



**WASHINGTON LEADERSHIP ACADEMY,  
PUBLIC CHARTER HIGH SCHOOL**

**Financial Statements**

*For the Year Ended June 30, 2017*

*(With Summarized Financial Information for the Year Ended June 30, 2016)*



**and  
Report Thereon**



**Report Required in Accordance with  
Government Auditing Standards**

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

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For the Year Ended June 30, 2017

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*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Washington Leadership Academy, Public Charter High School

We have audited the accompanying financial statements of Washington Leadership Academy, Public Charter High School (WLA), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Leadership Academy, Public Charter High School as of June 30, 2017, 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.

**Continued**

## **Other Matters**

### *Report on Summarized Comparative Information*

The financial statements of WLA as of June 30, 2016, were audited by other auditors whose report dated May 12, 2017, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, on our consideration of WLA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WLA's internal control over financial reporting and compliance.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, D.C.  
November 27, 2017

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(With Summarized Financial Information as of June 30, 2016)

|   | <u>2017</u>                | <u>2016</u>              |
|---|----------------------------|--------------------------|
| <b>ASSETS</b>                           |                            |                          |
| Current assets                          |                            |                          |
| Cash                                    | \$ 566,435                 | \$ 447,780               |
| Receivables                             | 170,985                    | 98,946                   |
| Prepaid expenses                        | <u>61,480</u>              | <u>47,360</u>            |
| Total Current Assets                    | 798,900                    | 594,086                  |
| Deposits                                | 34,980                     | 22,790                   |
| Property and equipment, net             | <u>188,725</u>             | <u>79,827</u>            |
| <b>TOTAL ASSETS</b>                     | <b><u>\$ 1,022,605</u></b> | <b><u>\$ 696,703</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                            |                          |
| Liabilities                             |                            |                          |
| Current liabilities                     |                            |                          |
| Accounts payable and accrued expenses   | \$ 140,853                 | \$ 69,425                |
| Deferred revenue                        | <u>18,543</u>              | <u>-</u>                 |
| <b>TOTAL LIABILITIES</b>                | <b><u>159,396</u></b>      | <b><u>69,425</u></b>     |
| Net Assets                              |                            |                          |
| Unrestricted                            | 763,209                    | 398,132                  |
| Temporarily restricted                  | <u>100,000</u>             | <u>229,146</u>           |
| <b>TOTAL NET ASSETS</b>                 | <b><u>863,209</u></b>      | <b><u>627,278</u></b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b><u>\$ 1,022,605</u></b> | <b><u>\$ 696,703</u></b> |

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

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2017  
 (With Summarized Information for the Year Ended June 30, 2016)

|  | Unrestricted      | Temporarily<br>Restricted | 2017              | 2016              |
|--|-------------------|---------------------------|-------------------|-------------------|
| REVENUE AND SUPPORT  |                   |                           |                   |                   |
| Per pupil allocation   | \$ 2,043,938      | \$ -                      | \$ 2,043,938      | \$ -              |
| Federal grants and entitlements  | 363,922           | -                         | 363,922           | 479,332           |
| Private grants and contributions   | 151,230           | 103,445                   | 254,675           | 790,527           |
| In-kind contributions  | 107,323           | -                         | 107,323           | -                 |
| Other revenue  | 3,033             | -                         | 3,033             | -                 |
| Local government grants<br>and program revenue                                 | 2,559             | -                         | 2,559             | -                 |
| Interest income  | 931               | -                         | 931               | 30                |
| Net assets released from restrictions:<br>Satisfaction of program restrictions | 232,591           | (232,591)                 | -                 | -                 |
| <b>TOTAL REVENUE<br/>AND SUPPORT</b>   | <b>2,905,527</b>  | <b>(129,146)</b>          | <b>2,776,381</b>  | <b>1,269,889</b>  |
| EXPENSES   |                   |                           |                   |                   |
| Program Service:   |                   |                           |                   |                   |
| High school education  | 1,906,536         | -                         | 1,906,536         | 506,599           |
| <b>Total Program Service</b>   | <b>1,906,536</b>  | <b>-</b>                  | <b>1,906,536</b>  | <b>506,599</b>    |
| Supporting Services:   |                   |                           |                   |                   |
| Management and general   | 613,659           | -                         | 613,659           | 118,706           |
| Development and fundraising  | 20,255            | -                         | 20,255            | 17,138            |
| <b>Total Supporting Services</b>   | <b>633,914</b>    | <b>-</b>                  | <b>633,914</b>    | <b>135,844</b>    |
| <b>TOTAL EXPENSES</b>  | <b>2,540,450</b>  | <b>-</b>                  | <b>2,540,450</b>  | <b>642,443</b>    |
| CHANGE IN NET ASSETS   | 365,077           | (129,146)                 | 235,931           | 627,446           |
| NET ASSETS, BEGINNING OF YEAR  | 398,132           | 229,146                   | 627,278           | (168)             |
| NET ASSETS, END OF YEAR  | <u>\$ 763,209</u> | <u>\$ 100,000</u>         | <u>\$ 863,209</u> | <u>\$ 627,278</u> |

