

**WASHINGTON GLOBAL  
PUBLIC CHARTER SCHOOL**

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

**JUNE 30, 2017 AND 2016**

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## Independent Auditor's Report

The Board of Trustees  
Washington Global Public Charter School  
Washington, DC

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

We have audited the accompanying financial statements of Washington Global Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 on our consideration of Washington Global Public Charter School'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 effectiveness of Washington Global Public Charter School's 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 Washington Global Public Charter School's internal control over financial reporting and compliance.

*James Marston & McQuade PA*

Washington, DC  
November 29, 2017

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 493,431	\$ 300,363
Accounts and grants receivable	221,717	229,110
Prepaid expenses	29,506	24,600
Total Current Assets	744,654	554,073
<b>NONCURRENT ASSETS</b>		
Deferred rent	7,306	2,834
Property and equipment, net	3,507,327	2,125,369
Total Noncurrent Assets	3,514,633	2,128,203
<b>TOTAL ASSETS</b>	<b>\$ 4,259,287</b>	<b>\$ 2,682,276</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 573,849	\$ 441,127
Accrued expenses	183,348	118,938
Line of credit	-	185,000
Current maturity of long-term debt	106,007	58,108
Total Current Liabilities	863,204	803,173
<b>NONCURRENT LIABILITIES</b>		
Security deposits	7,174	-
Long-term debt, net	3,125,326	1,789,064
Total Noncurrent Liabilities	3,132,500	1,789,064
<b>TOTAL LIABILITIES</b>	3,995,704	2,592,237
<b>NET ASSETS</b>		
Unrestricted	263,583	87,719
Temporarily restricted	-	2,320
Total Net Assets	263,583	90,039
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,259,287</b>	<b>\$ 2,682,276</b>

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

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 2,631,229	\$ -	\$ 2,631,229
Per pupil facility allowance	543,576	-	543,576
Federal entitlements and grants	276,836	-	276,836
Other government grants	10,854	-	10,854
Grants and contributions	3,480	-	3,480
Rental income	51,626	-	51,626
Net assets released from restrictions	2,320	(2,320)	-
Total Revenue and Support	<u>3,519,921</u>	<u>(2,320)</u>	<u>3,517,601</u>
<b>EXPENSES</b>			
Program/educational services	2,921,095	-	2,921,095
Management and general	344,522	-	344,522
Fundraising	78,440	-	78,440
Total Expenses	<u>3,344,057</u>	<u>-</u>	<u>3,344,057</u>
<b>CHANGE IN NET ASSETS</b>	175,864	(2,320)	173,544
<b>NET ASSETS, beginning of year</b>	<u>87,719</u>	<u>2,320</u>	<u>90,039</u>
<b>NET ASSETS, end of year</b>	<u>\$ 263,583</u>	<u>\$ -</u>	<u>\$ 263,583</u>

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

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 1,535,040	\$ -	\$ 1,535,040
Per pupil facility allowance	315,524	-	315,524
Federal entitlements and grants	613,891	-	613,891
Other government grants	10,949	-	10,949
Grants and contributions	19,205	18,200	37,405
Rental income	2,834	-	2,834
Other revenue	2,450	-	2,450
Net assets released from restrictions	15,880	(15,880)	-
Total Revenue and Support	2,515,773	2,320	2,518,093
<b>EXPENSES</b>			
Program/educational services	2,066,084	-	2,066,084
Management and general	316,713	-	316,713
Fundraising	83,409	-	83,409
Total Expenses	2,466,206	-	2,466,206
<b>CHANGE IN NET ASSETS</b>	49,567	2,320	51,887
<b>NET ASSETS</b> , beginning of year	38,152	-	38,152
<b>NET ASSETS</b> , end of year	\$ 87,719	\$ 2,320	\$ 90,039

