

**WASHINGTON MATH SCIENCE TECHNOLOGY  
PUBLIC CHARTER HIGH SCHOOL, INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
*(Together With Independent Auditor's Report)***



**WASHINGTON MATH SCIENCE TECHNOLOGY  
PUBLIC CHARTER HIGH SCHOOL, INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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The Board of Trustees  
Washington Math Science Technology  
Public Charter High School, Inc.  
Washington, D.C.

### Report on Financial Statements

We have audited the accompanying financial statements of the Washington Math Science Technology Public Charter High School, Inc. (the School) which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets 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 the 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.

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## **Opinion**

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

## **Other Matters**

### *Other Information*

The School's fiscal year 2015 financial statements were audited by other auditors, who expressed an unmodified opinion on the financial statements in a report dated November 19, 2015.

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses on page 11 is presented for the purpose of additional analysis and is not a required part of the basic 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 October 28, 2016, on our consideration of the 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 the School's internal control over financial reporting and compliance.

*Bert Smith & Co*

October 28, 2016  
Washington, D.C.

**WASHINGTON MATH SCIENCE TECHNOLOGY  
PUBLIC CHARTER HIGH SCHOOL, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016**

**ASSETS**

**Current Assets**

Cash	\$ 182,503
Restricted Cash	73,430
Due from District of Columbia Government	173,898
Deferred Charges	<u>5,838</u>
<b>Total Current Assets</b>	<u>435,669</u>

**Noncurrent Assets**

Deferred Charges, net	93,410
Property and Equipment, net	<u>6,213,252</u>
<b>Total Noncurrent Assets</b>	<u>6,306,662</u>

<b>Total Assets</b>	<u>\$ 6,742,331</u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 15,911
Accrued Expenses	215,318
Note Payable	<u>266,624</u>
<b>Total Current Liabilities</b>	<u>497,853</u>

**Noncurrent Liabilities**

Note Payable	<u>6,228,835</u>
<b>Total Noncurrent Liabilities</b>	<u>6,228,835</u>

<b>Total Liabilities</b>	<u>6,726,688</u>
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<b>Unrestricted Net Assets</b>	<u>15,643</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,742,331</u>
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*The accompanying notes are an integral part of these financial statements.*

**WASHINGTON MATH SCIENCE TECHNOLOGY  
PUBLIC CHARTER HIGH SCHOOL, INC.**  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2016

<b>Unrestricted Revenue</b>	
Per Pupil Allotment	\$ 6,044,942
Federal	621,474
Grants and Contributions	22,085
Fundraising	21,325
Other	<u>18,695</u>
<b>Total Unrestricted Revenue</b>	<u>6,728,521</u>
 <b>Expenses</b>	
Program Services	4,766,067
General and Administration	2,332,573
Fundraising	<u>8,260</u>
<b>Total Expenses</b>	<u>7,106,900</u>
 <b>Changes In Net Assets</b>	 (378,379)
<b>Net Assets-Beginning of Year (restated)</b>	<u>394,022</u>
<b>Net Assets-End of Year</b>	<u><u>\$ 15,643</u></u>

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

**WASHINGTON MATH SCIENCE TECHNOLOGY  
PUBLIC CHARTER HIGH SCHOOL, INC.**  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

<b>Cash Flows from Operating Activities</b>	
Changes in Net Assets	\$ (378,379)
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:</i>	
Depreciation and Amortization	464,215
<i>(Increase) Decrease in Assets:</i>	
Receivables	(120,597)
<i>Decrease (Increase) in Liabilities:</i>	
Accounts Payable	15,569
Accrued Expenses	(76,072)
<b>Net Cash Used in Operating Activities</b>	<u>(95,264)</u>
<b>Cash Flows from Investing Activities</b>	
Purchases of Property and Equipment	<u>(164,855)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(164,855)</u>
<b>Cash Flows from Financing Activities</b>	
Payments on Note Payable	<u>(278,349)</u>
<b>Net Cash Used in Financing Activities</b>	<u>(278,349)</u>
<b>Decrease in Cash</b>	(538,468)
<b>Cash, Beginning of Year</b>	<u>794,401</u>
<b>Cash, End of Year</b>	<u>\$ 255,933</u>
<b>Supplemental Disclosure</b>	
Interest Paid	<u>\$ 210,186</u>

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

**WASHINGTON MATH SCIENCE TECHNOLOGY  
PUBLIC CHARTER HIGH SCHOOL, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Operations:*** Washington Math Science Technology Public Charter High School (the School) is an independent public charter school incorporated on January 29, 1998, under the laws of the District of Columbia (DC or District) as specified in the District of Columbia School Reform Act. The School was granted its public charter by the District of Columbia Public Charter School Board on March 23, 1998. The School currently serves 310 students. The School's major source of funding is an annual per pupil allotment from the Government of the District of Columbia (District). The School also receives funding from the federal government, student fees, and activities. These funds are expended on programs and activities designed to provide educational and related services to the School's students.

***Basis of Accounting:*** The accompanying financial statements of the School have been prepared on the accrual basis of accounting.

