

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

KENDALL, PREBOLA AND JONES

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I N D E X

	<u>Page</u>
Independent Auditor's Report	1-2
Comparative Statements of Financial Position, June 30, 2017 and 2016	3
Comparative Statements of Activities, For the Years Ended June 30, 2017 and 2016	4
Comparative Statements of Cash Flows, For the Years Ended June 30, 2017 and 2016	5
Notes to Financial Statements	6-23
Supplemental Information	
Schedule 1 - Comparative Schedules of Functional Expenses, For the Years Ended June 30, 2017 and 2016	24-25
Schedule 2 - Comparative Schedules of Average Cost Per Student, For the Years Ended June 30, 2017 and 2016	26
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 <i>Government Auditing Standards</i>	27-28
Summary Schedule of Prior Audit Findings, For the Year Ended June 30, 2017	29
Schedule of Findings, For the Year Ended June 30, 2017	30

Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors
Latin American Youth Center
YouthBuild Public Charter School, Inc.
3220 16th Street, NW
Washington, DC 20010

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, 2017 and 2016, 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

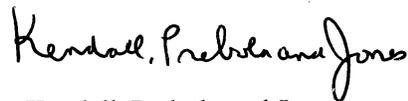
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Latin American Youth Center YouthBuild Public Charter School, Inc., as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 4, 2017, 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 solely 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 4, 2017

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 512,027	\$ 270,530
Accounts Receivable	1,759	21,107
Grants Receivable	127,677	79,778
Prepaid Expenses	<u>17,280</u>	<u>20,330</u>
Total Current Assets	<u>\$ 658,743</u>	<u>\$ 391,745</u>
<u>Fixed Assets:</u>		
Fixed Assets	\$ 338,756	\$ 329,991
Less: Accumulated Depreciation	<u>(320,191)</u>	<u>(246,436)</u>
Total Fixed Assets	<u>\$ 18,565</u>	<u>\$ 83,555</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 8,000</u>	<u>\$ 8,000</u>
Total Other Assets	<u>\$ 8,000</u>	<u>\$ 8,000</u>
TOTAL ASSETS	<u>\$ 685,308</u>	<u>\$ 483,300</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 21,709	\$ 16,135
Accrued Vacation	36,482	27,781
Payroll Withholdings and Related Liabilities	167	3,582
Refundable Advances	<u>5,338</u>	<u>33,025</u>
Total Current Liabilities	<u>\$ 63,696</u>	<u>\$ 80,523</u>
Total Liabilities	<u>\$ 63,696</u>	<u>\$ 80,523</u>
<u>Net Assets:</u>		
Unrestricted	\$ 608,471	\$ 388,636
Temporarily Restricted	<u>13,141</u>	<u>14,141</u>
Total Net Assets	<u>\$ 621,612</u>	<u>\$ 402,777</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 685,308</u>	<u>\$ 483,300</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, 2017 AND 2016

