

DC BILINGUAL PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Trustees
DC Bilingual Public Charter School
33 Riggs Road, NE
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the DC Bilingual Public Charter School, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, 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

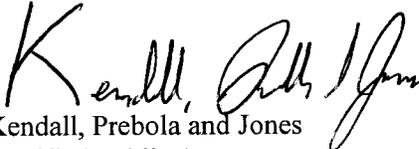
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the DC Bilingual Public Charter School, as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting 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 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 November 30, 2018, on our consideration of the DC Bilingual Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 effectiveness of the DC Bilingual Public Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DC Bilingual Public Charter School's internal control over financial reporting and compliance.


Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 30, 2018

DC BILINGUAL PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 2,998,057	\$ 1,554,468
Accounts Receivable	373,495	104,362
Grants Receivable	339,521	85,662
Promises Receivable	129,960	28,357
Prepaid Expenses	<u>82,249</u>	<u>25,662</u>
Total Current Assets	<u>\$ 3,923,282</u>	<u>\$ 1,798,511</u>
<u>Fixed Assets:</u>		
Furniture and Equipment	\$ 159,682	\$ 223,704
Computer Equipment	240,904	201,809
Construction in Progress	4,418,387	593,875
Less: Accumulated Depreciation and Amortization	<u>(286,442)</u>	<u>(236,131)</u>
Total Fixed Assets	<u>\$ 4,532,531</u>	<u>\$ 783,257</u>
<u>Other Assets:</u>		
Cash - Restricted for Debt Service	\$ 238,752	\$ -
Deposit	<u>47,900</u>	<u>20,000</u>
Total Other Assets	<u>\$ 286,652</u>	<u>\$ 20,000</u>
TOTAL ASSETS	<u>\$ 8,742,465</u>	<u>\$ 2,601,768</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 3,289,986	\$ 554,794
Payroll and Related Liabilities	592,838	594,325
Refundable Advances	9,172	75,801
Deferred Rent Abatement	75,446	-
Current Portion of Note Payable	-	-
Current Portion of Capital Lease Payable	<u>18,860</u>	<u>17,764</u>
Total Current Liabilities	<u>\$ 3,986,302</u>	<u>\$ 1,242,684</u>
<u>Long-Term Liabilities:</u>		
Capital Lease Payable	\$ 42,338	\$ 60,102
Less: Current Portion of Lease	(18,860)	(17,764)
Note Payable	1,193,464	-
Less: Current Portion of Note Payable	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 1,216,942</u>	<u>\$ 42,338</u>
Total Liabilities	<u>\$ 5,203,244</u>	<u>\$ 1,285,022</u>
<u>Net Assets:</u>		
Unrestricted	\$ 3,211,896	\$ 1,282,104
Temporarily Restricted	<u>327,325</u>	<u>34,642</u>
Total Net Assets	<u>\$ 3,539,221</u>	<u>\$ 1,316,746</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,742,465</u>	<u>\$ 2,601,768</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018			June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues, Gains and Other Support:</u>						
Per Pupil Funding Allocation	\$ 7,779,232	\$ -	\$ 7,779,232	\$ 6,609,694	\$ -	\$ 6,609,694
Per Pupil Funding - Facilities Allocation	1,388,837	-	1,388,837	1,280,840	-	1,280,840
Federal Entitlements and Grants	623,009	-	623,009	679,691	-	679,691
State Government Grants	82,014	-	82,014	43,048	-	43,048
Service Fees	268,476	-	268,476	80,932	-	80,932
Private Grants and Contributions	7,691	346,903	354,594	11,344	102,919	114,263
Student Activity Fees	278,100	-	278,100	41,859	-	41,859
Interest and Other Income	1,889	-	1,889	1,977	-	1,977