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

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	Program/ Educational	Supporting Services		Total
		Management and General	Fundraising	
<b>Personnel Costs</b>				
Salaries	\$ 1,211,465	\$ 150,636	\$ 37,749	\$ 1,399,850
Employee benefits	72,196	8,976	2,250	83,422
Payroll taxes	97,594	12,135	3,041	112,770
Professional development	4,778	-	-	4,778
Contracted staff	70,019	8,707	2,182	80,908
Other staff-related expense	4,759	592	148	5,499
<b>Total Personnel Costs</b>	<b>1,460,811</b>	<b>181,046</b>	<b>45,370</b>	<b>1,687,227</b>
<b>Direct Student Costs</b>				
Supplies, materials, snacks	16,640	-	-	16,640
Fieldwork and other transportation	2,578	-	-	2,578
Contracted instruction fees	180,803	-	-	180,803
Textbooks	14,293	-	-	14,293
Student assessments	34,598	-	-	34,598
Student food service program	153,186	-	-	153,186
Student events	5,068	-	-	5,068
Other student costs	16,857	-	-	16,857
<b>Total Direct Student Costs</b>	<b>424,023</b>	<b>-</b>	<b>-</b>	<b>424,023</b>
<b>Occupancy Expense</b>				
Rent	261,570	32,524	8,151	302,245
Maintenance and repairs	48,932	6,084	1,525	56,541
Utilities and garbage removal	74,789	9,300	2,330	86,419
Contracted building services	129,016	16,042	4,020	149,078
Janitorial supplies	6,949	864	217	8,030
Depreciation and amortization - facilities	102,608	12,759	3,197	118,564
Interest	154,185	19,173	4,804	178,162
<b>Total Occupancy Expense</b>	<b>778,049</b>	<b>96,746</b>	<b>24,244</b>	<b>899,039</b>
<b>Office Expense</b>				
Office supplies	21,564	2,680	672	24,916
Office expense and equipment rental	7,114	885	222	8,221
Telephone	20,072	2,496	625	23,193
Postage	369	46	11	426
Printing and copying	3,523	437	110	4,070
Computer support	25,563	3,178	797	29,538
<b>Total Office Expense</b>	<b>78,205</b>	<b>9,722</b>	<b>2,437</b>	<b>90,364</b>
<b>General Expense</b>				
Insurance	19,892	2,474	620	22,986
Authorizer fees	-	34,625	-	34,625
Accounting, auditing and payroll	68,574	8,527	2,137	79,238
Legal fees	7,116	885	222	8,223
Other professional and fundraising fees	61,932	7,701	2,709	72,342
Dues, fees, and fines	1,595	198	50	1,843
Other general expense	721	90	22	833
Depreciation - operating assets	20,177	2,508	629	23,314
<b>Total General Expense</b>	<b>180,007</b>	<b>57,008</b>	<b>6,389</b>	<b>243,404</b>
<b>Total Expenses</b>	<b>\$ 2,921,095</b>	<b>\$ 344,522</b>	<b>\$ 78,440</b>	<b>\$ 3,344,057</b>

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

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

	Program/ Educational	Supporting Services		Total
		Management and General	Fundraising	
<b>Personnel Costs</b>				
Salaries	\$ 871,561	\$ 140,105	\$ 39,050	\$ 1,050,716
Employee benefits	46,243	7,428	2,072	55,743
Payroll taxes	72,450	11,637	3,246	87,333
Professional development	6,902	-	-	6,902
Contracted staff	73,722	10,505	2,930	87,157
Other staff-related expense	3,063	491	137	3,691
<b>Total Personnel Costs</b>	<b>1,073,941</b>	<b>170,166</b>	<b>47,435</b>	<b>1,291,542</b>
<b>Direct Student Costs</b>				
Supplies, materials, snacks	26,455	-	-	26,455
Fieldwork and other transportation	1,648	-	-	1,648
Contracted instruction fees	88,297	-	-	88,297
Textbooks	32,449	-	-	32,449
Student assessments	42,244	-	-	42,244
Student food service program	105,293	-	-	105,293
Student events	3,713	-	-	3,713
Other student costs	28,429	-	-	28,429
<b>Total Direct Student Costs</b>	<b>328,528</b>	<b>-</b>	<b>-</b>	<b>328,528</b>
<b>Occupancy Expense</b>				
Rent	269,837	43,344	12,089	325,270
Maintenance and repairs	11,297	1,815	506	13,618
Contracted building services	77,418	12,436	3,468	93,322
Facilities consulting services	2,936	471	132	3,539
Janitorial supplies	3,187	511	143	3,841
Depreciation and amortization - facilities	50,004	8,067	2,206	60,277
Interest	52,994	8,517	2,369	63,880
<b>Total Occupancy Expense</b>	<b>467,673</b>	<b>75,161</b>	<b>20,913</b>	<b>563,747</b>
<b>Office Expense</b>				
Office supplies	23,149	3,719	1,037	27,905
Office expense and equipment rental	5,359	861	240	6,460
Telephone	18,858	3,029	845	22,732
Postage	370	59	17	446
Printing and copying	1,360	218	61	1,639
Computer support	1,461	15,498	655	17,614
<b>Total Office Expense</b>	<b>50,557</b>	<b>23,384</b>	<b>2,855</b>	<b>76,796</b>
<b>General Expense</b>				
Insurance	23,228	3,731	1,041	28,000
Authorizer fees	-	24,778	-	24,778
Accounting, auditing and payroll	46,527	7,474	2,084	56,085
Legal fees	10,386	1,668	465	12,519
Other professional and fundraising fees	48,447	7,783	7,864	64,094
Dues, fees, and fines	1,489	239	67	1,795
Other general expense	1,685	271	75	2,031
Depreciation - operating assets	13,623	2,058	610	16,291
<b>Total General Expense</b>	<b>145,385</b>	<b>48,002</b>	<b>12,206</b>	<b>205,593</b>
<b>Total Expenses</b>	<b>\$ 2,066,084</b>	<b>\$ 316,713</b>	<b>\$ 83,409</b>	<b>\$ 2,466,206</b>