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

**WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL**

**STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2017  
(With Summarized Information for the Year Ended June 30, 2016)**

|   | Program<br>Service         | Supporting Services       |                         |                            |                          |
|---|----------------------------|---------------------------|-------------------------|----------------------------|--------------------------|
|   | High School<br>Education   | Management<br>and General | Fundraising             | 2017<br>Total              | 2016<br>Total            |
| Personnel, Salaries and Benefits:                   |                            |                           |                         |                            |                          |
| Salaries  | \$ 1,024,602               | \$ 190,658                | \$ 12,870               | \$ 1,228,130               | \$ 289,835               |
| Payroll taxes                                       | 81,381                     | 20,406                    | 1,163                   | 102,950                    | 22,241                   |
| Employee benefits                                   | 55,184                     | 13,837                    | 789                     | 69,810                     | 6,300                    |
| Contracted labor                                    | 45,251                     | 6,216                     | -                       | 51,467                     | 3,000                    |
| Professional development                            | 34,830                     | 8,734                     | 498                     | 44,062                     | 43,432                   |
| Other contracted labor-related expense              | 19,536                     | 5,178                     | -                       | 24,714                     | 13,623                   |
|   | <u>1,260,784</u>           | <u>245,029</u>            | <u>15,320</u>           | <u>1,521,133</u>           | <u>378,431</u>           |
| Total Personnel, Salaries<br>and Benefits           |                            |                           |                         |                            |                          |
| Direct Student Costs:                               |                            |                           |                         |                            |                          |
| Supplies, materials and snacks                      | 103,542                    | -                         | -                       | 103,542                    | 967                      |
| Student food service                                | 60,772                     | -                         | -                       | 60,772                     | -                        |
| Contracted instruction fees                         | 39,553                     | -                         | -                       | 39,553                     | -                        |
| Textbooks   | 24,872                     | -                         | -                       | 24,872                     | -                        |
| Student assessments                                 | 3,698                      | -                         | -                       | 3,698                      | -                        |
| Travel  | 3,374                      | -                         | -                       | 3,374                      | -                        |
| Student recruiting                                  | 2,988                      | -                         | -                       | 2,988                      | 37,649                   |
|   | <u>238,799</u>             | <u>-</u>                  | <u>-</u>                | <u>238,799</u>             | <u>38,616</u>            |
| Total Direct Student Costs                          |                            |                           |                         |                            |                          |
| Occupancy Expenses:                                 |                            |                           |                         |                            |                          |
| Rent  | 259,296                    | 66,335                    | 3,706                   | 329,337                    | 11,713                   |
| Contracted building services                        | 6,175                      | 6,175                     | -                       | 12,350                     | -                        |
| Maintenance and repairs                             | 1,207                      | 303                       | 17                      | 1,527                      | -                        |
| Depreciation and amortization – facilities          | 398                        | -                         | -                       | 398                        | -                        |
|   | <u>267,076</u>             | <u>72,813</u>             | <u>3,723</u>            | <u>343,612</u>             | <u>11,713</u>            |
| Total Occupancy Expenses                            |                            |                           |                         |                            |                          |
| Office Expenses:                                    |                            |                           |                         |                            |                          |
| Office supplies                                     | 5,055                      | 51,463                    | 72                      | 56,590                     | 6,511                    |
| Telecommunications                                  | 23,476                     | 5,887                     | 336                     | 29,699                     | 1,627                    |
| Computer support                                    | 6,509                      | 1,632                     | 93                      | 8,234                      | 72,705                   |
| Printing and copying                                | 1,713                      | 429                       | 24                      | 2,166                      | 147                      |
| Postage   | 399                        | 100                       | 6                       | 505                        | 37                       |
|   | <u>37,152</u>              | <u>59,511</u>             | <u>531</u>              | <u>97,194</u>              | <u>81,027</u>            |
| Total Office Expenses                               |                            |                           |                         |                            |                          |
| General Expenses:                                   |                            |                           |                         |                            |                          |
| Legal fees  | 7,333                      | 107,015                   | -                       | 114,348                    | 38,185                   |
| Accounting, auditing and payroll                    | -                          | 65,951                    | -                       | 65,951                     | 25,042                   |
| Professional and consulting fees                    | 47,634                     | 11,944                    | 681                     | 60,259                     | 59,710                   |
| Depreciation and amortization –<br>operating assets | 45,258                     | 11,995                    | -                       | 57,253                     | 4,633                    |
| Authorizer fees                                     | -                          | 24,135                    | -                       | 24,135                     | -                        |
| Insurance   | -                          | 11,769                    | -                       | 11,769                     | 1,153                    |
| Dues, fees, licenses and fines                      | 2,500                      | 3,497                     | -                       | 5,997                      | 3,493                    |
| Other   | -                          | -                         | -                       | -                          | 440                      |
|   | <u>102,725</u>             | <u>236,306</u>            | <u>681</u>              | <u>339,712</u>             | <u>132,656</u>           |
| Total General Expenses                              |                            |                           |                         |                            |                          |
| <b>TOTAL EXPENSES</b>                               | <u><u>\$ 1,906,536</u></u> | <u><u>\$ 613,659</u></u>  | <u><u>\$ 20,255</u></u> | <u><u>\$ 2,540,450</u></u> | <u><u>\$ 642,443</u></u> |

