

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.

WASHINGTON, DC

COMPARATIVE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

KENDALL, PREBOLA AND JONES

Certified Public Accountants

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Latin American Youth Center
YouthBuild Public Charter School, Inc.
3014 14th Street, NW
Washington, DC 20009

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Latin American Youth Center YouthBuild Public Charter School, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

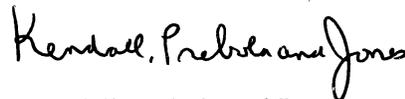
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Latin American Youth Center YouthBuild Public Charter School, Inc., as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2016, on our consideration of the Latin American Youth Center YouthBuild Public Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Latin American Youth Center YouthBuild Public Charter School, Inc.'s internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
October 6, 2016

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 270,530	\$ 129,956
Investments	-	460,922
Accounts Receivable	21,107	39,062
Grants Receivable	79,778	40,968
Prepaid Expenses	<u>20,330</u>	<u>48,772</u>
Total Current Assets	<u>\$ 391,745</u>	<u>\$ 719,680</u>
<u>Fixed Assets:</u>		
Fixed Assets	\$ 329,991	\$ 316,206
Less: Accumulated Depreciation	<u>(246,436)</u>	<u>(228,517)</u>
Total Fixed Assets	<u>\$ 83,555</u>	<u>\$ 87,689</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 8,000</u>	<u>\$ -</u>
Total Other Assets	<u>\$ 8,000</u>	<u>\$ -</u>
TOTAL ASSETS	<u>\$ 483,300</u>	<u>\$ 807,369</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 16,135	\$ 109,868
Accrued Vacation	27,781	57,847
Payroll Withholdings and Related Liabilities	3,582	2,638
Refundable Advances	<u>33,025</u>	<u>2,572</u>
Total Current Liabilities	<u>\$ 80,523</u>	<u>\$ 172,925</u>
Total Liabilities	<u>\$ 80,523</u>	<u>\$ 172,925</u>
<u>Net Assets:</u>		
Unrestricted	\$ 388,636	\$ 619,803
Temporarily Restricted	<u>14,141</u>	<u>14,641</u>
Total Net Assets	<u>\$ 402,777</u>	<u>\$ 634,444</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 483,300</u>	<u>\$ 807,369</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016			June 30, 2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 1,974,026	\$ -	\$ 1,974,026	\$ 1,748,095	\$ -	\$ 1,748,095
Per Pupil Funding - Facilities Allowance	359,260	-	359,260	344,064	-	344,064
Federal Entitlements and Grants	571,387	-	571,387	604,534	-	604,534
State Government Grants	17,621	-	17,621	5,704	-	5,704
Private Grants and Contributions	27,269	40,000	67,269	39,043	10,000	49,043
Donated Services	-	-	-	9,710	-	9,710
Interest and Dividends	4,347	-	4,347	17,609	-	17,609
Capital Gains and Realized Gains	20,181	-	20,181	3,621	-	3,621
Unrealized Gain/(Loss) on Investments	(18,597)	-	(18,597)	(12,760)	-	(12,760)
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>40,500</u>	<u>(40,500)</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 2,995,994</u>	<u>\$ (500)</u>	<u>\$ 2,995,494</u>	<u>\$ 2,769,620</u>	<u>\$ -</u>	<u>\$ 2,769,620</u>
<u>Expenses:</u>						
Educational Services	\$ 2,818,057	\$ -	\$ 2,818,057	\$ 2,485,088	\$ -	\$ 2,485,088
Fundraising	17,887	-	17,887	26,408	-	26,408
General and Administrative	<u>391,217</u>	<u>-</u>	<u>391,217</u>	<u>378,428</u>	<u>-</u>	<u>378,428</u>
Total Expenses	<u>\$ 3,227,161</u>	<u>\$ -</u>	<u>\$ 3,227,161</u>	<u>\$ 2,889,924</u>	<u>\$ -</u>	<u>\$ 2,889,924</u>
Changes in Net Assets	\$ (231,167)	\$ (500)	\$ (231,667)	\$ (120,304)	\$ -	\$ (120,304)
Net Assets, Beginning of Year	<u>619,803</u>	<u>14,641</u>	<u>634,444</u>	<u>740,107</u>	<u>14,641</u>	<u>754,748</u>
Net Assets, End of Year	<u>\$ 388,636</u>	<u>\$ 14,141</u>	<u>\$ 402,777</u>	<u>\$ 619,803</u>	<u>\$ 14,641</u>	<u>\$ 634,444</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ (231,667)	\$ (120,304)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	17,919	19,035
Realized (Gain)/Loss on Investments	(20,181)	2,149
Unrealized (Gain)/Loss on Investments	18,597	12,760
Accounts Receivable - (Increase)/Decrease	17,955	(31,330)
Grants Receivable - (Increase)/Decrease	(38,810)	15,901
Prepaid Expenses - (Increase)/Decrease	28,442	(24,857)
Deposits - (Increase)/Decrease	(8,000)	-
Accounts Payable - Increase/(Decrease)	(93,733)	89,019
Accrued Vacation - Increase/(Decrease)	(30,066)	(13,406)
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	944	716
Refundable Advances - Increase/(Decrease)	<u>30,453</u>	<u>2,572</u>
Net Cash Flows from Operating Activities	<u>\$ (308,147)</u>	<u>\$ (47,745)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Investments	\$ (31,779)	\$ (150,496)
Proceeds on Sale of Investments	494,285	84,051
Purchase of Fixed Assets	<u>(13,785)</u>	<u>(8,969)</u>
Net Cash Flows from Investing Activities	<u>\$ 448,721</u>	<u>\$ (75,414)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 140,574	\$ (123,159)
Cash and Cash Equivalents at Beginning of Year	<u>129,956</u>	<u>253,115</u>
Cash and Cash Equivalents at End of Year	<u>\$ 270,530</u>	<u>\$ 129,956</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2016 and 2015.
- b) No interest was paid during the years ended June 30, 2016 and 2015.