***Basis of Presentation:*** The School reports information regarding its financial position and activities in two classes of net assets: unrestricted net assets and temporarily restricted net assets.

- *Unrestricted Net Assets* - net assets that are not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets* - net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time. The School did not have any temporarily restricted net assets at June 30, 2016.

Revenues are reported and recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily restricted. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor restriction expires in the same reporting period, the School reports the contributions as unrestricted.

***Revenue Recognition:*** The School records revenue when earned. Amounts received that have not been earned are recorded as deferred revenue.

***Cash and Cash Equivalents:*** The School considers all highly liquid investments with maturities of three months or less to be cash equivalents.



**Property and Equipment:** The School capitalizes all property and equipment with a unit cost of \$1,000 or more. Depreciation expense is recorded using the straight-line method over the property and equipment’s estimated useful lives. Leasehold improvements are depreciated over the life of the lease. Maintenance and repairs are expensed. Those estimated useful lives are as follows:

Building and Improvements	25 Years
Furniture and Equipment	5 Years
Software	3 Years
Textbooks	3 Years

**Income Taxes:** The School, a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state and local income taxes, and, accordingly, no provision for income taxes is included in the financial statements.

Financial Accounting Standards Board (FASB), Accounting Standards Codification 740, *Income Taxes* (ASC 740) requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. As of June 30, 2016, management has assessed its various tax positions and it believes there are no liabilities for uncertain tax positions.

The School’s tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**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 certain amounts of assets and liabilities. These estimates also affect the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses:** The costs of providing the various programs and other activities have been summarized as additional information on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## NOTE 2 CONCENTRATION OF CREDIT RISK

The School maintains its cash in one financial institution. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, the uninsured cash balance totaled \$75,038.

## NOTE 3 RESTRICTED CASH

The School is required to maintain a separate escrow account for payment of its mortgage principals and interest. At June 30, 2016, escrow account had a balance of \$73,430.

**NOTE 4 DUE FROM DISTRICT GOVERNMENT**

The School receives an annual per pupil allotment and federal funds as a pass-through from the District. At June 30, 2016, the amount due from the District was \$173,898.

**NOTE 5 DEFERRED CHARGES**

Deferred charges represent cost related to mortgage issuance costs. The costs are amortized over the life of the note.

Deferred Charges	\$ 145,952
Accumulated Amortization	<u>(46,704)</u>
Net Deferred Charges	<u>\$ 99,248</u>

The amortization expense for the fiscal year 2016 was \$5,838.

**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at year-end:

Land	\$ 327,600
Building and Improvements	8,887,139
Furniture and Equipment	1,809,127
Software	324,872
Textbooks	<u>591,043</u>
Total	<u>11,939,781</u>
Less: Accumulated Depreciation	<u>(5,726,529)</u>
Property and Equipment, net	<u>\$6,213,252</u>

Depreciation expense during fiscal year 2016 was \$458,377.

**NOTE 7 NOTE PAYABLE**

In 2008, the School converted a notes payable into a debt instrument to consolidate its debt instrument and obtain more favorable interest rates. As a result of the conversion, the District issued \$8,048,000 Series 2008 District Revenue Bonds. Pursuant to the bond issuance, the School entered into a loan agreement with the District. The note is due August 1, 2033 and has an interest rate of 5.16 % per annum subsequently reduced to 3.11% per annum. The loan is secured by a lien on the building. The interest paid during the fiscal year was \$210,186. The custodian of the loan is United Bank. At June 30, 2016, the total amount payable under the note was \$6,495,459.

The minimum principal payments as of June 30, 2016 are as follows:

2017	\$ 266,624
2018	299,931
2019	309,393
2020	319,154
2021	329,222
Thereafter	<u>4,971,135</u>
	<u>\$6,495,459</u>
Current Portion	\$ 266,624
Long-term Portion	<u>6,228,835</u>
	<u>\$6,495,459</u>

The School is subject to compliance with a minimum debt service coverage ratio of 1.2 to 1 and maintaining a net asset balance above \$150,000. At June 30, 2016, the School was not in compliance with the debt covenants. The School received a waiver from United Bank.

#### NOTE 8 NET ASSET RESTATEMENT

The School's net asset balance was restated for accrued wages and payroll taxes not recorded at year-end and to write-off prepaid mortgage interest that was related to a previous interest rate.

Net Assets, September 30, 2015	\$ 660,969
Accrued Wages and Taxes	(220,285)
Prepaid Expense	<u>(46,662)</u>
Net Assets (restated), September 30, 2015	<u>\$ 394,022</u>

#### NOTE 9 RETIREMENT PLAN

The School has maintained Simplified Employee Pension/Teachers' Retirement Association (SEP/TRA) Qualified Retirement Plan (Plan) on behalf of its teachers and other employees completing six months of service. The Plan provides for discretionary employer contributions. During fiscal year 2016, the School contributed \$145,943 to the Plan.

#### NOTE 10 PER PUPIL ALLOTMENT

The School receives an annual per pupil allotment from the District that is based on its student enrollment. The pupil allotment represented about 89% of the School's total revenue.