Loss on Disposal of Fixed Assets	(15,239)	-	(15,239)	-	-	-
Donated Services and Materials	1,184	-	1,184	8,325	-	8,325
<u>Special Event (Auction):</u>						
Contributions Derived	\$ -	\$ 59,460	\$ 59,460	\$ 16,043	\$ -	\$ 16,043
Gifts-in-Kind	15,152	-	15,152	12,774	-	12,774
Entry Fee - Ticket Sales	18,133	-	18,133	13,191	-	13,191
Less: Cost of Direct Benefits to Donors	(15,417)	-	(15,417)	(16,239)	-	(16,239)
Net Revenue from Special Event	<u>\$ 17,868</u>	<u>\$ 59,460</u>	<u>\$ 77,328</u>	<u>\$ 25,769</u>	<u>\$ -</u>	<u>\$ 25,769</u>
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>113,680</u>	<u>(113,680)</u>	<u>-</u>	<u>71,652</u>	<u>(71,652)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 10,546,741</u>	<u>\$ 292,683</u>	<u>\$ 10,839,424</u>	<u>\$ 8,855,131</u>	<u>\$ 31,267</u>	<u>\$ 8,886,398</u>
<u>Expenses:</u>						
Educational Services	\$ 7,771,687	\$ -	\$ 7,771,687	\$ 7,590,644	\$ -	\$ 7,590,644
General and Administrative	733,318	-	733,318	835,252	-	835,252
Fundraising	111,944	-	111,944	19,311	-	19,311
Total Expenses	<u>\$ 8,616,949</u>	<u>\$ -</u>	<u>\$ 8,616,949</u>	<u>\$ 8,445,207</u>	<u>\$ -</u>	<u>\$ 8,445,207</u>
Changes in Net Assets	\$ 1,929,792	\$ 292,683	\$ 2,222,475	\$ 409,924	\$ 31,267	\$ 441,191
Net Assets at Beginning of Year	<u>1,282,104</u>	<u>34,642</u>	<u>1,316,746</u>	<u>872,180</u>	<u>3,375</u>	<u>875,555</u>
Net Assets at End of Year	<u>\$ 3,211,896</u>	<u>\$ 327,325</u>	<u>\$ 3,539,221</u>	<u>\$ 1,282,104</u>	<u>\$ 34,642</u>	<u>\$ 1,316,746</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 2,222,475	\$ 441,191
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	102,412	89,349
Loss on Disposal of Fixed Assets	15,239	-
Debt Issuance Costs Interest	17,784	-
Accounts Receivable - (Increase)/Decrease	(269,133)	7,396
Grants Receivable - (Increase)/Decrease	(253,859)	68,368
Promises Receivable - (Increase)/Decrease	(101,603)	(28,357)
Prepaid Expenses - (Increase)/Decrease	(56,587)	22,558
Deposits - (Increase)/Decrease	(27,900)	-
Accounts Payable and Accrued Expenses - Increase/(Decrease)	(176,203)	232,320
Payroll and Related Liabilities - Increase/(Decrease)	(1,487)	73,127
Refundable Advances - Increase/(Decrease)	(66,629)	75,801
Deferred Rent Abatement - Increase/(Decrease)	<u>75,446</u>	<u>-</u>
Net Cash Flows from Operating Activities	<u>\$ 1,479,955</u>	<u>\$ 981,753</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (3,866,925)	\$ (627,948)
(Increase) in Restricted Cash	<u>(238,752)</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (1,194,282)</u>	<u>\$ (627,948)</u>
<u>Cash Flows from Financing Activities:</u>		
Loan Proceeds	\$ 1,442,446	\$ -
Payment for Debt Issuance Costs	(266,766)	-
Payments on Capital Lease	<u>(17,764)</u>	<u>(16,732)</u>
Net Cash Flows from Financing Activities	<u>\$ 1,157,916</u>	<u>\$ (16,732)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 1,443,589	\$ 337,073
Cash and Cash Equivalents at Beginning of Year	<u>1,554,468</u>	<u>1,217,395</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,998,057</u>	<u>\$ 1,554,468</u>

Supplemental Disclosures:

- a) Interest in the amount of \$7,777 and \$4,155 was paid during the years ended June 30, 2018 and 2017, respectively.
- b) No income taxes were paid during the years ended June 30, 2018 and 2017.

Non-Cash Disclosure:

- a) The Charter School incurred construction in progress expense in the amount of \$2,911,395 that was charged to accounts payable as of June 30, 2018.

