. Grant receivables are established for grant costs which have been incurred but not yet reimbursed. Grant revenue received in advance, which is not typical, for the grant period is recorded as unearned revenue or temporarily restricted support, depending on the nature of the transaction.

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and contracts receivable (continued)

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to the change in unrestricted net assets and a credit 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 grants and contracts receivable.

Receivables are presented net of the allowance for doubtful accounts of \$93,809 and \$113,401 as of June 30, 2018 and 2017, respectively. The allowance is a reserve related to services provided via participation in the school-based health services District of Columbia Medicaid program. A cost report has been submitted, however, the required audit of the cost report has not yet been completed.

Per-pupil allocation

The Organization receives a student allocation from the District of Columbia, as well as federal entitlement funding. The student allocation is on a per-pupil basis and includes academic year funding, special education funding, and a facilities allowance. Student allocation revenue is recognized in the period when it is earned, which is the school year for which the allocation is made. Unearned student allocation, if received, is recorded as unearned revenue.

Fixed assets and depreciation

Fixed assets are recorded at cost if purchased and fair value if donated. It is the Organization's policy to capitalize expenditures for fixed assets in excess of \$1,000. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of fixed assets is depreciated using the straight-line method over their estimated useful lives.

Deferred rent

The Organization's lease described in Note 6 contains leasehold incentives through which the landlord agreed to provide financing for certain of the Organization's leasehold improvements. In accordance with the provisions of the Leases Topic of the FASB Accounting Standards Codification, the Organization recorded a leasehold improvement asset and a corresponding deferred rent liability. The deferred lease incentive is being amortized as a reduction of rent expense over the lease term. Additionally, the lease contains rental escalations throughout the term of the lease, and the Organization is recording rental expense on the straight-line basis.

THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Organization is exempt from federal and state taxation under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation.

Accounting for contributions

The Organization follows the Not-For-Profit Entities Revenue Recognition Topic of the FASB Accounting Standards Codification. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

The Organization records a contribution and a related functional expense for contributed services meeting the criteria as defined in accounting principles generally accepted in the United States of America. The services received required specialized skills and would be required to be procured if not contributed. For the years ended June 30, 2018 and 2017, the value of contributed professional services related to the management agreement described in Note 4 meeting the requirements for recognition in the financial statements was \$0 and \$696,235, respectively.

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 disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from the estimates that were used.

Functional expenses

Expenses are charged directly to program, management and general or fundraising categories based on specific identification, when determinable. A reasonable allocation is made for costs not specifically identifiable. During the years ended June 30, 2018 and 2017 the Organization did not expend significant resources related to fundraising.

Subsequent events

The Organization has evaluated subsequent events through November 27, 2018, which is the date the financial statements were available to be issued.

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 2: FIXED ASSETS

The following is a summary of fixed assets at June 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> ¹ |
|-----------------------------------|----------------------------|----------------------------|
| Furniture, fixtures and equipment | \$ 390,949 | \$ 386,366 |
| Computer equipment | 136,042 | 87,733 |
| Leasehold improvements | <u>4,830,497</u> | <u>4,788,931</u> |
| Total | 5,357,488 | 5,263,030 |
| Less: accumulated depreciation | <u>(1,297,330)</u> | <u>(786,882)</u> |
| TOTAL FIXED ASSETS - NET | <u>\$ 4,060,158</u> | <u>\$ 4,476,148</u> |

Depreciation expense for the years ended June 30, 2018 and 2017, amounted to \$510,448 and \$445,771, respectively.

NOTE 3: CONSTRUCTION IN PROGRESS

The Organization is in the process of constructing physical environment improvements to the facility leased under the agreement described in Note 6. The cost of these improvements, up to a maximum of \$300,000, will be reimbursed by the landlord upon completion. Costs incurred through June 30, 2018 include construction costs, certain professional fees, as well as other related costs that meet the criteria for capitalization as required by accounting principles generally accepted in the United States of America. A receivable has been recorded to reflect the expected reimbursement of costs incurred to date from the landlord upon completion of the project.

NOTE 4: LINE OF CREDIT AND MANAGEMENT AGREEMENT

The Organization has entered into several agreements with an entity (The Children's Guild, Inc. (Guild)) that assisted in the Organization's initial formation and operates as an independent third-party management company. The Guild is based in central Maryland and has several major programs, including management of charter schools.

During the fiscal year ended June 30, 2014, the Guild extended a line of credit to the Organization to provide initial working capital. Advances under this credit facility bear interest at a fixed rate of 6% and interest payments are due monthly. The line of credit is due on demand. The maximum amount that may be advanced under this credit facility at any one time is \$2,000,000, as amended during the year ended June 30, 2016. The amount due to the Guild as of June 30, 2018 and 2017 relating to the line of credit was \$603,878 and \$864,370, respectively. For the year ended June 30, 2018, interest expense related to this facility was \$32,799. Interest expense for the year ended June 30, 2017 was forgiven by the Guild.