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

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 173,544	\$ 51,887
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	141,878	76,568
Amortization of debt issuance costs	24,936	9,673
Decrease (increase) in assets:		
Accounts and grants receivable	7,393	(180,087)
Prepaid expenses	(4,906)	15,400
Deferred rent	(4,472)	(2,834)
(Decrease) increase in liabilities:		
Accounts payable	132,722	422,580
Accrued expenses	64,410	93,791
Security deposits	7,174	-
Net Cash Provided by Operating Activities	542,679	486,978
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(111,425)	(414,076)
Net Cash Used for Investing Activities	(111,425)	(414,076)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Draws on line of credit	-	100,000
Payments on line of credit	(185,000)	-
Proceeds from issuance of debt	-	114,163
Payments on debt	(53,186)	-
Debt issuance costs	-	(42,450)
Net Cash (Used for) Provided by Financing Activities	(238,186)	171,713
<b>NET INCREASE IN CASH</b>	193,068	244,615
<b>CASH, beginning of year</b>	300,363	55,748
<b>CASH, end of year</b>	\$ 493,431	\$ 300,363
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 150,712	\$ 50,501
<b>SUPPLEMENTAL DISCLOSURE OF NON CASH INFORMATION</b>		
Acquisition of property and equipment and debt issuance costs from issuance of debt	\$ 1,532,448	\$ 1,885,837

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

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE A – ORGANIZATION AND NATURE OF BUSINESS**

Washington Global Public Charter School (“Washington Global”), a District of Columbia not-for-profit Corporation, was incorporated on February 25, 2014, exclusively for educational purposes. Washington Global operates as a public charter school authorized by the District of Columbia Public Charter School Board. Washington Global is a community school open to all middle school students in Washington, DC that utilizes a rigorous, internationally-based academic and cultural curriculum that integrates project-based learning, service-learning, technology, and language acquisition to develop, educate and train enterprising and competitive global citizens.

Washington Global’s primary sources of support are local appropriations for Charter Schools from the District of Columbia Government, and federal entitlements and grants.

Washington Global is a tuition-free middle school open to all students in Washington, DC. Washington Global offers a robust international and research-based academic programming to develop globally competitive students who are ready for college and careers. program includes project-based learning, small learning communities, technology instruction, arts, and foreign language classes in Spanish. Washington Global strives for all of their students to be healthy and active through nutrition, physical education, and athletic programs. Washington Global also serves as a community school that promotes local engagement and service-learning for its students.

Washington Global’s cornerstone program is the International Middle Years Curriculum (“IMYC”) that is used in middle schools throughout the world. The IMYC offers interactive, stimulating, real-world, project-based learning delivered through thematic units such as resilience, entrepreneurship, and creativity. These themes are woven into the students’ English Language Arts (“ELA”), Math, Science, and Social Studies courses where they are working towards mastering the Common Core State Standards (“CCSS”). The IMYC also provides the framework for these themes to support Art, Information and Communications Technology (“ICT”), and Physical Education curricula.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic Not-for-Profit Entities. In accordance with the topic, Washington Global reports 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.