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

The Latin American Youth Center YouthBuild Public Charter School (YouthBuild PCS), a District of Columbia non-profit organization, was incorporated on October 7, 2004 exclusively for educational purposes. YouthBuild PCS operates as part of the District of Columbia's public school system, focusing exclusively on disconnected youth - young men and women between the ages of 16-24 who are neither employed nor enrolled in an academic institution. Through its programs, YouthBuild PCS seeks to transform the lives of disconnected youth by offering a program, in English and Spanish, that combines rigorous academic instruction with vocational training, life and employability skills-building, and community service.

One of few alternative schools in the District, YouthBuild PCS' program is designed to provide students with opportunities to succeed, including access to post-secondary education and employment. Students participate in a comprehensive academic program in a non-traditional learning environment while contributing to their community through development of housing for low-income residents of the District of Columbia. Small by design, YouthBuild PCS' nurturing learning community utilizes innovative, evidence-based strategies with demonstrated effectiveness in increasing numeracy and literacy rates among its target demographic.

Per pupil funding from the District of Columbia Government serves as YouthBuild PCS' primary source of support.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Basis of Accounting and Presentation:

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

(b) Revenue Recognition:

Contributions

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

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

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

Federal and Charter School Funding

The Latin American Youth Center YouthBuild Public Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding and a facilities allotment, as well as funding for English as a second language. The YouthBuild Public Charter School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance.

Federal entitlements are recognized based on the allowable costs incurred.

(c) Corporate Taxes:

The Latin American Youth Center YouthBuild Public Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective November 19, 2004. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The organization has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The school did not have any net unrelated business income for the year ended June 30, 2016.

The Latin American Youth Center YouthBuild Public Charter School is also exempt from District of Columbia sales and personal property taxes.

(d) Grants:

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

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Grants: (Continued)

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

(e) Net Assets:

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

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets were available at year end for the following purpose:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
General Operations - Time Restricted	\$ 10,000	\$ 10,000
Scholarship Fund - Hines	<u>4,141</u>	<u>4,641</u>
Total	<u>\$ 14,141</u>	<u>\$ 14,641</u>

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, the passage of time, or by occurrence of events specified by donors for the following activities:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Share Fund	\$ 30,000	\$ -
General Operations - Time Restricted	10,000	10,000
Scholarship Fund - Hines	<u>500</u>	<u>-</u>
Total Released	<u>\$ 40,500</u>	<u>\$ 10,000</u>

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2016 or 2015.

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. In-kind contributions for professional services are recorded in the Statement of Activities at estimated fair value and recognized as revenue and expense in the period they are received.

The estimated value of donated services has been recorded in the financial statements as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Legal Services	\$ -	\$ 9,710
Total	<u>\$ -</u>	<u>\$ 9,710</u>

The time contributed by the members of the Latin American Youth Center YouthBuild Public Charter School's Board of Directors is uncompensated and is not reflected as donated services.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs:

YouthBuild PCS is an alternative high school for young people seeking to transform their lives by re-engaging in their education in a non-traditional school environment. YouthBuild PCS prepares students for post-secondary education and the workplace by offering, in English and Spanish, academic, vocational and workforce development programs.

YouthBuild PCS is comprised of four core program areas: academic instruction, workforce development, transition services, and support services. Collectively, these core programs allow YouthBuild PCS to provide comprehensive instruction, interventions, services, and support to students and successfully prepare them for the workforce and/or postsecondary education.