¹ The financial statements of The Children's Guild Public Charter School D.C. Campus, as of June 30, 2017, were audited by other auditors whose report dated November 21, 2017, expressed an unqualified opinion on those statements.

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 4: LINE OF CREDIT AND MANAGEMENT AGREEMENT (Continued)

Effective July 1, 2015, Organization entered into a management agreement with the Guild whereby the Guild will provide management and administrative services for the Organization. The annual management fee under the agreement is 12% of gross revenues, plus an amount to reimburse the Guild for certain costs paid by the Guild on the Organization's behalf. This agreement has an initial term of 5 years, and includes provisions for renewal terms. Management fee expenses pertaining to the agreement totaled \$1,562,241 and \$1,193,546 for the years ended June 30, 2018 and 2017, respectively. The total amount paid to the Guild during the year ended June 30, 2018 was \$2,258,476, which included \$696,235 unpaid management fees from the year ended June 30, 2017.

NOTE 5: RETIREMENT PLAN

The Guild maintains a program of matching voluntary employee contributions to a Section 403(b) tax-sheltered annuity (TSA). Employees of the Organization are eligible to participate in the TSA. The TSA provides for discretionary employer contributions. The Guild elected to make a discretionary match of up to 3% of compensation as defined in the plan document. The Organization's retirement plan expense was immaterial for the years ended June 30, 2018 and 2017.

NOTE 6: OPERATING LEASES

Effective July 1, 2015, the Organization entered into a lease agreement to occupy approximately 60,000 square feet of space to operate a charter school. The lease initially expires in 2030. The lease provides for three renewal periods of five years each and contains annual scheduled rent increases. During the first three years of the lease term, the payment terms are set relative to the facilities allowance received under the Organization's charter agreement.

Additionally, the Organization enters into leases for equipment as required for operations.

The minimum future rental payments required under non-cancelable operating leases having terms in excess of one year as of June 30, 2018 are as follows:

| | |
|---------------------|----------------------|
| 2019 | \$ 1,245,063 |
| 2020 | 1,273,507 |
| 2021 | 1,302,662 |
| 2022 | 1,332,545 |
| 2023 | 1,363,176 |
| 2024 and thereafter | <u>10,466,694</u> |
| Total | <u>\$ 16,983,647</u> |

Rent expense, which is recorded on a straight-line basis and net of adjustments related to deferred rent for leasehold improvement incentives, for the years ended June 30, 2018 and 2017 was \$1,155,221 and \$1,024,299, respectively.

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 7: PUPIL ALLOCATION

The components of per-pupil allocation revenue for the years ended June 30, 2018 and 2017, are as follows:

| | <u>2018</u> | <u>2017</u> ¹ |
|------------------------------------|----------------------|--------------------------|
| General education | \$ 4,012,949 | \$ 3,456,474 |
| Special education and enhancements | 6,650,329 | 4,834,168 |
| Facilities allowance | <u>1,197,273</u> | <u>1,068,408</u> |
| Total | <u>\$ 11,860,551</u> | <u>\$ 9,359,050</u> |

NOTE 8: ADDITIONAL COMMUNICATIONS

As required by professional auditing standards, those charged with governance of the Organization received communications from the auditor during both the planning phase and at the conclusion of the audit describing the responsibilities of the auditors, the scope of the audit and the results of the audit conducted.

¹ The financial statements of The Children's Guild Public Charter School D.C. Campus, as of June 30, 2017, were audited by other auditors whose report dated November 21, 2017, expressed an unqualified opinion on those statements.