*Unrestricted Net Assets* – Net assets not subject to donor-imposed stipulations

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met by either actions of Washington Global and/or the passage of time

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by Washington Global. Washington Global had no permanently restricted net assets during the years ended June 30, 2017 and 2016.

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Basis of Accounting

Washington Global's financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Accounts and Grants Receivable

Washington Global's accounts and grants receivable consist of unsecured amounts due from public funding sources whose ability to pay are subject to appropriations. Washington Global performs ongoing credit evaluations of its funding sources and generally does not require collateral. Due to the nature of funding from the federal government and the District of Columbia, management believes that all grants receivable are collectible within one year or less; therefore, no allowance for bad debt has been recorded.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Washington Global capitalizes all expenditures for property and equipment over \$1,000. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which ranges from two to 25 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Debt Issuance Costs

Cost incurred in the issuance of debt have been capitalized and are reported on the statement of financial position as a direct deduction from the related debt liability. Debt issuance costs are amortized as interest expense using the straight-line method over the remaining period of the debt, which approximates the effective interest method.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Grants and Per Pupil Appropriations

Grant revenues are received primarily from the District of Columbia Government. The grants are subject to audit by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Washington Global receives a student allocation on a per pupil basis from the District of Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations include \$811,788 and \$499,653 for enhancements, such as special education, English language learners and at risk students, for the years ended June 30, 2017 and 2016, respectively.

Functional Expenses

The costs of providing Washington Global's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs, management and general, and fundraising services benefited.

Reclassifications

Certain amounts for 2016 have been reclassified to conform to the current year presentation. The reclassifications had no effect on previously reported net assets or change in net assets.

**NOTE C – INCOME TAXES**

Washington Global is a 501(c)(3) entity exempt from federal income tax under Section 501(a) of the Internal Revenue Code. Washington Global is, however, subject to tax on business income unrelated to their exempt purpose.

Washington Global believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

Washington Global's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. Washington Global's Form 990 returns for the years ended 2016 and 2015 are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE D – PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30:

	2017	2016
Leasehold improvements	\$ 3,200,079	\$ 1,796,277
Computers and office equipment	53,421	49,206
Furniture and fixtures	28,282	28,282
	3,281,782	1,873,765
Less: depreciation and amortization	219,721	77,842
	3,062,061	1,795,923
Construction in progress	445,266	329,446
Property and Equipment, Net	\$ 3,507,327	\$ 2,125,369

Construction in progress includes on-going renovation, construction, and building improvement projects at Washington Global as of June 30, 2017. As of June 30, 2017, construction in progress includes costs to renovate the windows of the entire building, as well as the 2<sup>nd</sup> floor for Washington Global’s use. Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$141,878 and \$76,568, respectively.

**NOTE E – LEASE COMMITMENTS**

In April 2015, Washington Global entered into a lease agreement with 525 School Street Associates, LLC, to lease the property at 525 School Street, SW for a period of 25 years beginning on April 21, 2015. The annual base rent was \$206,250 for the first year and will be increased to the following; \$250,000 for year two, \$275,000 for year three and \$285,000 each lease year until the end of the initial term. Per the agreement terms, the increase or decrease in the base rent is dependent on the occupied square footage, per pupil funding allowance and student enrollment. Due to these adjustments, Washington Global records rent expense on a yearly basis, and the future minimum lease payments cannot be determined.

Rent expense for the years ended June 30, 2017 and 2016 totaled \$302,245 and \$325,270, respectively.

In June 2016, Washington Global entered into a sublease agreement with Cesar Chavez Public Charter Schools for Public Policy (“Cesar Chavez”), to sublease a portion of the property at 525 School Street, SW for a period of five years beginning on June 1, 2016. Rental income under this sublease is recognized on a straight-line basis.

In June 2016, Washington Global entered into a sublease agreement with Everybody Wins! D.C. Inc., (“Everybody Wins”), to sublease a portion of the property at 525 School Street, SW beginning on November 17, 2016 and expiring on July 1, 2021. Rental income under this sublease is recognized on a straight-line basis.

