

ACHIEVEMENT PREPARATORY ACADEMY, INC.

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

JUNE 30, 2017 AND 2016

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Independent Auditor's Report

The Board of Trustees
Achievement Preparatory Academy, Inc.
Washington, DC

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement Preparatory Academy, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017, on our consideration of Achievement Preparatory Academy, 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 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 Achievement Preparatory Academy, Inc.'s internal control over financial reporting and compliance.

Jane Marusa & McQuade PA

Washington, DC
October 23, 2017

ACHIEVEMENT PREPARATORY ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 8,029,680	\$ 13,654,416
Cash, restricted	820,078	460,638
Grants receivable	221,185	220,758
Accounts receivable	21,638	1,920
Prepaid expenses	15,630	49,006
Total Current Assets	9,108,211	14,386,738
PROPERTY AND EQUIPMENT, NET	31,998,619	30,569,915
OTHER ASSETS		
Security deposit	5,900	-
Total Other Assets	5,900	-
TOTAL ASSETS	\$ 41,112,730	\$ 44,956,653
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 431,647	\$ 4,625,404
Accrued expenses	159,633	2,061,633
Current portion of long-term debt	345,827	3,617
Deferred revenue	23,331	-
Accrued interest payable	128,352	95,355
Total Current Liabilities	1,088,790	6,786,009
NONCURRENT LIABILITIES		
Long-term debt, net	34,284,629	33,466,945
Total Noncurrent Liabilities	34,284,629	33,466,945
TOTAL LIABILITIES	35,373,419	40,252,954
NET ASSETS		
Unrestricted	5,616,311	4,580,699
Temporarily restricted	123,000	123,000
Total Net Assets	5,739,311	4,703,699
TOTAL LIABILITIES AND NET ASSETS	\$ 41,112,730	\$ 44,956,653

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

ACHIEVEMENT PREPARATORY ACADEMY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 12,886,404	\$ -	\$ 12,886,404
Per pupil facility allowance	2,911,568	-	2,911,568
Federal entitlements and grants	1,243,802	-	1,243,802
Local grants	88,228	-	88,228
Other grants and contributions	135,165	-	135,165
Activity fees	113,177	-	113,177
Interest income	16,972	-	16,972
Total Revenue and Support	17,395,316	-	17,395,316
EXPENSES			
Program services	13,850,489	-	13,850,489
Management and general	2,300,169	-	2,300,169
Fundraising	13,727	-	13,727
Total Expenses	16,164,385	-	16,164,385
CHANGE IN NET ASSETS FROM OPERATIONS			
	1,230,931	-	1,230,931
NON-OPERATING LOSS			
	(195,319)	-	(195,319)
CHANGE IN NET ASSETS			
	1,035,612	-	1,035,612
NET ASSETS, beginning of year	4,580,699	123,000	4,703,699
NET ASSETS, end of year	\$ 5,616,311	\$ 123,000	\$ 5,739,311

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

ACHIEVEMENT PREPARATORY ACADEMY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 8,667,784	\$ -	\$ 8,667,784
Per pupil facility allowance	2,046,220	-	2,046,220
Federal entitlements and grants	797,815	-	797,815
Local grants	196,911	-	196,911
Other grants and contributions	178,689	-	178,689
Activity fee	63,107	-	63,107
Interest income	9,899	-	9,899
Loss on disposal of asset	(61,438)	-	(61,438)
In kind contributions	71,576	-	71,576
Total Revenue and Support	<u>11,970,563</u>	<u>-</u>	<u>11,970,563</u>
EXPENSES			
Program services	9,418,505	-	9,418,505
Management and general	1,658,875	-	1,658,875
Fundraising	12,788	-	12,788
Total Expenses	<u>11,090,168</u>	<u>-</u>	<u>11,090,168</u>
CHANGE IN NET ASSETS	880,395	-	880,395
NET ASSETS , beginning of year	<u>3,700,304</u>	<u>123,000</u>	<u>3,823,304</u>
NET ASSETS , end of year	<u>\$ 4,580,699</u>	<u>\$ 123,000</u>	<u>\$ 4,703,699</u>