Our academic instruction program equips students with the knowledge and skills needed to obtain a high school equivalency credential. Students are instructed in five major content areas, which includes reading, writing, math, science, and social studies.

The Workforce Training Program is comprised of vocational education classes and on-site training. Together, the two components provide our students with the opportunity to develop employability skills and earn industry-recognized certifications.

The Transition Services Program works to ensure that students are successfully prepared to enter a career that will provide a living wage. Career development opportunities are offered including job fairs, job shadowing, internships and college tours. The Transition Services Program expense is included as part of the Workforce Training Program in the schedule of functional expenses.

Our Support Services Program has a singular focus to assist students with overcoming challenges, barriers and obstacles that impede their ability to be successful in school and, ultimately, in life. Specific services provided include substance abuse counseling, individual/group counseling, assistance with obtaining housing, daycare, and medical insurance.

Respect, Community, Responsibility, Dignity

YouthBuild PCS helps young people with challenging life circumstances to develop respect for themselves and others, find a sense of belonging and responsibility, and lead productive lives with dignity. The experience at YouthBuild PCS reflects real life and promotes a sense of personal responsibility through a consistently enforced code of conduct that fosters individual accountability and positive group norms. YouthBuild PCS students also receive a stipend to help meet family commitments, defray transportation costs, and to incentivize completion of the program.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

A Win-Win Solution

Statistics show that students who drop out of high school are more likely to live in poverty and suffer from unemployment, poor health, substance abuse, and violence. Such students need and deserve a second chance to establish stable, productive adult lives. While YouthBuild PCS encourages students to pursue higher educational goals, we recognize that some may choose to enter the workforce upon graduation. YouthBuild PCS ensures that our students have the skills and credentials to do so.

Locally Grounded Part of a Nation-Wide Movement

The YouthBuild model has proven to be an effective change agent in the lives of disconnected youth. YouthBuild PCS is part of a 260+-member national network using an effective, tested model developed in 1978. Through YouthBuild, more than 130,000 youth nationwide have transformed their lives through education, rebuilt their communities, and created more than 28,000 units of affordable housing since 1994.

In addition to the strong national model, YouthBuild PCS leverages additional support from local nonprofit organizations, such as the Latin American Youth Center, that have extensive experience in providing services to underserved communities.

(h) Functional Expense Allocation Policies and Procedures:

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

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

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

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

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for personnel expenses is utilized for cost allocation purposes.

(i) Use of Estimates:

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

(j) Recognition of Salary Expense:

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

(k) Fair Value of Certain Financial Instruments:

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

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Latin American Youth Center YouthBuild Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2016, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2016, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the organization files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2016, the Charter School had no accruals for interest and/or penalties.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

3. CASH AND CASH EQUIVALENTS:

Cash at June 30, 2016 and 2015, totaled \$270,530 and \$129,956, respectively, and consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Interest Bearing Checking Account	\$ 270,530	\$ -
Money Market Checking Account	-	25,337
Non-Interest Bearing Checking Account	-	3,095
Money Market Mutual	<u>-</u>	<u>101,524</u>
Total	<u>\$ 270,530</u>	<u>\$ 129,956</u>

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

As of June 30, 2015, \$101,524 was held in money market funds that are not federally insured. Management has minimized their risk related to these money funds by investing in high quality short term securities. The money market fund seeks to maintain a share price of \$1.00. These money market funds are managed by Keeney Financial Group of LPL Financial.

The Latin American Youth Center YouthBuild Public Charter School maintains its operating funds in one financial institution. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per account category. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total insured up to \$250,000.

As of June 30, 2016 and 2015, \$53,210 and \$-0-, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Latin American Youth Center YouthBuild Public Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to this account and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

4. INVESTMENTS:

The Latin American Youth Center YouthBuild Public Charter School invested in equity and debt securities during the year, which are subject to market fluctuations. Investments in debt and equity securities have been measured at fair value and are recorded as such in the statement of financial position. The fair values for marketable debt and equity securities are based on quoted market prices. Unrealized gains and losses are included in the change in net assets. Investments are managed by Keeney Financial Group of LPL Financial.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS: (Continued)

Fixed Income:

This category includes domestic and international fixed income securities that primarily focus in debt or debt-like securities, including debt obligations issued or guaranteed by United States or foreign governments. The investment manager will generally acquire positions in debt securities and currencies that are rated investment grade (i.e., rated at least BBB-) by Standard and Poor's Credit Market Services, a division of the McGraw-Hill Companies, Inc., or Baa3 by Moody's Investors Services, Inc., or if unrated, an equivalent rating determined by the investment manager in his sole discretion. The investment manager seeks to retain a reasonable diversification of investments across countries and, consequently, will normally incur some exposure to foreign currencies. As of the end of the periods, all investments in this category may be redeemed with no restrictions.