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE E – LEASE COMMITMENTS – continued**

Future minimum payments due under these subleases are as follows for years ending June 30:

2018	\$	62,446
2019		64,716
2020		64,716
2021		64,716
Total	<u>\$</u>	<u>256,594</u>

**NOTE F – LONG-TERM DEBT**

Line of Credit

During 2014, Building Hope, a nonprofit organization, made available to Washington Global a line of credit for a principal amount of \$100,000. There were no interest or fees payable, and no collateral security or guarantees were required. As of June 30, 2017 and 2016, Washington Global had an outstanding principal balance of \$0 and \$85,000, respectively, on the line of credit.

Other Financing

On November 17, 2015, Washington Global secured a loan from United Bank (Phase I) in the amount of \$2,000,000 to fund costs of planned leasehold improvements to the school property. The loan is structured for the first six months to be a construction loan, with funds advanced as construction is completed. Interest is accrued and payable monthly on the funds advanced. After six months, the loan balance is repayable in 120 monthly payments based upon a 20 year mortgage amortization. The full balance is due and payable in 126 months from the settlement date.

During the first six months, the interest rate floats monthly, at 4.00% over the prevailing 30 day LIBOR. After the first six months, the interest rate was fixed for the next five years at the then prevailing equivalent of the mid-range five year swap rate for 30 day LIBOR plus 3.50%. After sixty-six months, the interest rate will be subject to a final adjustment to the then prevailing equivalent of the mid-range swap rate plus 3.50% and fixed until loan maturity. As of June 30, 2017 and 2016, interest accrued at a rate of 4.71% and 4.44% per annum, respectively.

The loan is collateralized by the following:

United Bank will have a first leasehold deed on the trust of the property. The lease on the property between 525 School Street Associate, LLP and Washington Global will be subordinated to the United Bank loan, with a subordination agreement acceptable to United Bank.

Washington Global pledges and assigns its DC charter school facility allowance, receivables and proceeds of the property to United Bank. In accordance with the terms of the loan, facility allowance payments are deposited in a payment escrow account held at United Bank for loan and lease payments.

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE F – LONG-TERM DEBT** – continued

Washington Global will provide adequate insurance coverage on the property for physical damage and general liability, naming United Bank as the mortgagee and additional insured.

Washington Global will assign contracts with the general contractor and architect for the project, along with assignment of all related plans, specifications, and permits related to the project.

The DC Office of the State Superintendent of Education (“OSSE”) will provide a five year enhancement of \$500,000 to be deposited into an account with United Bank; pledged as additional collateral.

Charter School Incubator Initiative (“CSII”) provides an operating subsidy of \$200,000 in the first year of Washington Global’s operations, and \$340,000 for the second year of Washington Global’s operations. The funds are to be deposited into a deposit account at United Bank, under United Bank management, and disbursed to cover operating deficits in the first two years of Washington Global’s operations, based upon monthly financial statements to be provided by Washington Global. As of June 30, 2017 and 2016, \$0 and \$100,000, respectively had been drawn and is payable by Washington Global. The outstanding balance drawn is required to be repaid based on Washington Global’s net cash flow, as defined in the terms of the inter-creditor agreement.

An acceptable inter-creditor agreement executed between United Bank, OSSE and CSII at closing, to cover funding for Washington Global from all three parties.

On September 27, 2016, Washington Global secured an additional loan from United Bank (Phase II) in the amount of \$1,400,000 to finance the second phase of renovations of 525 School Street, SW. For the first six months of the loan, interest accrued at a variable rate, adjusted monthly, equivalent to the 30 day LIBOR rate plus 4.00% per annum, with a floor of at least 4.00% per annum. After six months, loan balance is repayable in monthly payments based upon a 20 year mortgage amortization. The interest rate is a fixed interest rate, equivalent to the then-prevailing mid-range five year swap rate, as determined by United Bank as of the adjustment date, plus 3.50% per annum. As of June 30, 2017, interest accrued at a rate of 5.57% per annum. The loan is scheduled to mature on May 17, 2026.

On September 27, 2016, Washington Global secured a loan with Building Hope in the amount of \$500,000 to finance renovations of 525 School Street, SW (“Building Hope Loan”). The loan is scheduled to mature on September 27, 2021. Interest accrues at a rate of 6.0% per annum. Interest is payable in equal monthly installments for the first six months of the loan term. Thereafter, principal and interest are payable based on a 20-year amortization schedule, with a balloon payment of \$399,942 due at maturity. The Building Hope Loan is subordinate to the United Bank Phase II loan and is guaranteed by a credit enhancement of \$100,000 from America’s Charter School Finance Corporation. The Building Hope Loan is secured by a second priority lien on its leasehold deed of trust of the property, second priority assignment of all leases and rents, second priority lien on per pupil appropriations and facility allowances, and assignment of construction and architectural contracts and plans related to the project.