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

ACHIEVEMENT PREPARATORY ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services	Management and General	Fundraising	Total
PERSONNEL, SALARIES AND BENEFITS				
Salaries	\$ 5,861,085	\$ 991,038	\$ -	\$ 6,852,123
Employee benefits	255,430	43,191	-	298,621
Payroll taxes	479,454	81,070	-	560,524
Contracted staff	105,260	2,027	-	107,287
Professional development	444,374	17,735	-	462,109
Total Personnel, Salaries and Benefits	<u>7,145,603</u>	<u>1,135,061</u>	-	<u>8,280,664</u>
DIRECT STUDENT COSTS				
Supplies and materials	129,816	-	-	129,816
Library and media center materials	795	-	-	795
Contracted student services	589,480	-	-	589,480
Food service/catering	638,711	-	-	638,711
Student assessments	74,963	-	-	74,963
Other student costs	130,672	-	-	130,672
Total Direct Student Costs	<u>1,564,437</u>	-	-	<u>1,564,437</u>
OCCUPANCY EXPENSES				
Maintenance and repairs	47,615	11,904	-	59,519
Janitorial services	845	211	-	1,056
Utilities	119,149	29,787	-	148,936
Contracted building services	205,340	51,334	-	256,674
Total Occupancy Expenses	<u>372,949</u>	<u>93,236</u>	-	<u>466,185</u>
OFFICE EXPENSES				
Office supplies and materials	52,137	13,033	-	65,170
Equipment rental	64,982	16,245	-	81,227
Telecommunications	49,627	12,407	-	62,034
Postage and shipping	1,823	456	-	2,279
Total Office Expenses	<u>168,569</u>	<u>42,141</u>	-	<u>210,710</u>
GENERAL EXPENSES				
Insurance	62,457	15,615	-	78,072
Administration fee	-	171,822	-	171,822
Accounting, auditing and payroll	-	123,345	-	123,345
Legal fees	81,346	8,111	-	89,457
Computer support fees	68,375	17,093	-	85,468
Other professional fees	-	104,403	-	104,403
Depreciation and amortization	959,444	236,861	-	1,196,305
Fundraising	-	-	13,727	13,727
Dues, fees and fines	-	21,805	-	21,805
Interest	1,322,069	330,517	-	1,652,586
Management fee	2,104,603	-	-	2,104,603
Other general expense	637	159	-	796
Total General Expenses	<u>4,598,931</u>	<u>1,029,731</u>	<u>13,727</u>	<u>5,642,389</u>
Total Expenses	<u>\$ 13,850,489</u>	<u>\$ 2,300,169</u>	<u>\$ 13,727</u>	<u>\$ 16,164,385</u>