	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	<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	\$ 1,926,659	\$ -	\$ 1,926,659	\$ 1,974,026	\$ -	\$ 1,974,026
Per Pupil Funding - Facilities Allowance	359,260	-	359,260	359,260	-	359,260
Federal Entitlements and Grants	749,468	-	749,468	571,387	-	571,387
State Government Grants	-	-	-	17,621	-	17,621
Private Grants and Contributions	5,376	10,000	15,376	27,269	40,000	67,269
Donated Services	9,487	-	9,487	-	-	-
Interest and Dividends	1,128	-	1,128	4,347	-	4,347
Capital Gains and Realized Gains	-	-	-	20,181	-	20,181
Unrealized Gain/(Loss) on Investments	-	-	-	(18,597)	-	(18,597)
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>11,000</u>	<u>(11,000)</u>	<u>-</u>	<u>40,500</u>	<u>(40,500)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 3,062,378</u>	<u>\$ (1,000)</u>	<u>\$ 3,061,378</u>	<u>\$ 2,995,994</u>	<u>\$ (500)</u>	<u>\$ 2,995,494</u>
<u>Expenses:</u>						
Educational Services	\$ 2,530,468	\$ -	\$ 2,530,468	\$ 2,818,057	\$ -	\$ 2,818,057
Fundraising	6,266	-	6,266	17,887	-	17,887
General and Administrative	<u>251,542</u>	<u>-</u>	<u>251,542</u>	<u>391,217</u>	<u>-</u>	<u>391,217</u>
Total Expenses	<u>\$ 2,788,276</u>	<u>\$ -</u>	<u>\$ 2,788,276</u>	<u>\$ 3,227,161</u>	<u>\$ -</u>	<u>\$ 3,227,161</u>
Loss on Abandonment of Leasehold Improvements	<u>\$ 54,267</u>	<u>\$ -</u>	<u>\$ 54,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses and Losses	<u>\$ 2,842,543</u>	<u>\$ -</u>	<u>\$ 2,842,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Changes in Net Assets	\$ 219,835	\$ (1,000)	\$ 218,835	\$ (231,167)	\$ (500)	\$ (231,667)
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 608,471</u>	<u>\$ 13,141</u>	<u>\$ 621,612</u>	<u>\$ 388,636</u>	<u>\$ 14,141</u>	<u>\$ 402,777</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, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 218,835	\$ (231,667)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	19,488	17,919
Realized (Gain)/Loss on Investments	-	(20,181)
Unrealized (Gain)/Loss on Investments	-	18,597
Abandonment of Leasehold Improvements	54,267	-
Accounts Receivable - (Increase)/Decrease	19,348	17,955
Grants Receivable - (Increase)/Decrease	(47,899)	(38,810)
Prepaid Expenses - (Increase)/Decrease	3,050	28,442
Deposits - (Increase)/Decrease	-	(8,000)
Accounts Payable - Increase/(Decrease)	5,574	(93,733)
Accrued Vacation - Increase/(Decrease)	8,701	(30,066)
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	(3,415)	944
Refundable Advances - Increase/(Decrease)	<u>(27,687)</u>	<u>30,453</u>
Net Cash Flows from Operating Activities	<u>\$ 250,262</u>	<u>\$ (308,147)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Investments	\$ -	\$ (31,779)
Proceeds on Sale of Investments	-	494,285
Purchase of Fixed Assets	<u>(8,765)</u>	<u>(13,785)</u>
Net Cash Flows from Investing Activities	<u>\$ (8,765)</u>	<u>\$ 448,721</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 241,497	\$ 140,574
Cash and Cash Equivalents at Beginning of Year	<u>270,530</u>	<u>129,956</u>
Cash and Cash Equivalents at End of Year	<u>\$ 512,027</u>	<u>\$ 270,530</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2017 and 2016.
- b) No interest was paid during the years ended June 30, 2017 and 2016.

(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 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 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 Charter School 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 Charter School did not have any net unrelated business income for the years ended June 30, 2017 and 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, 2017</u>	<u>June 30, 2016</u>
General Operations - Time Restricted	\$ 10,000	\$ 10,000
Scholarship Fund - Hines	<u>3,141</u>	<u>4,141</u>
Total	<u>\$ 13,141</u>	<u>\$ 14,141</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, 2017</u>	<u>June 30, 2016</u>
General Operations - Time Restricted	\$ 10,000	\$ 10,000
Scholarship Fund - Hines	1,000	500
Share Fund	<u>-</u>	<u>30,000</u>
Total Released	<u>\$ 11,000</u>	<u>\$ 40,500</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, 2017 or 2016.

(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, 2017</u>	<u>June 30, 2016</u>
Legal Services	<u>\$ 9,487</u>	<u>\$ -</u>
Total	<u>\$ 9,487</u>	<u>\$ -</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.