Equity:

This category includes investments in funds that focus on domestic and international equities. The underlying assets are liquid and the funds' managers provide details of those assets. As of the end of the periods, all of the investments in the category can be redeemed with no restrictions.

A comparison of the carrying value of these financial instruments at year end were as follows:

<u>June 30, 2015</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Equity Securities	\$ 304,930	\$ 19,050	\$ (5,106)	\$ 318,874
Debt Securities	<u>137,395</u>	<u>4,653</u>	<u>-</u>	<u>142,048</u>
Total - Investments	<u>\$ 442,325</u>	<u>\$ 23,703</u>	<u>\$ (5,106)</u>	<u>\$ 460,922</u>

Unrealized gains and losses on investments are based on the difference between book value and fair value. Net unrealized gains/(losses) at June 30, 2016 and 2015, were \$-0- and \$18,597, respectively.

The composition of investment return at June 30, 2016 and 2015, all of which was recorded as unrestricted support, consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Interest	\$ 872	\$ 693
Dividends	3,475	16,916
Capital Gain Distributions	-	5,770
Realized Gains/(Loss)	20,181	(2,149)
Unrealized Gain/(Loss) on Investments	<u>(18,597)</u>	<u>(12,760)</u>
Total	<u>\$ 5,931</u>	<u>\$ 8,470</u>

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board ASC No. 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820-10 are described below:

Level 1 - Valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable (supported by little or no market activity) and not corroborated by market data. Unobservable inputs reflect the organization's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

Mutual Funds: Valued at the net asset value ("NAV") of shares held by the organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS: (Continued)

The following table sets forth by level, within the fair value hierarchy, the organization's assets at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities	\$ 318,874	\$ -	\$ -	\$ 318,874
Debt Securities	<u>142,048</u>	<u>-</u>	<u>-</u>	<u>142,048</u>
Total Assets at Fair Value	<u>\$ 460,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,922</u>

6. ACCOUNTS AND GRANTS RECEIVABLE:

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Accounts Receivable</u>		
Per Pupil Funding - OSSE	\$ 15,424	\$ 36,518
Reimbursable Expenses	3,366	2,344
Employee	<u>2,317</u>	<u>200</u>
Total	<u>\$ 21,107</u>	<u>\$ 39,062</u>
<u>Grants Receivable</u>		
AmeriCorps	\$ 50,803	\$ 11,244
District of Columbia - Vocational Education	28,975	-
U.S. Department of Labor - YouthBuild Program	-	24,020
D.C. Grant (OSSE) - Schools Technology Fund	<u>-</u>	<u>5,704</u>
Total	<u>\$ 79,778</u>	<u>\$ 40,968</u>

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

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required based on its evaluation of collectability of receivables for the years ended June 30, 2016 and 2015.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS AND GRANTS RECEIVABLE: (Continued)

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

7. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$500 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2016 and 2015 was \$17,919 and \$19,035, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2016

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	14 Years	\$ 130,757	\$ 66,325	\$ 64,432
Computer Equipment	3 Years	74,838	60,871	13,967
Office Equipment	5 Years	<u>124,396</u>	<u>119,240</u>	<u>5,156</u>
Total		<u>\$ 329,991</u>	<u>\$ 246,436</u>	<u>\$ 83,555</u>

June 30, 2015

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	14 Years	\$ 130,757	\$ 56,941	\$ 73,816
Computer Equipment	3 Years	61,052	54,458	6,594
Office Equipment	5 Years	<u>124,397</u>	<u>117,118</u>	<u>7,279</u>
Total		<u>\$ 316,206</u>	<u>\$ 228,517</u>	<u>\$ 87,689</u>

8. REFUNDABLE ADVANCES:

The Latin American Youth Center YouthBuild Public Charter School records cash receipts on grants in excess of costs incurred on grants as refundable advances until they are expended for the purposes of the grant, at which time they are recognized as unrestricted support. The balance of refundable advances as of June 30, 2016 and 2015 was \$33,025 and \$2,572, respectively.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

9. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the School’s fiscal management and academic acceptability. The contract dated May 24, 2005, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about January 1, 2020. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Latin American Youth Center YouthBuild Public Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review YouthBuild’s charter every five years, with the first such review having occurred in the spring of 2015. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the year ended June 30, 2016, the Charter School incurred \$28,688 in administrative fees.

The charter contract provides that YouthBuild may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2016, was not permitted to be greater than 115 students. Audit enrollment for the 2015/2016 year averaged between 62 and 115 students and enrollment for the 2014/2015 year averaged between 53 and 112 students.