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

ACHIEVEMENT PREPARATORY ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services	Management and General	Fundraising	Total
PERSONNEL, SALARIES AND BENEFITS				
Salaries	\$ 5,451,961	\$ 810,458	\$ -	\$ 6,262,419
Employee benefits	285,470	42,436	-	327,906
Payroll taxes	438,023	65,114	-	503,137
Contracted staff	2,500	-	-	2,500
Professional development	248,864	31,255	-	280,119
Total Personnel, Salaries and Benefits	<u>6,426,818</u>	<u>949,263</u>	-	<u>7,376,081</u>
DIRECT STUDENT COSTS				
Supplies and materials	60,352	-	-	60,352
Library and media center materials	329	-	-	329
Contracted student services	361,427	-	-	361,427
Food service/catering	376,702	-	-	376,702
Student assessments	68,855	-	-	68,855
Other student costs	64,881	-	-	64,881
Total Direct Student Costs	<u>932,546</u>	-	-	<u>932,546</u>
OCCUPANCY EXPENSES				
Rent	237,718	59,430	-	297,148
Maintenance and repairs	232,709	58,177	-	290,886
Janitorial services	3,645	911	-	4,556
Utilities	23,136	5,784	-	28,920
Contracted building services	124,475	31,118	-	155,593
Total Occupancy Expenses	<u>621,683</u>	<u>155,420</u>	-	<u>777,103</u>
OFFICE EXPENSES				
Office supplies and materials	25,429	6,357	-	31,786
Equipment rental	71,360	17,840	-	89,200
Telecommunications	36,403	9,101	-	45,504
Postage and shipping	2,444	610	-	3,054
Total Office Expenses	<u>135,636</u>	<u>33,908</u>	-	<u>169,544</u>
GENERAL EXPENSES				
Insurance	44,942	11,235	-	56,177
Administration fee	-	118,663	-	118,663
Accounting, auditing and payroll	-	110,498	-	110,498
Legal fees	66,567	-	-	66,567
Computer support fees	60,248	15,062	-	75,310
Other professional fees	112,375	499	-	112,874
Depreciation and amortization	408,459	102,115	-	510,574
Fundraising	-	-	12,788	12,788
Dues, fees and fines	-	9,905	-	9,905
Interest	608,231	152,057	-	760,288
Other general expense	1,000	250	-	1,250
Total General Expenses	<u>1,301,822</u>	<u>520,284</u>	<u>12,788</u>	<u>1,834,894</u>
Total Expenses	<u>\$ 9,418,505</u>	<u>\$ 1,658,875</u>	<u>\$ 12,788</u>	<u>\$ 11,090,168</u>

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

ACHIEVEMENT PREPARATORY ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,035,612	\$ 880,395
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	1,196,305	510,574
Loss on disposal of assets	-	61,438
Loss on extinguishment of debt	195,319	-
(Increase) decrease in assets:		
Cash, restricted	359,440	460,638
Grants receivable	(427)	(95,459)
Accounts receivable	(19,718)	8,464
Prepaid expenses	33,376	(25,666)
Security deposit	(5,900)	5,000
Increase (decrease) in liabilities:		
Accounts payable	(4,193,757)	1,914,899
Accrued expenses	(1,902,000)	1,928,544
Accrued interest payable	32,997	62,388
Deferred revenue	23,331	(38,759)
Net Cash (Used for) Provided by Operating Activities	(3,245,422)	5,672,456
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,625,009)	(24,317,466)
Net Cash Used for Investing Activities	(2,625,009)	(24,317,466)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred financing costs	(199,772)	(963,880)
Payments on long-term debt	(6,575,247)	-
Proceeds from long-term debt	7,020,714	29,313,166
Net Cash Provided by Financing Activities	245,695	28,349,286
 NET (DECREASE) INCREASE IN CASH	(5,624,736)	9,704,276
 CASH, beginning of year	13,654,416	3,950,140
 CASH, end of year	\$ 8,029,680	\$ 13,654,416
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 1,379,958	\$ 697,900

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

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE A – ORGANIZATION AND PURPOSE

Achievement Preparatory Academy, Inc. (the “School”) was incorporated in January 2007 as a college preparatory public charter school located in Washington, DC. The School’s mission is to prepare students to excel as high-achieving scholars and leaders in high school, college, and beyond. Critical to School’s mission is also the idea of developing and fostering a strong character in its scholars. Daily, scholars focus on the development and practice of the School’s DREAM values (Determination, Respect, Enthusiasm, Accountability, and Mastery).

The School’s beliefs include:

- All students, regardless of race or socio-economic status, deserve a top-quality, rigorous college-preparatory education.
- When provided with a highly structured, disciplined, and supportive learning environment with quality, targeted instruction, all students will achieve the highest academic standards.
- Literacy is the most essential academic skill upon which the majority of all future skill and knowledge acquisition is based.