SUPPLEMENTARY INFORMATION

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

| | 2018 | | |
|--|----------------------------|----------------------------|-----------------------------|
| | Educational Program | Management & General | Total |
| Personnel, salary and benefits: | | | |
| Employee benefits | \$ 305,598 | \$ 0 | \$ 305,598 |
| Payroll taxes | 430,781 | 0 | 430,781 |
| Salaries and wages | 4,973,815 | 0 | 4,973,815 |
| Staff recruiting and development | <u>22,593</u> | <u>0</u> | <u>22,593</u> |
| Total personnel, salary, and benefits | <u>5,732,787</u> | <u>0</u> | <u>5,732,787</u> |
| Direct student costs: | | | |
| Computer expenses | 4,097 | 0 | 4,097 |
| Contractors | 818,473 | 0 | 818,473 |
| Equipment rental | 10,104 | 0 | 10,104 |
| Student transportation and field trips | 830,709 | 0 | 830,709 |
| Food service fees | 268,181 | 0 | 268,181 |
| Supplies | <u>124,318</u> | <u>0</u> | <u>124,318</u> |
| Total direct student costs | <u>2,055,882</u> | <u>0</u> | <u>2,055,882</u> |
| Occupancy costs | | | |
| Depreciation | 510,448 | | 510,448 |
| Rent expense | 1,155,221 | 0 | 1,155,221 |
| Repairs and maintenance | 17,910 | 0 | 17,910 |
| Telephone | 28,260 | 0 | 28,260 |
| Utilities | <u>121,264</u> | <u>0</u> | <u>121,264</u> |
| Total occupancy costs | <u>1,833,103</u> | <u>0</u> | <u>1,833,103</u> |
| Office expenses | | | |
| Dues and subscriptions | 30,597 | 0 | 30,597 |
| Office supplies | 43,587 | 0 | 43,587 |
| Postage and delivery | 1,919 | 0 | 1,919 |
| Printing and publications | 2,296 | 0 | 2,296 |
| Uniforms | <u>0</u> | <u>0</u> | <u>0</u> |
| Total office expenses | <u>78,399</u> | <u>0</u> | <u>78,399</u> |
| General expenses: | | | |
| Accounting fees | 0 | 61,094 | 61,094 |
| Insurance | 0 | 19,340 | 19,340 |
| Interest Expense | 0 | 32,799 | 32,799 |
| Legal fees | 97,129 | 0 | 97,129 |
| Management fees | 0 | 1,562,241 | 1,562,241 |
| Prior year uncollected contribution | 0 | 696,235 | 696,235 |
| Meals and entertainment | 7,610 | 0 | 7,610 |
| Miscellaneous | 0 | 0 | 0 |
| Professional fees | 70,966 | 0 | 70,966 |
| Public relations and recruiting | 37,896 | 0 | 37,896 |
| Travel expenses | <u>17,704</u> | <u>0</u> | <u>17,704</u> |
| Total general expenses | <u>231,305</u> | <u>2,371,709</u> | <u>2,603,014</u> |
| TOTAL | <u>\$ 9,931,476</u> | <u>\$ 2,371,709</u> | <u>\$ 12,303,185</u> |

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

| | 2017 ¹ | | |
|--|----------------------------|----------------------------|-----------------------------|
| | Educational Program | Management & General | Total |
| Personnel, salary and benefits: | | | |
| Employee benefits | \$ 65,864 | \$ 0 | \$ 65,864 |
| Payroll taxes | 318,520 | 0 | 318,520 |
| Salaries and wages | 4,630,097 | 0 | 4,630,097 |
| Staff recruiting and development | <u>32,752</u> | <u>0</u> | <u>32,752</u> |
| Total personnel, salary, and benefits | <u>5,047,233</u> | <u>0</u> | <u>5,047,233</u> |
| Direct student costs: | | | |
| Computer expenses | 28,381 | 0 | 28,381 |
| Contractors | 574,777 | 0 | 574,777 |
| Equipment rental | 15,307 | 0 | 15,307 |
| Student transportation and field trips | 887,192 | 0 | 887,192 |
| Food service fees | 224,867 | 0 | 224,867 |
| Supplies | <u>222,506</u> | <u>0</u> | <u>222,506</u> |
| Total direct student costs | <u>1,953,030</u> | <u>0</u> | <u>1,953,030</u> |
| Occupancy costs: | | | |
| Depreciation | 445,771 | 0 | 445,771 |
| Rent expense | 1,024,299 | 0 | 1,024,299 |
| Repairs and maintenance | 30,926 | 0 | 30,926 |
| Telephone | 14,687 | 0 | 14,687 |
| Utilities | <u>186,352</u> | <u>0</u> | <u>186,352</u> |
| Total occupancy costs | <u>1,702,035</u> | <u>0</u> | <u>1,702,035</u> |
| Office expenses | | | |
| Consultants | 3,788 | 0 | 3,788 |
| Dues and subscriptions | 11,844 | 0 | 11,844 |
| Office supplies | 43,130 | 10,782 | 53,912 |
| Postage and delivery | 2,379 | 0 | 2,379 |
| Printing and publications | 0 | 0 | 0 |
| Uniforms | <u>0</u> | <u>0</u> | <u>0</u> |
| Total office expenses | <u>61,141</u> | <u>10,782</u> | <u>71,923</u> |
| General expenses: | | | |
| Accounting fees | 0 | 16,073 | 16,073 |
| Insurance | 0 | 16,674 | 16,674 |
| Legal fees | 114,181 | 0 | 114,181 |
| Management fees | 0 | 1,193,546 | 1,193,546 |
| Meals and entertainment | 6,959 | 0 | 6,959 |
| Miscellaneous | 4,986 | 0 | 4,986 |
| Professional fees | 120,996 | 49,255 | 170,251 |
| Public relations and recruiting | 104,694 | 0 | 104,694 |
| Travel expenses | <u>9,363</u> | <u>0</u> | <u>9,363</u> |
| Total general expenses | <u>361,179</u> | <u>1,275,548</u> | <u>1,636,727</u> |
| TOTAL | \$ <u>9,124,618</u> | \$ <u>1,286,330</u> | \$ <u>10,410,948</u> |