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

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2017  
 (With Summarized Information for the Year Ended June 30, 2016)  
 Increase (Decrease) in Cash

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                   |                   |
| Change in net assets  | \$ 235,931        | \$ 627,446        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Depreciation and amortization   | 57,651            | 4,633             |
| Changes in assets and liabilities:  |                   |                   |
| Receivables   | (72,039)          | (98,946)          |
| Prepaid expenses  | (14,120)          | (47,360)          |
| Deposits  | (12,190)          | (22,790)          |
| Accounts payable and accrued expenses   | 71,428            | 69,425            |
| Deferred revenue  | 18,543            | -                 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | <u>285,204</u>    | <u>532,408</u>    |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                   |                   |
| Purchases of property and equipment   | <u>(166,549)</u>  | <u>(84,460)</u>   |
| NET CASH USED IN INVESTING ACTIVITIES   | <u>(166,549)</u>  | <u>(84,460)</u>   |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                   |                   |
| Proceeds from note payable  | -                 | 103,000           |
| Principal payments on note payable  | <u>-</u>          | <u>(103,000)</u>  |
| NET CASH PROVIDED BY FINANCING ACTIVITIES   | <u>-</u>          | <u>-</u>          |
| NET INCREASE IN CASH  | 118,655           | 447,948           |
| CASH, BEGINNING OF YEAR   | <u>447,780</u>    | <u>(168)</u>      |
| CASH, END OF YEAR   | <u>\$ 566,435</u> | <u>\$ 447,780</u> |

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

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017

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1. Organization and Summary of Significant Accounting Policies

**Organization**

Washington Leadership Academy, Public Charter High School (WLA) is a not-for-profit corporation incorporated in the District of Columbia in February of 2014. The school's mission is to prepare students with the knowledge, skills and habits required for success in college and lives of public leadership. Since its inception, WLA's revenue and other support has consisted primarily of local funding (per pupil allocations) from the District of Columbia, federal grants and private grants.