As a DC public charter school, the School has a guaranteed funding stream from the District of Columbia (per pupil funding) and the U.S. federal government (federal formula grants for education and other programs) provided it meets compliance requirements. A DC public charter school is considered a Local Educational Agency under federal education programs. As a DC public charter school, the School enjoys significant freedom from the budget and operational restrictions placed on traditional public schools, allowing it to create a unique educational mission and approach.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows Financial Standards Accounting Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit-Entities*. In accordance with the topic, the School is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES - continued

Basis of Presentation - continued

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the School. There were no permanently restricted net assets as of June 30, 2017 and 2016.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates that were assumed in preparing the financial statements.

Cash

Cash include any cash on hand and checking account balances. The School maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. The School believes it is not exposed to any significant credit risk on cash or cash equivalents

Restricted Cash

Restricted cash is comprised of cash required to be maintained in separate accounts in accordance with debt agreements.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment acquired are recorded at cost or, if donated, at the approximate fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are amortized over the term of the lease or useful life of the asset, whichever is shorter. Maintenance and repairs which do not improve or extend the life of the respective asset are charged to expense when incurred.

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment - continued

During 2016, the School began construction for a new middle school building adjoining the current facilities and other renovations to the existing School building. This construction and renovations ended August 2016 and all costs related to the construction that had been accumulated as construction-in-progress until the building was ready for occupancy, were reclassified as building and leasehold improvements and are now being depreciated over the useful life of the asset.

Debt Issuance Costs

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

Grants and Accounts Receivable

Grants receivable consist of unsecured amounts from public funding sources whose ability to pay are subject to appropriations. Grants and accounts receivable are reported net of the allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due grants and accounts receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2017 and 2016, the majority of the receivables are due from governmental agencies. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been recorded.

Contributions and Grants

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met within the same year as restricted funds are contributed, they are classified as unrestricted contributions.

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Per Pupil Appropriations

Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations include \$3,044,100 and \$2,134,630 for the years ended June 30, 2017 and 2016, respectively, for enhancements, such as special education, English language learners, and at-risk students.

Activity Fees

Activity fees are recognized at the time of the activity. This revenue is amounts collected from students from, but not restricted to, field trips, camps and other school related activities.

Deferred Revenue

Deferred revenue represents amounts received during the current fiscal year and deferred until the following fiscal year for recognition.

Functional Expenses

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

Reclassifications

Certain amounts for the year ended June 30, 2016 have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

NOTE C – INCOME TAXES

The School is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

The School has adopted the accounting of uncertainty in income taxes as required by the *Income Taxes* topic of the FASB ASC. The topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(continued)

NOTE C – INCOME TAXES - continued

of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2013-2015), or expected to be taken in its 2016 tax return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

NOTE D – PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Computers and computer applications	\$ 641,928	\$ 529,677
Classroom furnishings	956,359	612,326
Office furnishings	73,239	61,128
Construction in progress	17,357	12,219,189
Leasehold improvements	<u>32,371,362</u>	<u>18,012,916</u>
	34,060,245	31,435,236
Less accumulated depreciation	<u>(2,061,626)</u>	<u>(865,321)</u>
Property and Equipment, Net	<u>\$ 31,998,619</u>	<u>\$ 30,569,915</u>

Construction in progress includes on-going renovations to the School. The School capitalized interest related to construction activities totaling \$82,934 and \$361,168, for the years ended June 30, 2017 and 2016, respectively. The interest capitalized is reported as a component of leasehold improvements in the statement of financial position. Depreciation expense for the years ended June 30, 2017 and 2016, totaled \$1,196,305 and \$510,574, respectively.

NOTE E – NOTES PAYABLE

Construction Financing

During May 2015, the School secured three associated loans to finance construction and renovation of the School’s facility and payment of facility rent. These three loans include \$24,075,000 from Bank of America (“BOA Loan”), \$2,000,000 from the District of Columbia’s Office of Public Charter School Financing and Support (“OPCSFS Loan”), and \$2,500,000 from Building Hope, a District of Columbia nonprofit corporation (“Building Hope Loan”). The BOA

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(continued)

NOTE E – NOTES PAYABLE - continued

Loan is senior to the OPCSFS Loan and Building Hope Loan per the terms of the agreements. Draws must be in simultaneous and even amounts between the OPCSFS Loan and Building Hope Loan. The terms of the BOA Loan require the OPCSFS Loan and Building Hope Loan to be drawn against completely prior to drawing against the BOA Loan.