¹ The financial statements of The Children's Guild Public Charter School D.C. Campus, as of June 30, 2017, were audited by other auditors whose report dated November 21, 2017, expressed an unqualified opinion on those statements.

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

| <u>Federal Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---------------------------------|
| <u>U.S Department of Education - pass through from the DC Office of the State Superintendent of Education</u> | | |
| Special Education Cluster: | | |
| PL 108-446 Individuals with Disabilities Education Act (IDEA) Part B, Section 611 | 84.027 | \$ 109,502 |
| Scholarships for Opportunity and Results Act 112-10; 125 Stat. 201 | 84.370 | <u>62,812</u> |
| Total Special Education Cluster | | 172,314 |
| Elementary & Secondary Education Act of 1965, As Amended, Title II, Part A (PL 101-110), FY17 | 84.367 | 3,425 |
| Elementary & Secondary Education Act of 1965, As Amended, Title I, Part A (PL 107-110) | 84.010 | 320,260 |
| Elementary & Secondary Education Act of 1965, As Amended, Title II, Part A (PL 101-110) | 84.367 | 67,671 |
| Elementary & Secondary Education Act of 1965, As Amended, Title IV, Part A | 84.424 | 9,698 |
| Total ESEA Consolidated | | <u>401,054</u> |
| <u>Total U.S Department of Education - pass through from the DC Office of the State Superintendent of Education</u> | | <u>573,368</u> |
| <u>U.S. Department of Agriculture; pass through from the DC Office of Food and Nutrition Service</u> | | |
| National School Lunch Program | 10.555 | 287,809 |
| NSLP Equipment Assistance Grant | 10.579 | <u>4,568</u> |
| <u>Total U.S. Department of Agriculture; pass through from the DC Office of Food and Nutrition Service</u> | | <u>292,377</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | \$ 865,745 |

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of The Children's Guild Public Charter School D.C. Campus under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 The Children's Guild Public Charter School D.C. Campus, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Children's Guild Public Charter School D.C. Campus

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

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

Board of Directors
The Children's Guild Public Charter School D.C. Campus

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Children's Guild Public Charter School D.C. Campus, which comprise the statements of financial position as of June 30, 2018 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Children's Guild Public Charter School D.C. Campus'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 The Children's Guild Public Charter School D.C. Campus's internal control. Accordingly, we do not express an opinion on the effectiveness of The Children's Guild Public Charter School D.C. Campus'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 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 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 The Children's Guild Public Charter School D.C. Campus'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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hamilton Enterprises LLC

Greenbelt, Maryland
November 27, 2018

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

Board of Directors
The Children's Guild Public Charter School D.C. Campus

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Children's Guild Public Charter School D.C. Campus's compliance.

Opinion on Each Major Federal Program

In our opinion, The Children's Guild Public Charter School D.C. Campus complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of The Children's Guild Public Charter School D.C. Campus 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 of compliance, we considered The Children's Guild Public Charter School D.C. Campus's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Children's Guild Public Charter School D.C. Campus'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.

Hamilton Enterprises LLC

Greenbelt, Maryland
November 27, 2018

**THE CHILDREN'S GUILD PUBLIC CHARTER SCHOOL D.C. CAMPUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of The Children's Guild Public Charter School D.C. Campus.
2. No significant deficiencies relating to the audit of the financial statements are reported in the independent auditors' 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*.
3. No instances of noncompliance material to the financial statements of The Children's Guild Public Charter School D.C. Campus, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the independent auditors' report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for The Children's Guild Public Charter School D.C. Campus expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major programs were:

| <u>Name</u> | <u>CFDA Number</u> |
|---|--------------------|
| Elementary & Secondary Education Act of 1965, As Amended, Title I, Part A (PL 107-110) | 84.010 |
| Elementary & Secondary Education Act of 1965, As Amended, Title II, Part A (PL 101-110) | 84.367 |
| Elementary & Secondary Education Act of 1965, As Amended, Title IV, Part A | 84.424 |
| PL 108-446 Individuals with Disabilities Education Act (IDEA) Part B, Section 611 | 84.027 |

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Children's Guild Public Charter School D.C. Campus did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None