**Basis of Accounting**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are prepared using the accrual basis of accounting and include receivables and payables.

**Receivables**

WLA uses the allowance method to record potentially uncollectible accounts receivable.

**Property and Equipment**

Property and equipment are carried at cost. Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the assets.

|                        |         |
|------------------------|---------|
| Computer hardware      | 3 years |
| Software               | 3 years |
| Furniture and fixtures | 7 years |

Leasehold improvements are amortized over the remaining life of the lease. Significant renewals and betterments are capitalized. At the time assets are retired or otherwise disposed of, the property and related accumulated depreciation and amortization accounts are relieved of the applicable amounts and any gain or loss is credited or charged to revenue and support.

**Classification of Net Assets**

The net assets of WLA are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for general support of WLA's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions, to be used for a particular purpose or within a specific time period.

**Revenue Recognition**

Grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted revenue and support.

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017

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1. Organization and Summary of Significant Accounting Policies (continued)

**Revenue Recognition (continued)**

When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Unconditional grants and contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made.

Federal grants and contracts treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on grants and contracts for which payments have not been received is reflected as receivables in the accompanying statement of financial position. Payments received before services are provided and costs are incurred are reflected as deferred revenue in the accompanying statement of financial position.

**Federal and Charter School Funding**

Per pupil funding represents the per pupil student allocation and facility allowance from the District of Columbia, as well as federal entitlement funding, to cover the cost of academic expenses. Revenue is recognized ratably over the academic year. Unearned funding is recognized as deferred revenue in the accompanying statements of financial position until earned.

**In-Kind Contributions**

In-kind contributions represent the value of pro bono legal assistance. Donations are recorded at their fair value as of the date of the donation, and are included in in-kind contributions and management and general in the accompanying statement of activities and in legal fees in the accompanying statement of functional expenses.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated proportionately among the program and supporting services based on direct expenses incurred for the program.

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017

2. Receivables

Receivables consisted of the following as of June 30, 2017:

|                   |                   |
|-------------------|-------------------|
| Private grants    | \$ 100,000        |
| Federal grants    | 66,188            |
| Other             | <u>4,797</u>      |
| Total Receivables | <u>\$ 170,985</u> |

As of June 30, 2017, all amounts were considered fully collectible and due within one year.

3. Property and Equipment and Accumulated Depreciation and Amortization

WLA's property and equipment consisted of the following at June 30, 2017:

|   |                   |
|---|-------------------|
| Computer hardware                               | \$ 111,825        |
| Software  | 83,400            |
| Furniture and fixtures                          | 53,651            |
| Leasehold improvements                          | <u>2,133</u>      |
| Total Property and Equipment                    | 251,009           |
| Less: Accumulated Depreciation and Amortization | <u>(62,284)</u>   |
| Property and Equipment, Net                     | <u>\$ 188,725</u> |

Depreciation and amortization expense was \$57,651 for the year ended June 30, 2017.

4. Temporarily Restricted Net Assets

As of June 30, 2017, temporarily restricted net assets of \$100,000 were available for future years.

5. Charter School Funding – Per Pupil Allocation

Per pupil allocation funding for the year ended June 30, 2017, was composed of the following:

|                              |                     |
|------------------------------|---------------------|
| General education            | \$ 1,240,264        |
| Facility allowance           | 328,020             |
| Special education            | 314,778             |
| At-risk students             | 127,221             |
| Special education compliance | <u>33,655</u>       |
| Total Per Pupil Allocation   | <u>\$ 2,043,938</u> |

In September 2017, the offices of the Deputy Mayor of Education (DME) and the State Superintendent of Education (OSSE) notified all charter school leaders of a tentative approved contract with the Washington Teachers' Union (WTU). Upon approval of the

# WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

## NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2017

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### 5. Charter School Funding – Per Pupil Allocation (continued)

contract by the City Council and Mayor of the District of Columbia (DC), it is expected that DC will provide additional funding to all DC Public and Charter Schools through an increase in the per pupil allocation (Uniform per Student Funding Formula (UPSFF)) which will be applied retroactively for fiscal 2017 and to future years. All public charter schools are expected to receive a one-time payment to reflect the increase in the fiscal year 2017 UPSFF base rate, which will be calculated based on the final enrollment audit count, supplemental payments and extended school year funding. Any such retroactive per pupil funding will be recognized as revenue in WLA's fiscal year 2018 financial statements.