The OPCSFS Loan was for a term of three years and accrued interest at a rate of 4.50% per annum. Interest only payments were scheduled to be due quarterly from October 1, 2015 through July 1, 2017. Thereafter, principal and interest payments were scheduled to be due quarterly based on a 25 year amortization schedule. Amendments to the terms of the OPCSFS Loan were made during December 2015 in connection with the New Market Tax Credit program (described below). Based on the amended terms, payment frequency was increased from quarterly to monthly, and the OPCSFS Loan matures December 2022, with a balloon payment required at that time. In December 2016, the OPCSFS Loan was paid in full from the proceeds of a loan from Community Urban Revitalization Enterprises VIII, LLC (“CURE Loan”, described below). The balance outstanding on the OPCSFS Loan as of June 30, 2017 and 2016 was \$0 and \$2,000,000, respectively.

The Building Hope Loan was for a term of three years and accrued interest at a rate of 6.00% per annum. Interest only payments were scheduled to be due quarterly from October 1, 2015 through July 1, 2017. Thereafter, principal and interest payments were scheduled to be due quarterly based on a 25 year amortization schedule. Amendments to the terms of the Building Hope Loan were made during December 2015 in connection with the New Market Tax Credit program (described below). Based on the amended terms, payment frequency was increased from quarterly to monthly, and the Building Hope Loan matures December 2022, with a balloon payment required at that time. In December 2016, the Building Hope Loan was paid in full from the proceeds of the CURE Loan. The balance outstanding on the Building Hope Loan as of June 30, 2017 and 2016 was \$0 and \$2,200,000, respectively.

The BOA Loan is collateralized by all real and personal property of the School. The collateral for the OPCSFS Loan and Building Hope Loan was a third trust on all leasehold mortgages, third trust on assignment of all leases and rents from the property, third trust on per pupil appropriations, facilities allowance and assignment of all management construction and architectural contracts and plans.

Amendments to the terms of the BOA Loan were made during December 2015 in connection with the New Market Tax Credit program (described below). As of December 30, 2015, the BOA Loan had an outstanding principal balance of \$4,772,485. Based on the amended terms, interest accrues at a variable rate of daily floating LIBOR plus 3.50% per annum, and is reset daily. As of June 30, 2017 and 2016, interest accrued at a rate of 4.69% and 3.94% per annum, respectively. The BOA loan is scheduled to mature in December 2024. Interest only payments are due.

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(continued)

NOTE E – NOTES PAYABLE - continued

quarterly through November 2017. Thereafter, interest and principal payments are due quarterly based on a 25 year amortization schedule, with a balloon payment due at maturity. In December 2016, the BOA Loan outstanding principal was paid down by \$634,000 from the proceeds of the CURE Loan.

During August 2015, the School secured financing with the Reinvestment Fund, Inc. (“TRF Loan”) for an amount of \$4,800,000. Loan proceeds are advanced on a draw basis. The proceeds are used to finance construction and improvements to School property. Proceeds from the TRF Loan must be drawn in full prior to drawing against the BOA Loan. Interest accrues on the TRF Loan at a variable rate of 1-month LIBOR plus 4.25% per annum, and reset monthly. As of June 30, 2016, interest accrued at a rate of 4.72% per annum. Interest only payments were due monthly, until full drawn of the TRF Loan, which then principal and interest payments were due. The collateral for the TRF Loan was a second trust on all leasehold mortgages, second trust on assignment of all leases and rents from the property, second trust on per pupil appropriations, facilities allowance and assignment of all management construction and architectural contracts and plans. Amendments to the terms of the TRF Loan were made during December 2015 and discussed below in connection with the New Market Tax Credit program (described below). As of December 30, 2015, the TRF Loan had an outstanding principal balance of \$4,571,894. Securing the New Market Tax Credit program financing required a principal payment of \$3,000,000 from the School. The resulting principal balance was \$1,571,894. Based on the amended terms, draws on the TRF Loan were able to be made up to \$1,800,000 before September 2017. The TRF Loan was scheduled to mature December 2022. The TRF Loan was paid in-full as of December 2016 from the proceeds of the CURE Loan. The outstanding principal balance on the TRF Loan as of June 30, 2017 and 2016 was \$0 and \$1,661,957, respectively.