The per pupil allotment consist of the following for the fiscal year ended:

Education	\$5,076,502
Facilities	<u>968,440</u>
	<u>\$6,044,942</u>

**NOTE 11      CONTINGENCIES**

The School asserts that there have been no material claims, suits, or complaints filed nor any pending against the organization. In the opinion of management, all other matters which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations of the organization if disposed of unfavorably.

**NOTE 12      SUBSEQUENT EVENTS**

The School has evaluated any subsequent events through October 28, 2016, which is the date the financial statements were available to be issued. This review and evaluation revealed no material events that would have an effect on the accompanying financial statements.

**WASHINGTON MATH SCIENCE TECHNOLOGY  
PUBLIC CHARTER HIGH SCHOOL, INC.**  
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
<b>Personnel, Salaries and Benefits</b>				
Salaries	\$ 2,445,267	\$ 1,205,377	\$ -	\$ 3,650,644
Payroll Taxes	220,383	102,011	-	322,394
Fringe Benefits	420,647	194,709	-	615,356
Training and Development	72,052	33,352	-	105,404
Consultants	-	8,906	-	8,906
<b>Total Personnel, Salaries and Benefits</b>	<u>3,158,349</u>	<u>1,544,355</u>	<u>-</u>	<u>4,702,704</u>
<b>Direct Student Costs</b>				
Contracted Instructional Fees	577,614	-	-	577,614
Supplies and Materials	131,641	-	-	131,641
Miscellaneous Student Activity	39,756	-	-	39,756
Textbooks	3,795	-	-	3,795
AVID Program	14,017	-	-	14,017
IB Program	27,821	-	-	27,821
Student Transportation	21,600	-	-	21,600
Other Student Costs	11,687	-	-	11,687
Student Sports Expense	42,455	-	-	42,455
Teacher and Student Recruitment	6,620	-	-	6,620
<b>Total Direct Student Costs</b>	<u>877,006</u>	<u>-</u>	<u>-</u>	<u>877,006</u>
<b>Occupancy Expenses</b>				
Mortgage Interest	76,108	134,078	-	210,186
Repairs and Maintenance	17,616	31,033	-	48,649
Janitorial Expenses	5,324	9,380	-	14,704
Utilities	33,399	58,837	-	92,236
Depreciation – Facilities	116,568	205,353	-	321,921
<b>Total Occupancy Expenses</b>	<u>249,015</u>	<u>438,681</u>	<u>-</u>	<u>687,696</u>
<b>Office Expenses</b>				
Supplies and Materials	46,727	-	-	46,727
Equipment Rental	13,258	10,190	-	23,448
Telephone	18,616	32,796	-	51,412
Printing and Reproduction	49,474	-	-	49,474
Postage	10,577	-	-	10,577
Computers	-	7,064	-	7,064
Dues and Subscriptions	1,741	7,267	-	9,008
<b>Total Office Expenses</b>	<u>140,393</u>	<u>57,317</u>	<u>-</u>	<u>197,710</u>
<b>General Expenses</b>				
Depreciation and Amortization	51,525	90,769	-	142,294
Food Services and Lunch Program	175,058	14,305	-	189,363
Insurance	21,377	26,128	-	47,505
Catering	-	18,150	-	18,150
Other General Expenses	-	39,189	8,260	47,449
Legal Audit Fees	62,328	25,000	-	87,328
Charter Admin and Program Fees	-	70,882	-	70,882
School Crossing	31,016	-	-	31,016
Bank Fees	-	7,797	-	7,797
Interest	-	-	-	-
<b>Total General Expenses</b>	<u>341,304</u>	<u>292,220</u>	<u>8,260</u>	<u>641,784</u>
<b>Total Expenses</b>	<u>\$ 4,766,067</u>	<u>\$ 2,332,573</u>	<u>\$ 8,260</u>	<u>\$ 7,106,900</u>

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



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

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The Board of Trustees  
Washington Math Science Technology  
Public Charter High School, Inc.  
Washington, D.C.

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 Washington Math Science Technology Public Charter High School, Inc. (the School), which comprise the statement of financial position as of June 30, 2016, and related statement of activities and changes in net assets for the year ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

**Internal Control over Financial Reporting**

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

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* as item 2016-01.

## **Management's Response to Findings**

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bart Smith C G*

October 28, 2016  
Washington, D.C.

**WASHINGTON MATH SCIENCE TECHNOLOGY  
PUBLIC CHARTER HIGH SCHOOL, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2016-01      Accurate Reporting of Paid Compensation**

The School did not adhere to the best and required practices in the accounting for and disbursements of various types of compensation. We understand that the School believes that it had followed long established policies and guidance. However, we believe that the School must immediately cease its current practices.

All remuneration should be reported as compensation and reported in the period of payment and the prescribed payroll information form. Such reporting must encompass all payments including those for extra services and non-salaried positions.

Every effort should be taken to ensure that the appropriate taxes are withheld and reported. All payments for services should be documented accordingly reported.

**Management Response:** The School has already begun the process of ensuring that all remuneration is reported as compensation through categorizing qualifying vendor's payments and services as Form 1099 recipients.