10. PER-PUPIL FUNDING ALLOCATION:

The School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2016, the per-student rate was \$13,668 for the educational allotment and \$3,124 for the facility allotment. For the year ended June 30, 2015, the per-student rate was \$13,668 for the educational allotment and \$3,072 for the facility allotment. Additional allotments were made for Special Education Services and English as a Second Language. Per-pupil funding for the years ended June 30, 2016 and 2015 were as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Grade Level - Alternative	\$ 1,571,875	\$ 1,530,870
Special Education	299,827	184,667
English as a Second Language	102,324	32,558
Facilities Allowance	<u>359,260</u>	<u>344,064</u>
Total	<u>\$ 2,333,286</u>	<u>\$ 2,092,159</u>

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

11. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2016 and 2015, the Latin American Youth Center YouthBuild Public Charter School participated in the following federal award programs:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Department of Labor - YouthBuild Program	\$ 455,161	\$ 493,539
District of Columbia - Vocational Education	55,283	50,565
AmeriCorps	<u>60,943</u>	<u>60,430</u>
Total	<u>\$ 571,387</u>	<u>\$ 604,534</u>

YouthBuild is a youth and community development program that simultaneously addresses several core issues facing low-income communities: housing, education, employment, crime prevention, and leadership development.

The YouthBuild model balances in-school learning, geared toward a high school diploma or passing the General Education Development (GED) test, and construction skills training, geared toward a career placement for the youth. The in-school component is an alternative education program that assists youth who are often significantly behind in basic skills to obtain a high school diploma or GED credential. The primary target populations for YouthBuild are high school dropouts that may also be adjudicated youth, youth aging out of foster care, and other at-risk youth populations. The YouthBuild model enables these youth to access the education they need to move on to post-secondary and high-growth, high demand jobs which will enable them to prosper in the 21st century economy. The funding for this grant is authorized by Subtitle D of Title I of the Workforce Investment Act (WIA).

12. COMMITMENTS:

Building Lease:

The Latin American Youth Center YouthBuild Public Charter School originally entered into a sublease agreement with the Latin American Youth Center effective for a one year period commencing on July 1, 2006, and ending on June 30, 2007, for the rental of a building located at 3014 14th Street, NW, Washington DC. This lease was renewed on July 1, 2007 for an additional two year period through June 30, 2009.

During July 2008, the Latin American Youth Center YouthBuild Public Charter School executed an amendment to the current lease agreement which was to expire on June 30, 2009 by extending the lease term until June 30, 2023. The lease amendment increased the rented square footage from 6,962 square feet to 12,006 square feet and increased the monthly rental payment to \$22,000 per month with yearly increases of 3%. As of June 30, 2016, this lease called for monthly lease payments of \$26,269. The terms of the new lease commenced on May 15, 2009. On April 8, 2016, the Latin American Youth Center provided a rent reduction of \$3,000 per month for the period of July 1, 2016, through June 30, 2017. On July 1, 2017, base monthly rent will increase to the original amounts per the terms of the lease amendment signed during July 2008.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

12. COMMITMENTS: (Continued)

Building Lease: (Continued)

The School is obligated to pay a proportion of the annual increase in operating cost of the leased property in the event the landlord bills for such costs. Rental expense for the years ended June 30, 2016 and 2015 was \$315,230 and \$306,814, respectively. Future minimum rental lease payment requirements for the next five years are as follows:

<u>Year Ended June 30,</u>	
2017	\$ 243,230
2018	335,263
2019	345,321
2020	355,681
2021	<u>366,351</u>
Total	\$ <u>1,645,846</u>

Copier Leases:

The Latin American Youth Center YouthBuild Public Charter School entered into an operating lease with Wells Fargo Financial Leasing, Inc., on October 12, 2012, for the rental of a Copystar 4550CI photocopier. This lease called for thirty-sixty (36) monthly payments of \$364 commencing on October 27, 2012. Rental expense for the years ending June 30, 2016 and 2015 was \$728 and \$4,368, respectively.

The Latin American Youth Center YouthBuild Public Charter School entered into an operating lease with Wells Fargo Financial Leasing, Inc., on September 8, 2015, for the rental of a Copystar 4551CI photocopier. This lease calls for thirty-sixty (36) monthly payments of \$399 commencing on September 10, 2015. Rental expense for the year ending June 30, 2016, was \$4,378. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2017	\$ 4,788
2018	4,788
2019	<u>918</u>
Total	\$ <u>10,494</u>

13. RELATED PARTY TRANSACTIONS:

Latin American Youth Center:

The Latin American Youth Center YouthBuild Public Charter School was formed as a not-for-profit corporation on October 7, 2004, by the Latin American Youth Center, a separate 501(c)(3) organization. Prior to its formation, the YouthBuild Public Charter School operated as a separate program of the Latin American Youth Center.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

13. RELATED PARTY TRANSACTIONS: (Continued)

Latin American Youth Center: (Continued)

The Latin American Youth Center received a grant from the U.S. Department of Housing and Urban Development to assist in the operations of the YouthBuild Program. Various transactions occurred during the year between the two organizations including the following:

- a) Office space is subleased by the School from the Latin American Youth Center. As of June 30, 2016, monthly payments were required in the amount of \$26,269. Rent expense to the Latin American Youth Center for the years ended June 30, 2016 and 2015, was \$315,230 and \$306,814, respectively.
- b) During the year ended June 30, 2015, the charter school reimbursed the Latin American Youth Center an amount of \$1,200 for the rental of a parking space.