New Market Tax Credit

During December 2015, the School became a participant to the New Market Tax Credit program (“NMTC”). The NMTC program encourages investment in real estate projects in low-income communities by allowing investors to receive tax credits against their federal income tax return in exchange for making qualified investments in Community Development Entities (“CDEs”). The CDE’s purpose is to make loans and investments in low-income communities to Qualified Active Low-Income Community Businesses (“QALICB”). The School qualified as a QALICB.

The CDE utilized qualified funding to loan \$23,800,000 to the School to finance renovations of the School and construction of a middle school. The NMTC program financing consists of four loans (“NMTC Loans”) each scheduled to mature December 2040. The NMTC Loans accrue interest at fixed rates ranging from 0.24% to 5.20% per annum, with an average weighted interest rate of 4.00% per annum. Interest only payments are due quarterly through May 2023, with interest and principal payments due quarterly thereafter until maturity. The NMTC Loans are collateralized by the assets of the School.

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(continued)

NOTE E – NOTES PAYABLE - continued

During December 2016, an additional CDE was formed to provide additional qualified funding of \$7,744,480 to the School under the NMTC program to finance improvements to the middle and elementary school and retire previous debts as described above. The retirements of previous debts resulted in a loss of \$ 195,319. The additional financing consists of three loans (“NMTC Loans 2”) of which \$1,872,111 is schedule to mature in December 2023, and the remainder are scheduled to mature December 2040. The NMTC Loans 2 accrue interest at fixed rates ranging form 5.00% to 5.48% per annum, with an average weighted interest rate of 5.20%. Interest only payments are due quarterly through May 2024, with interest and principle payments due quarterly thereafter until maturity. The NMTC loans 2 are collateralized by the assets of the School.

The aforementioned loan agreements contain certain restricted, financial, and nonfinancial covenants. In the opinion of management, the School has complied with the required covenants.

Long-term debt as of June 30, consisted of the following:

	<u>2017</u>	<u>2016</u>
BOA Loan	\$ 4,059,194	\$ 4,772,485
OPCSFS Loan	-	2,000,000
Building Hope Loan	-	2,200,000
TRF Loan	-	1,661,957
First City Capital 41 LLC QLICI A	7,145,015	7,145,015
First City Capital 45 LLC QLICI A	9,905,000	9,905,000
First City Capital 41 LLC QLICI B	2,654,985	2,654,985
First City Capital 45 LLC QLICI B	4,095,000	4,095,000
CURE Loan A-1	3,180,205	-
CURE Loan A-2	1,872,111	-
CURE Loan B	2,692,164	-
	<u>\$ 35,603,674</u>	<u>\$ 34,434,442</u>
Less: current installments	(345,827)	(3,617)
Less: deferred financing costs, net of accumulated amortization	(973,218)	(963,880)
	<u><u>\$ 34,284,629</u></u>	<u><u>\$ 33,466,945</u></u>

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(continued)

NOTE E – NOTES PAYABLE - continued

In prior years, the School reported debt issuance costs as a deferred charge in the statement of financial position and amortization of such costs in the statement of activities as depreciation and amortization. To comply with new GAAP presentation requirements, in 2017 the School began reporting such costs as a direct deduction from the carrying amount of the related debt and reclassified prior year amounts, resulting in a reduction of total June 30, 2016 assets by \$963,880. The change did not affect net assets.