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 costs 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 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 and grants 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, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2017, the statute of limitations for tax years 2013 through 2015 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, 2017, 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, 2017 and 2016, totaled \$512,027 and \$270,530, respectively, and consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Interest Bearing Checking Account	\$ <u>512,027</u>	\$ <u>270,530</u>
Total	\$ <u><u>512,027</u></u>	\$ <u><u>270,530</u></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.

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, 2017 and 2016, \$278,798 and \$53,210, 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 ended June 30, 2016. The composition of investment return at June 30, 2016, all of which was recorded as unrestricted support, consisted of the following:

	<u>June 30, 2016</u>
Interest	\$ 872
Dividends	3,475
Capital Gain Distributions	-
Realized Gains/(Loss)	20,181
Unrealized Gain/(Loss) on Investments	<u>(18,597)</u>
Total	<u><u>\$ 5,931</u></u>

The Charter School closed their investment account during the year ended June 30, 2016.

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

5. ACCOUNTS AND GRANTS RECEIVABLE:

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Accounts Receivable</u>		
Reimbursable Expenses	\$ 1,271	\$ 3,366
Flexible Spending	488	-
Per Pupil Funding - OSSE	-	15,424
Employee	-	2,317
	<u> </u>	<u> </u>
Total	<u>\$ 1,759</u>	<u>\$ 21,107</u>
 <u>Grants Receivable</u>		
AmeriCorps	\$ 86,671	\$ 50,803
U.S. Department of Labor - YouthBuild Program	23,340	-
SOAR - Increasing Academic Quality	17,666	-
District of Columbia - Vocational Education	-	28,975
	<u> </u>	<u> </u>
Total	<u>\$ 127,677</u>	<u>\$ 79,778</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, 2017 and 2016.

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.

6. 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 \$1,000 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.

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

6. FIXED ASSETS: (Continued)

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, 2017 and 2016 was \$19,488 and \$17,919, 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, 2017

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	14 Years	\$ 130,757	\$ 129,975	\$ 782
Computer Equipment	3 Years	78,853	69,142	9,711
Office Equipment	5 Years	124,396	120,876	3,520
Website	3 Years	<u>4,750</u>	<u>198</u>	<u>4,552</u>
Total		<u>\$ 338,756</u>	<u>\$ 320,191</u>	<u>\$ 18,565</u>

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>

Leasehold Improvement Abandonment

During the year ending June 30, 2017, the Charter School agreed to relocate from its school facility at 3014 14th Street, NW, Washington, DC, to a building located at 3220 16th Street, NW, Washington, DC. The Charter School moved into this new location on July 21, 2017. As a result of this move, the Charter School has recognized a loss on the abandonment of leasehold improvements in its financial statements for the year ended June 30, 2017 in the amount of \$54,267. At year end, the Charter School's financial statements reflected the cost of leasehold improvements of \$130,757 and accumulated depreciation of \$129,975. The remaining book value of \$782 represents one month of amortization for the month of July 2017.

7. 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, 2017 and 2016 was \$5,338 and \$33,025, respectively.

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

8. 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 Charter 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 years ended June 30, 2017 and 2016, the Charter School incurred \$30,354 and \$28,688, respectively, in administrative fees.

The charter contract provides that the YouthBuild Public Charter School 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 years ended June 30, 2017 and 2016 was not permitted to be greater than 115 students. Audit enrollment for the 2016/2017 year averaged between 77 and 115 students and enrollment for the 2015/2016 year averaged between 62 and 115 students.

9. PER-PUPIL FUNDING ALLOCATION:

The Charter 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, 2017, the per-student rate was \$13,942 for the educational allotment and \$3,124 for the facility allotment. 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. Additional allotments were made for Special Education Services and English as a Second Language. Per-pupil funding for the years ended June 30, 2017 and 2016 were as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Grade Level - Alternative	\$ 1,603,339	\$ 1,571,875
Special Education	233,180	299,827
English as a Second Language	90,140	102,324
Facilities Allowance	<u>359,260</u>	<u>359,260</u>
Total	<u>\$ 2,285,919</u>	<u>\$ 2,333,286</u>

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

10. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2017 and 2016, the Charter School participated in the following federal award programs:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Department of Labor - YouthBuild Program	\$ 604,971	\$ 455,161
SOAR - Increasing Academic Quality	91,220	-
AmeriCorps	51,691	60,943
District of Columbia - Vocational Education	<u>1,586</u>	<u>55,283</u>
Total	<u>\$ 749,468</u>	<u>\$ 571,387</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).