### 6. Risks and Commitments

#### **Concentration of Credit Risk**

WLA maintains its cash with various commercial financial institutions with which its aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2017, WLA had approximately \$546,000 composed of demand deposits, exceeding the maximum limit insured by the FDIC by approximately \$77,000. WLA monitors the creditworthiness of this institution and has not experienced any historical credit losses on its cash and cash equivalents.

#### **Use Agreement**

WLA entered into a use agreement to lease building space for its office and schools which is scheduled to expire on June 30, 2021. This use agreement includes four five-year renewal terms at the option of WLA. The agreement also provides WLA with an option to purchase the premises at any time after the fifth year but prior to the 10th year of the lease effective date. The purchase price will be equal to the total all-in actual costs, prorated where necessary, of acquiring, financing, repairing and renovating the premises. The rent payment is determined as a usage fee, which is in amount equal to the number of students enrolled as of the census date of each usage year multiplied by the greater of the per pupil facilities allowance received by WLA from the District of Columbia or \$3,124. The total annual usage fee for each 12-month period throughout the term commences on July 1 and is payable in quarterly installments on August 1, November 1, February 1 and May 1. Future annual payments are based on the same usage fee formula, and there are no required payments or cancellation penalties.

Rent expense totaled \$329,337 for the year ended June 30, 2017.

#### **Major Contributor**

WLA receives a substantial portion of its revenue from DC. If a significant reduction in this revenue should occur, it could have a material effect on WLA's programs. During the year ended June 30, 2017, WLA earned per pupil funding revenue of \$2,043,938 from the District of Columbia, which was approximately 74% of WLA's total revenue and support for the year. This revenue is reflected as per pupil allocation in the accompanying statement of activities.

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017

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7. Related Parties

The Chairman of the Board of Directors of the Democracy Builders Fund was also the Chairman of the Board of Directors of WLA during the period July 1, 2016, through June 1, 2017. The Democracy Builders Fund, a 501(c)(3) organization, served as an incubator for WLA and provided services such as student recruitment support, operations support and human resources. The Democracy Builders Fund billed WLA approximately \$28,000 for these services during the year ended June 30, 2017. In addition, in the prior year, WLA borrowed approximately \$98,000 from the Democracy Builders Fund and its employees to support startup costs, of which \$73,000 was repaid during the year ended June 30, 2017. As of June 30, 2017, WLA had a balance due to the Democracy Builders Fund of approximately \$25,000, which is included in accounts payable and accrued expenses in the accompanying statement of financial position.

8. Pension Plan

WLA sponsors a 403(b) plan that covers all employees who work 20 hours or more per week. Employees are eligible to participate in the plan immediately upon hire. WLA makes discretionary contributions to match employee contributions, the amount of which match is determined on an annual basis. Employees are eligible for discretionary employer match contributions after one month of service. Pension expense was \$20,942 for the year ended June 30, 2017, and is included in employee benefits in the accompanying statement of functional expenses.

9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, WLA is exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2017, no provision for income taxes was made as WLA had no net unrelated business income.

WLA has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. WLA performed an evaluation of uncertainty in income taxes 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. It is WLA's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense.

10. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with WLA's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Continued

**WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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11. Subsequent Events

WLA management has evaluated subsequent events through November 27, 2017, the date the financial statements were available to be issued. Except for the DME and OSSE notification of the potential additional per pupil funding retroactive to fiscal year 2017 described in Note 5, there were no subsequent events that require recognition or disclosure in these financial statements.



Certified Public Accountants

**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**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Washington Leadership Academy, Public Charter High School

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 Washington Leadership Academy, Public Charter High School (WLA), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WLA'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 WLA's internal control. Accordingly, we do not express an opinion on the effectiveness of WLA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WLA'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 WLA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, D.C.  
November 27, 2017