Similarly, the School now reports amortization of debt issuance costs as interest expense and reclassified 2016 amounts accordingly. As a result, reported interest expense in 2016 was increased (and depreciation and amortization decreased) by \$185,951, with no effect on the change in net assets. The amortization of debt issuance costs as interest expense for the year ended June 30, 2017, was \$186,495.

Deferred financing costs and accumulated amortization are as follows as of June 30:

	2017	2016	
Deferred financing costs	\$ 1,230,681	\$ 1,149,831	
Less accumulated amortization	(257,463)	(185,951)	
	\$ 973,218	\$ 963,880	

Interest of \$1,652,586 and \$760,288 was expensed for the years ended June 30, 2017 and 2016, respectively.

Aggregate annual maturities of the loans are as follows for the years ending June 30:

2018	\$ 345,827
2019	439,419
2020	467,683
2021	497,766
2022	529,783
Thereafter	33,323,196
Total	\$ 35,603,674

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(continued)

NOTE F – LEASE COMMITMENTS

The School's lease agreement with the Charter School Incubator Initiative expired on June 30, 2015. There is no extension of this lease as the site now is under the School's ownership so the lease is only for the operating services, as described below, that Building Hope covered during the transition period from July 1, 2015 through December 31, 2015. In accordance with the terms of the lease, the School is required to pay a usage fee, or rent, determined with respect to the number of students enrolled. The total annual usage fee is equal to the number of students enrolled on each census date (every October) multiplied by the per pupil facilities allowance received by the School from the District of Columbia, less amounts withheld under the terms of the lease.

In August 2015, the School entered into a lease agreement with the District of Columbia to occupy Mississippi Road School premises. This agreement expired on June 30, 2016. The School was required to pay a monthly fee in the amount of \$20,148, and operating expense fee in the amount of \$4,614, during the year ended June 30, 2016.

In August 2015, the School entered into a ground lease agreement with the District of Columbia to lease the property at Wahler Place for a period of 30 years beginning August 1, 2015. The annual base rent is \$777,000 for the first year and will be increased by two percent on each anniversary thereafter. Rent will be abated for twelve consecutive calendar months for each one million dollars of expense incurred for construction, capital alteration and leasehold acquisition costs. Since construction, capital alteration and leasehold acquisitions costs were higher than the rent expense for the lease term, there is no rent expense recognized for the life of the lease.

Rent expense for the years ended June 30, 2017 and 2016 totaled \$0 and \$297,148, respectively.

NOTE G – MANAGEMENT AGREEMENT

Effective July 1, 2016, the School entered into a management agreement with AppleTree Institute for Education Innovation ("AppleTree"). The agreement contracts AppleTree to fully manage and operate the early education program for pre-school and pre-kindergarten children under the School's charter. Management of the early education program includes operating, marketing, and staffing the program. The initial term of the agreement is effective for five years, and scheduled to terminate June 30, 2021. If adequate yearly progress has been achieved per evaluations, the term of the agreement may be automatically extended for an additional five-year period, unless either party gives notice of at least 120 days prior to expiration.

The School is responsible for all costs associated with operating the early education program. The School is to compensate AppleTree a management fee equal to the per-pupil funding the School receives for its enrolled pre-K3 and pre-K4 student population and other fees received specific to the early education program, such as special education, English language learners, at-risk population, and summer school revenue received. Management fees incurred under the agreement for the year ended June 30, 2017 was \$2,104,603.

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
(continued)

NOTE H – COMMITMENTS AND CONTINGENT LIABILITIES

The School receives revenue from government grants and contracts that are subject to inspection and audit by the appropriate funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The school is of the opinion that disallowance, if any, arising from such audits will not have a material effect on the financial statements. The School has no provisions for the possible disallowance of program costs on its financial statements.