The loan agreements contain certain restrictive financial and non financial covenants. In the opinion of management, Washington Global has complied with the required covenants.

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE F – LONG-TERM DEBT** – continued

The following summarizes debt as of June 30:

	<u>2017</u>	<u>2016</u>
United Bank loan (Phase I)	\$ 1,953,291	\$ 2,000,000
United Bank loan (Phase II)	1,028,141	-
Building Hope loan	497,830	-
Building Hope line of credit	-	85,000
Charter School Incubator Initiative operating subsidy	-	100,000
	<u>3,479,262</u>	<u>2,185,000</u>
Less: current portion	(106,007)	(243,108)
Less: debt issuance costs, net of accumulated amortization	<u>(247,929)</u>	<u>(152,828)</u>
<b>Total Long-Term Debt, Net of Current Portion</b>	<b><u>\$ 3,125,326</u></b>	<b><u>\$ 1,789,064</u></b>

In prior years, Washington Global reported debt issuance costs as a deferred charge in the statement of financial position and amortization of such costs in the statement of activities as depreciation and amortization. To comply with new GAAP presentation requirements, in 2017 Washington Global began reporting such costs as a direct deduction from the carrying amount of the related debt and reclassified prior year amounts, resulting in a reduction of total June 30, 2016 assets by \$152,828. The change did not affect net assets.

Similarly, Washington Global now reports amortization of debt issuance costs as interest expense and reclassified 2016 amounts accordingly. As a result, reported interest expense in 2016 was increased (and depreciation and amortization decreased) by \$9,673, with no effect on the change in net assets. The amortization of debt issuance costs as interest expense for the year ended June 30, 2017 was \$24,936.

Debt issuance costs and accumulated amortization are as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Debt issuance costs	\$ 282,538	\$ 162,501
Less: accumulated amortization	<u>(34,609)</u>	<u>(9,673)</u>
<b>Debt Issuance Costs, Net</b>	<b><u>\$ 247,929</u></b>	<b><u>\$ 152,828</u></b>

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE F – LONG-TERM DEBT** – continued

Future minimum payments of the debt are as follows for the years ending June 30:

2018	\$ 106,007
2019	111,622
2020	117,154
2021	123,751
2022	130,316
Thereafter	2,890,412
Total	<u>\$ 3,479,262</u>

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2016 are restricted for Washington Global’s Community Garden.

**NOTE H – DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT**

Washington Global has been approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The contract provides for a 15 year charter unless sooner terminated in accordance with the contract, beginning July 1, 2015, the date of the contract.

**NOTE I – RETIREMENT PLAN**

Washington Global established a 401(k) retirement plan (the “Plan”) for eligible employees. Prior to the Plan, Washington Global offered a Simple IRA Plan to eligible employees after one year of service. The Plan allows the participants to make voluntary contributions up to the maximum amount allowable by the Internal Revenue Code. Washington Global matches the employee’s contribution up to 4% of the employee’s salary, subject to a vesting schedule. Total expenses related to the Plan for the years ended June 30, 2017 and 2016 totaled \$18,519 and \$11,185, respectively.

**NOTE J – CONCENTRATIONS**

Washington Global is dependent on per-pupil funding from the District of Columbia Public School System, as authorized by the District of Columbia Public Charter School Board. During the years ended June 30, 2017 and 2016, 90% and 73%, respectively, of total support was provided by per-pupil funding.

Washington Global maintains its cash in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. Washington Global’s cash routinely exceeds the FDIC limit. Management does not believe Washington Global is exposed to any significant credit risk on its cash and cash equivalents.

**WASHINGTON GLOBAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE K – SUBSEQUENT EVENTS**

In preparing these financial statements, Washington Global’s management has evaluated events and transactions for potential recognition or disclosure through November 29, 2017, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.



**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***

Board of Trustees  
Washington Global Public Charter School  
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Washington Global Public Charter School (a nonprofit organization) ("Washington Global"), 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 29, 2017.

**Internal Control over Financial Reporting**

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

*Jane Maruca & M<sup>o</sup>Quade PA*

Washington, DC  
November 29, 2017