11. COMMITMENTS:

Building Lease - 3014 14th Street

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 effective July 1, 2008, with yearly increases of 3%. On April 8, 2016, the Latin American Youth Center provided a rent reduction of \$6,000 per month for the period of July 1, 2016, through June 30, 2017. As of June 30, 2017, the Charter School was paying a reduced monthly lease payment of \$20,269, however this lease payment was scheduled to escalate to a monthly payment of \$27,869 effective July 1, 2017.

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

11. COMMITMENTS: (Continued)

Building Lease - 3014 14th Street (Continued)

The Charter 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, 2017 and 2016 was \$243,230 and \$315,230, respectively. During the month of July 2017, the Charter School terminated this lease with the Latin American Youth Center.

Building Lease - 3220 16th Street

The Latin American Youth Center YouthBuild Public Charter School entered into a lease agreement with the Holy Spirit Association for the Unification of World Christianity for the rental of 11,000 square feet of a building located at 3220 16th Street, NW, Washington, DC. This lease commenced on July 21, 2017, for a two-year term ended July 20, 2019. This lease requires monthly lease payments of \$24,063 in year one and increases to \$24,784 in year two. The Charter School is obligated to pay a proportion of the annual increase in operating cost of the leased property. There was no rental expense related to this lease for the year ended June 30, 2017. Future minimum rental lease payment requirements for the next three years are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 273,226
2019	296,947
2020	<u>15,990</u>
Total	<u>\$ 586,163</u>

Copier Lease

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 years ending June 30, 2017 and 2016, was \$5,219 and \$4,378, respectively. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 4,788
2019	<u>918</u>
Total	<u>\$ 5,706</u>

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

12. 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.

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 Charter School from the Latin American Youth Center. As of June 30, 2017, the Charter School paid monthly payments in the amount of \$20,269. Rent expense to the Latin American Youth Center for the years ended June 30, 2017 and 2016, was \$243,230 and \$315,230, respectively.

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 \$950 and \$2,000 during the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

Total grants were as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
National and Community Service - Passed Through AmeriCorps	<u>\$ 51,691</u>	<u>\$ 60,943</u>
Total	<u>\$ 51,691</u>	<u>\$ 60,943</u>

13. 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 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

13. CONCENTRATIONS: (Continued)

Revenues (Continued)

During the years ended June 30, 2017 and 2016, seventy-five percent (75%) and seventy-eight percent (78%), respectively, of total support was received from the District of Columbia in the form of per pupil funding. In addition, twenty percent (20%) and fifteen percent (15%), respectively, was received as a federal grant under the YouthBuild Program for the years ended June 30, 2017 and 2016.

The 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.

14. 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 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. The 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.

15. SUBSEQUENT EVENTS:

Rental Lease Termination

During the month of July 2017, the Charter School terminated their lease agreement for the rental of a building located at 3014 14th Street, NW, Washington, DC. This lease was originally scheduled to expire on June 30, 2023. The Charter School is required to pay the Latin American Youth Center \$196,473 as a result of the early lease termination.