NOTE I – CONCENTRATION OF RISK

The School is supported primarily by local and federal appropriations and grants. For the years ended June 30, 2017 and 2016, 91% and 89%, respectively, of the total revenue was provided by one local government agency. Reduction of this source of support would have a significant impact on the School's programs and activities. Geographical area of clients served is Ward 8 of the District of Columbia. As of June 30, 2017 and 2016, the School had cash that exceeded federally insured limits by approximately \$7,200,000 and \$12,900,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

NOTE J – PENSION PLAN

The School sponsors a 401(K) Plan (the "Plan") for all employees who are at least 18 years of age. Eligible employees can become participants on the first day of the month following the completion of eligibility requirements. Employees may make elective deferral from their eligible earnings, up to the amount allowed by the Internal Revenue Service. The School matches the first three percent of a participant's compensation that is deferred as an elective deferral. For the years ended June 30, 2017 and 2016, pension expense totaled \$44,584 and \$28,476, respectively.

NOTE K - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016, totaled \$123,000 and \$123,000, respectively, and were designated for the purpose of transportation and scholarships for the students of the Septima Clark Public Charter School which closed in 2013.

NOTE L – SUBSEQUENT EVENTS

Subsequent to the year end, Achievement Preparatory Academy, Inc. successfully changed its name to Achievement Preparatory Academy Public Charter School by filing articles of amendment with the D.C. Department of Consumer and regulatory Affairs Corporations Division.

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 23, 2017, the date the School's financial statements were available to be issued. Management has determined that, except as noted above, there are no subsequent events that require disclosure pursuant to the subsequent event topic.



**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***

The Board of Trustees
Achievement Preparatory Academy, Inc.
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Achievement Preparatory Academy, Inc., (a nonprofit organization), (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jane Maruca & McQuade PA

Washington, DC
October 23, 2017



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance
Required by the Uniform Guidance**

The Board of Trustees of
Achievement Preparatory Academy, Inc.
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited Achievement Preparatory Academy, Inc.'s (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, Achievement Preparatory Academy, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Jane Maruca & M^aQuade PA

Washington, DC
October 23, 2017

ACHIEVEMENT PREPARATORY ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
U. S. Department of Education			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Title I Grants to Local Educational Agencies	84.010	62010A, 72010A	\$ 436,007
Improving Teacher Quality State Grants	84.367	62367A, 72367A	100,264
Special Education - Grants to States	84.027	72027A	174,649
Education for Homeless Children and Youth	84.196		12,110
Total U.S. Department of Education			<u>723,030</u>
U.S. Department of Agriculture - Food and Nutrition Service			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Fresh Fruit and Vegetable Program	10.582		26,320
Child Nutrition Cluster			
NSLP Equipment Assistance Grant Phase 16	10.XXX	EQNSLC	3,513
School Breakfast Program	10.553		173,592
National School Lunch Program	10.555		295,576
Total U.S. Department of Agriculture			<u>499,001</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,222,031</u>

ACHIEVEMENT PREPARATORY ACADEMY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017 AND 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenses are not allowable or are limited as to reimbursement. The School elected not to use the 10 percent de minimus indirect cost rate. Pass through programs, agencies, and entity identifying numbers are presented where available.

NOTE C – RECONCILIATION TO THE FINANCIAL STATEMENTS

Expenditures per the Schedule exclude \$21,771 of federal funds provided under the Federal Communications Commission E-Rate program, which are reported as federal entitlements and grant revenue in the statement of activities. Funding under the E-Rate program is considered to be federal funds, however, does not qualify as direct financial support, and therefore, is exempt from Federal Audit requirements.

**ACHIEVEMENT PREPARATORY ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017 AND 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on the financial statements	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	None reported

Major programs

Name of Federal Program:	Child Nutrition Cluster
CFDA Number:	10.553, 10.555 and 10.XXX
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

ACHIEVEMENT PREPARATORY ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017 AND 2016
(continued)

SECTION II – FINANCIAL STATEMENTS FINDINGS

None

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None