Contributions:

Various board members of the Latin American Youth Center YouthBuild Public Charter School, organizations for which they are affiliated, and relatives of board members gave contributions to the organization in the amount of \$2,000 and \$668 during the years ended June 30, 2016 and 2015, respectively.

The National Chapter of YouthBuild USA gave various grants to the Latin American Youth Center YouthBuild Public Charter School during the years ended June 30, 2016 and 2015.

Total grants were as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
National and Community Service - Passed Through AmeriCorps	\$ <u>60,943</u>	\$ <u>60,430</u>
Total	\$ <u><u>60,943</u></u>	\$ <u><u>60,430</u></u>

14. CONCENTRATIONS:

Revenues:

Based on the nature and purpose of the Latin American Youth Center YouthBuild Public Charter School, significant revenues are received through parties interested in helping out-of-school youth. The Latin American Youth Center YouthBuild Public Charter School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

14. CONCENTRATIONS: (Continued)

Revenues: (Continued)

During the years ended June 30, 2016 and 2015, seventy-eight percent (78%) and seventy-six percent (76%), respectively, of total support was received from the District of Columbia in the form of per pupil funding. In addition, fifteen percent (15%) and eighteen percent (18%), respectively, was received as a federal grant under the YouthBuild Program for the years ended June 30, 2016 and 2015.

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

15. CONTINGENCIES:

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

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the School. While the Charter School's board of directors and management believe the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

Laws and regulations governing charter schools are complex and subject to interpretation. For instance, the Charter School receives funding from various federal and state grant reimbursement programs, which are governed by various rules and regulations of the respective grantor agencies. To the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. The Latin American Youth Center YouthBuild Public Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies. The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

16. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 6, 2016, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

17. FUNDRAISING:

During the years ended June 30, 2016 and 2015, expenses incurred for the purpose of fundraising were \$17,887 and \$26,408, respectively.

18. ADVERTISING:

Advertising was conducted for the purpose of promoting open enrollment and student recruiting to the school and to provide outreach to the community. In addition, advertising costs were incurred for the purpose of teacher recruiting. Advertising costs and recruiting costs are expensed when incurred. Direct advertising expenses were \$14,127 and \$11,586 for the years ended June 30, 2016 and 2015, respectively.

19. RETIREMENT PLAN:

401(k) Plan:

The Latin American Youth Center YouthBuild Public Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan which is currently administered by John Hancock. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code.

Through the calendar year ended December 31, 2015, the School was required to make employer non-elective safe harbor contributions of 3% of annual employee compensation for employees with one or more years of employment. Authorized entry dates into the plan were the next calendar month following the date that the eligibility requirements are met.

Effective January 1, 2016, the School elected to discontinue the employer non-elective safe harbor contribution and adopt a discretionary matching allocation formula for all employees that meet one full month of service. Whether a match is to be made and the percentage limitation for such match is determined on an annual calendar year basis.

Participants are 100% vested in their contributions and the 3% employer safe harbor contribution. There is no unfunded past service liability. The School's contributions for the years ended June 30, 2016 and 2015 were \$28,361 and \$15,678, respectively.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

20. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Social Security/Medicare	\$ 95,684	\$ 101,678
Health Insurance	95,564	74,519
Life and Disability Insurance	4,844	7,310
Retirement	28,361	15,678
Unemployment	11,442	12,402
Workers Compensation	16,940	21,898
Tuition Reimbursement	-	4,335
De Minimus	<u>-</u>	<u>4,884</u>
 Total	 <u>\$ 252,835</u>	 <u>\$ 242,704</u>

Flexible Benefits Plan:

The Latin American Youth Center YouthBuild Public Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health and dental insurance premiums, and dependent care expenses.

Educational Assistance Program:

The Latin American Youth Center YouthBuild Public Charter School adopted a Section 127 Employee's Educational Assistance Program. Under this plan, payments up to an amount of \$5,250 paid on behalf of an employee for tuition, fees, books and supplies are considered to be a tax free benefit.

21. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Rent	\$ 315,230	\$ 306,814
Janitorial Services/Supplies	34,320	34,320
Depreciation - Leasehold	9,384	9,384
Maintenance and Repair	9,986	9,098
Utilities	10,793	9,848
Storage	1,531	1,124
Pest Control	<u>340</u>	<u>530</u>
 Total	 <u>\$ 381,584</u>	 <u>\$ 371,118</u>

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

22. CONSOLIDATION:

Management has applied the principles of FASB ASC 958-810, *Reporting of Related Entities by Not-for-Profit Organizations*, in assessing the need to consolidate the financial statements of the School with those of the Latin American Youth Center. Under FASB ASC 958-810, consolidation should occur if both an economic interest between the organizations and control by a majority of common board members exist. Based on the criteria stipulated in the pronouncement, management has determined that financial statement consolidation is not appropriate for the fiscal years ending June 30, 2016 and 2015. Therefore, the accompanying financial statements reflect only the activity and net assets of the School.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>				
Principal/Executive Salaries	\$ 197,181	\$ 125,094	\$ 64,775	\$ 7,312
Teachers' Salaries	383,853	383,853	-	-
Workforce Training	281,875	281,875	-	-
Support Services	237,330	237,330	-	-
Clerical Services	39,672	29,754	9,918	-
Business Operations Salaries	129,385	51,670	73,546	4,169
Employee Benefits	145,709	127,374	17,017	1,318
Payroll Taxes	107,126	93,646	12,511	969
Leased Employees and Temporary Help	1,798	-	1,798	-
Staff Development Costs	3,954	3,954	-	-
Other Staff Related Expenses	<u>3,502</u>	<u>3,061</u>	<u>409</u>	<u>32</u>
Total Personnel, Salaries and Benefits	<u>\$ 1,531,385</u>	<u>\$ 1,337,611</u>	<u>\$ 179,974</u>	<u>\$ 13,800</u>
<u>Direct Student Costs:</u>				
Student Supplies and Food	\$ 9,056	\$ 9,056	\$ -	\$ -
Textbooks and Subscriptions	9,922	9,922	-	-
Student Assessment Materials	10,748	10,748	-	-
Student Uniforms	22,981	22,981	-	-
Contracted Instructional/Student Services	65,421	65,421	-	-
Student Travel/Field Trips	8,378	8,378	-	-
Student Stipends	235,927	235,927	-	-
Student Recruiting	13,481	13,481	-	-
Other Student Costs	<u>10,704</u>	<u>10,704</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 386,618</u>	<u>\$ 386,618</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>				
Rent	\$ 315,230	\$ 275,564	\$ 36,816	\$ 2,850
Storage	1,531	1,338	178	15
Utilities	10,793	9,434	1,261	98
Depreciation - Leasehold Improvement	9,384	8,203	1,096	85
Maintenance and Repairs	10,326	9,027	1,206	93
Contracted Building Services	<u>34,320</u>	<u>30,003</u>	<u>4,008</u>	<u>309</u>
Total Occupancy Costs	<u>\$ 381,584</u>	<u>\$ 333,569</u>	<u>\$ 44,565</u>	<u>\$ 3,450</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>				
Office Supplies and Materials	\$ 8,080	\$ 7,063	\$ 944	\$ 73
Equipment Rental and Maintenance	11,474	10,030	1,340	104
Telecommunications	17,031	14,888	1,989	154
Printing and Copying	421	368	49	4
Postage and Shipping	1,053	919	123	11
Computer Support	21,233	18,561	2,480	192
Meeting Expenses	-	-	-	-
Membership and Subscriptions	2,321	2,029	271	21
Marketing and Promotion	<u>646</u>	<u>646</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 62,259</u>	<u>\$ 54,504</u>	<u>\$ 7,196</u>	<u>\$ 559</u>
<u>General Expenses:</u>				
Insurance	\$ 12,359	\$ 10,902	\$ 1,457	\$ -
Legal Fees	500	-	500	-
Accounting Services	78,004	-	78,004	-
Consulting	728,248	654,838	73,410	-
Authorizer Fee	28,688	25,307	3,381	-
Depreciation	8,535	7,461	996	78
Accreditation	7,247	7,247	-	-
Fees and Licenses	<u>1,734</u>	<u>-</u>	<u>1,734</u>	<u>-</u>
Total General Expenses	<u>\$ 865,315</u>	<u>\$ 705,755</u>	<u>\$ 159,482</u>	<u>\$ 78</u>
Total Functional Expenses	<u>\$ 3,227,161</u>	<u>\$ 2,818,057</u>	<u>\$ 391,217</u>	<u>\$ 17,887</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>				
Academic Instruction	\$ 286,009	\$ 286,009	\$ -	\$ -
Workforce Training	277,111	277,111	-	-
Transition Services	104,699	104,699	-	-
Support Services	234,898	234,898	-	-
Administration	468,474	274,843	176,269	17,362
Employee Benefits	128,625	110,461	16,535	1,629
Payroll Taxes	114,079	97,969	14,665	1,445
Leased Employees and Temporary Help	2,030	-	2,030	-
Staff Development Costs	38,560	38,560	-	-