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

15. SUBSEQUENT EVENTS: (Continued)

Additional Funding - Washington Teacher's Union Contract

On October 1, 2017, the City Council approved the Washington Teacher's Union Contract. This contract will result in additional funds to both DC Public Schools and DC Public Charter Schools through an increase in the Uniform per Student Funding Formula. These additional funds result in a 5.9% increase above the original per pupil funding amounts. The Charter School will receive an additional one-time payment during the year ended June 30, 2018 to reflect the increase to the 2017 fiscal year per pupil funding base rate. The amount paid to the Charter School will be calculated based on the final enrollment audit count, supplemental payments and extended school year funding for the year ended June 30, 2017. The 2017 fiscal year base rate will increase by an amount of \$203 over the original base rate of \$9,682 to a revised base rate of \$9,885.

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 4, 2017, 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.

16. FUNDRAISING:

During the years ended June 30, 2017 and 2016, expenses incurred for the purpose of fundraising were \$6,226 and \$17,887, respectively.

17. 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 \$12,172 and \$14,127 for the years ended June 30, 2017 and 2016, respectively.

18. 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 Charter 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.

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

18. RETIREMENT PLAN: (Continued)

401(k) Plan (Continued)

Effective January 1, 2016, the Charter 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 Charter School's contributions for the years ended June 30, 2017 and 2016 were \$15,376 and \$28,361, respectively.

19. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Social Security/Medicare	\$ 83,167	\$ 95,684
Health Insurance	76,609	95,564
Life and Disability Insurance	5,717	4,844
Retirement	15,376	28,361
Unemployment	12,672	11,442
Workers Compensation	<u>17,689</u>	<u>16,940</u>
Total	<u>\$ 211,231</u>	<u>\$ 252,835</u>

Flexible Benefits Plan

The 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 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.

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

20. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Rent	\$ 243,230	\$ 315,230
Janitorial Services/Supplies	42,120	34,320
Depreciation - Leasehold	9,383	9,384
Maintenance and Repair	6,459	9,986
Utilities	11,173	10,793
Storage	2,188	1,531
Pest Control	<u>340</u>	<u>340</u>
Total	<u>\$ 314,893</u>	<u>\$ 381,584</u>

21. 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 Charter 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, 2017 and 2016. Therefore, the accompanying financial statements reflect only the activity and net assets of the Charter School.

LATIN AMERICAN YOUTH CENTER YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017				June 30, 2016			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Principal/Executive Salaries	\$ 142,858	\$ 100,000	\$ 38,769	\$ 4,089	\$ 197,181	\$ 125,094	\$ 64,775	\$ 7,312
Teachers' Salaries	397,055	397,055	-	-	383,853	383,853	-	-
Workforce Training	293,494	293,494	-	-	281,875	281,875	-	-
Support Services	193,317	193,317	-	-	237,330	237,330	-	-
Clerical Services	39,451	29,588	9,863	-	39,672	29,754	9,918	-
Business Operations Salaries	54,062	38,571	15,491	-	129,385	51,670	73,546	4,169
Employee Benefits	115,392	108,366	6,605	421	145,709	127,374	17,017	1,318
Payroll Taxes	95,839	90,003	5,486	350	107,126	93,646	12,511	969
Leased Employees and Temporary Help	1,893	-	1,893	-	1,798	-	1,798	-
Staff Development Costs	6,748	6,748	-	-	3,954	3,954	-	-
Other Staff Related Expenses	5,598	5,258	320	20	3,502	3,061	409	32
Total Personnel, Salaries and Benefits	<u>\$ 1,345,707</u>	<u>\$ 1,262,400</u>	<u>\$ 78,427</u>	<u>\$ 4,880</u>	<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	\$ 3,814	\$ 3,814	\$ -	\$ -	\$ 9,056	\$ 9,056	\$ -	\$ -
Textbooks and Subscriptions	6,629	6,629	-	-	9,922	9,922	-	-
Student Assessment Materials	8,920	8,920	-	-	10,748	10,748	-	-
Student Uniforms	22,826	22,826	-	-	22,981	22,981	-	-
Contracted Instructional/Student Services	15,586	15,586	-	-	65,421	65,421	-	-
Student Travel/Field Trips	15,257	15,257	-	-	8,378	8,378	-	-
Student Stipends	201,419	201,419	-	-	235,927	235,927	-	-
Student Recruiting	11,902	11,902	-	-	13,481	13,481	-	-
Other Student Costs	17,884	17,884	-	-	10,704	10,704	-	-
Total Direct Student Costs	<u>\$ 304,237</u>	<u>\$ 304,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386,618</u>	<u>\$ 386,618</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 243,230	\$ 228,420	\$ 13,922	\$ 888	\$ 315,230	\$ 275,564	\$ 36,816	\$ 2,850
Storage	2,188	2,055	125	8	1,531	1,338	178	15
Utilities	11,173	10,492	640	41	10,793	9,434	1,261	98
Depreciation - Leasehold Improvement	9,383	8,812	537	34	9,384	8,203	1,096	85
Maintenance and Repairs	6,799	6,385	389	25	10,326	9,027	1,206	93
Contracted Building Services	42,120	39,555	2,411	154	34,320	30,003	4,008	309
Total Occupancy Costs	<u>\$ 314,893</u>	<u>\$ 295,719</u>	<u>\$ 18,024</u>	<u>\$ 1,150</u>	<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.
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017				June 30, 2016			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 7,867	\$ 7,389	\$ 449	\$ 29	\$ 8,080	\$ 7,063	\$ 944	\$ 73
Equipment Rental and Maintenance	12,083	11,347	692	44	11,474	10,030	1,340	104
Telecommunications	10,286	9,660	589	37	17,031	14,888	1,989	154
Printing and Copying	1,458	1,369	83	6	421	368	49	4
Postage and Shipping	431	406	24	1	1,053	919	123	11
Computer Support	20,450	19,205	1,171	74	21,233	18,561	2,480	192
Memberships and Subscriptions	2,020	1,897	116	7	2,321	2,029	271	21
Marketing and Promotion	270	270	-	-	646	646	-	-
Total Office Expenses	\$ 54,865	\$ 51,543	\$ 3,124	\$ 198	\$ 62,259	\$ 54,504	\$ 7,196	\$ 559
<u>General Expenses:</u>								
Insurance	\$ 11,867	\$ 11,185	\$ 682	\$ -	\$ 12,359	\$ 10,902	\$ 1,457	\$ -
Legal Fees	9,487	-	9,487	-	500	-	500	-
Accounting Services	75,730	3,236	72,494	-	78,004	-	78,004	-
Consulting	627,449	564,049	63,400	-	728,248	654,838	73,410	-
Authorizer Fee	30,354	28,610	1,744	-	28,688	25,307	3,381	-
Depreciation	10,105	9,489	578	38	8,535	7,461	996	78
Accreditation	-	-	-	-	7,247	7,247	-	-
Fees and Licenses	1,265	-	1,265	-	1,734	-	1,734	-
Bad Debt Expense	2,317	-	2,317	-	-	-	-	-
Total General Expenses	\$ 768,574	\$ 616,569	\$ 151,967	\$ 38	\$ 865,315	\$ 705,755	\$ 159,482	\$ 78
TOTAL FUNCTIONAL EXPENSES	\$ 2,788,276	\$ 2,530,468	\$ 251,542	\$ 6,266	\$ 3,227,161	\$ 2,818,057	\$ 391,217	\$ 17,887

(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, 2017 AND 2016

June 30, 2017

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 2,234,749	\$ 19,433
Occupancy Cost	314,893	2,738
General and Administrative	233,518	2,031
Fundraising	<u>5,116</u>	<u>-</u>
Total	<u>\$ 2,788,276</u>	<u>\$ 24,202</u>

The above is the average per student cost for the year ended June 30, 2017, and is based on a full time equivalent (FTE) enrollment of 115 students.

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.

(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.
3220 16th Street, NW
Washington, DC 20010

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, 2017, 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 4, 2017.

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 4, 2017

LATIN AMERICAN YOUTH CENTER
YOUTHBUILD PUBLIC CHARTER SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

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.