Other Staff Related Expenses	<u>7,702</u>	<u>6,615</u>	<u>990</u>	<u>97</u>
Total Personnel, Salaries and Benefits	<u>\$ 1,662,187</u>	<u>\$ 1,431,165</u>	<u>\$ 210,489</u>	<u>\$ 20,533</u>
<u>Direct Student Costs:</u>				
Student Supplies and Food	\$ 5,360	\$ 5,360	\$ -	\$ -
Textbooks and Subscriptions	14,023	14,023	-	-
Student Assessment Materials	6,438	6,438	-	-
Student Uniforms	10,607	10,607	-	-
Contracted Instructional/Student Services	165,595	165,595	-	-
Student Travel/Field Trips	33,557	33,557	-	-
Student Stipends	283,519	283,519	-	-
Student Counseling	5,655	5,655	-	-
Student Recruiting	10,074	10,074	-	-
Other Student Costs	<u>13,478</u>	<u>13,478</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 548,306</u>	<u>\$ 548,306</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>				
Rent	\$ 306,814	\$ 263,488	\$ 39,442	\$ 3,884
Storage	1,124	965	144	15
Utilities	9,848	8,457	1,266	125
Depreciation - Leasehold Improvement	9,384	8,059	1,206	119
Maintenance and Repairs	9,628	8,268	1,238	122
Contracted Building Services	<u>34,320</u>	<u>29,474</u>	<u>4,412</u>	<u>434</u>
Total Occupancy Costs	<u>\$ 371,118</u>	<u>\$ 318,711</u>	<u>\$ 47,708</u>	<u>\$ 4,699</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>				
Office Supplies and Materials	\$ 10,127	\$ 8,697	\$ 1,302	\$ 128
Equipment Rental and Maintenance	5,554	4,770	714	70
Telecommunications	18,009	15,466	2,315	228
Printing and Copying	9,503	8,161	1,222	120
Postage and Shipping	1,654	1,420	213	21
Computer Support	20,655	17,738	2,655	262
Meeting Expenses	550	472	71	7
Membership and Subscriptions	4,655	3,998	598	59
Marketing and Promotion	<u>1,512</u>	<u>1,512</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 72,219</u>	<u>\$ 62,234</u>	<u>\$ 9,090</u>	<u>\$ 895</u>
<u>General Expenses:</u>				
Insurance	\$ 12,542	\$ 10,771	\$ 1,612	\$ 159
Legal Fees	9,710	-	9,710	-
Accounting Services	69,595	-	69,595	-
Consulting	105,613	105,613	-	-
Authorizer Fee	26,975	-	26,975	-
Depreciation	9,651	8,288	1,241	122
Fees and Licenses	<u>2,008</u>	<u>-</u>	<u>2,008</u>	<u>-</u>
Total General Expenses	<u>\$ 236,094</u>	<u>\$ 124,672</u>	<u>\$ 111,141</u>	<u>\$ 281</u>
Total Functional Expenses	<u>\$ 2,889,924</u>	<u>\$ 2,485,088</u>	<u>\$ 378,428</u>	<u>\$ 26,408</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 2,484,488	\$ 21,604
Occupancy Cost	381,584	3,318
General and Administrative	346,652	3,014
Fundraising	<u>14,437</u>	<u>-</u>
Total	<u>\$ 3,227,161</u>	<u>\$ 27,936</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 115 students.

June 30, 2015

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 2,166,377	\$ 19,343
Occupancy Cost	371,118	3,314
General and Administrative	330,720	2,953
Fundraising	<u>21,709</u>	<u>-</u>
Total	<u>\$ 2,889,924</u>	<u>\$ 25,610</u>

The above is the average per student cost for the year ended June 30, 2015, and is based on a full time equivalent (FTE) enrollment of 112 students.

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors
Latin American Youth Center
YouthBuild Public Charter School, Inc.
3014 14th Street, NW
Washington, DC 20009

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Latin American Youth Center YouthBuild Public Charter School, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Latin American Youth Center YouthBuild Public Charter School, Inc.,'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 Latin American Youth Center YouthBuild Public Charter School, Inc.,'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Latin American Youth Center YouthBuild Public Charter School, Inc.'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 the Latin American Youth Center YouthBuild Public Charter School, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
October 6, 2016

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

There were no findings reported in the prior year.

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Latin American Youth Center YouthBuild Public Charter School, Inc., were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the Latin American Youth Center YouthBuild Public Charter School, Inc., which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

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

There were no findings in the current year.