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

DC Bilingual Public Charter School (the Charter School), a District of Columbia Not-for-Profit Corporation, was incorporated in December 2003, exclusively for educational purposes. The Charter School operates as part of the District of Columbia Public School System. The mission of the DC Bilingual Public Charter School is to create a learning community that ensures high academic achievement for all students in both Spanish and English, develops leadership, and values all cultures.

School Description

Founded in 2004, DC Bilingual offers an innovative dual immersion Spanish and English learning program for all students, regardless of their home language. Through the Charter School's rigorous academic curriculum, comprehensive arts, technology, and athletics programs and celebration of diverse cultures, DC Bilingual's students learn the skills and values needed to become influential participants in their community.

DCB's philosophy and teaching model reflect the school's belief that students develop to their full academic potential when they have access to ambitious instruction and a full range of services, differentiated for each student's individualized needs. Our co-teaching model allows instructors to balance direct with small group and 1:1 instruction. Our teachers deliver a unique, dual language immersion model - a form of language instruction that brings together students from all backgrounds to experience learning in both languages, Spanish and English. Throughout the school day, students gain skills, knowledge, and an understanding of academic concepts through communicating in both English and Spanish. DCB complements the school's core curriculum with a vibrant performing and visual arts program, a healthy lifestyles program, access to transformation opportunities, and deep community engagement.

As a result of our programs and practices, DC Bilingual students have made great academic strides. In 2017, the third year of the rigorous, Common Core-aligned PARCC exam, 73% of our students scored at a level 3 and above on the English language arts test, compared with 53% city-wide. Further, 96% of our 5th graders (or 100% of our 5th graders who have been with DCB for over two years) scored at a level 3 and above on the English language arts test and, 85% scored at a level 4 and above, surpassing the city-wide average by 36 percentage points. Since 2015, the DC Public Charter School Board has ranked DCB as a Tier 1 school, and this past year among the top 10 highest-performing elementary charter schools in the city.

2. 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 (GAAP).

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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.

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. The Charter School recognized 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.

Auctions - Gifts-in-Kind

The Charter School held an auction of donated non-cash assets referred to as gifts-in-kind during the year ended June 30, 2018 and 2017. The gifts-in-kind are recognized at fair value at the time of donation. The difference between the amount received for these items from the winning bidder and the fair value of the gifts-in-kind when originally contributed to the Charter School, is adjusted either upwards or downwards to contribution revenue.

(c) Corporate Taxes:

The Charter School is exempt from federal and district 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. 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). Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes: (Continued)

As of June 30, 2018, the Charter School recognized \$776 of income tax expense related to filing of the 2017 990-T tax return. In addition, \$333 of income tax expense due to the District of Columbia has been recorded in the financial statements related to income tax on transportation benefits.

The Charter School is also exempt from District of Columbia sales and use tax.

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia. 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 adjustments for disallowed costs has been made in the accompanying financial statements, as management believes any such adjustment would not have a material effect on the financial statements.

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

Unrestricted net assets are defined as net assets that are not subject to donor-imposed restrictions and over which the Board of Trustees 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

Temporarily restricted net assets are defined as 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.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets (Continued)

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Fight for Children/Joe's Champs	\$ 14,649	\$ 27,074
Lowe's - Expanding Our School Garden	596	3,390
Flamboyan	2,934	2,861
Action for Healthy Kids	249	1,146
Kids Cook Monday Grant	124	171
The Nature Conservancy	706	-
Fuel up to Play	3,067	-
Field Trips and Food	409	-
Whole Kids	2,000	-
Project Produce	2,000	-
Cafritz	100,000	-
Dodge Family Fund	45,000	-
Community Kitchen	105,591	-
Library	<u>50,000</u>	<u>-</u>
Total	<u>\$ 327,325</u>	<u>\$ 34,642</u>

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Gala	\$ 600	\$ -
Flamboyan	38,581	22,111
Renovations	-	17,624
Fight for Children/Joe's Champs	38,425	15,881
Field Trips and Food	4,074	9,473
The Nature Conservancy	1,294	2,957
Action for Healthy Kids	897	2,454
Imagination Stage	-	385
National Building Museum	-	370
Kids Cook Monday Grant	47	329
PK3	-	50
Common Threads	-	18
Arts and Concerts	1,071	-
Fuel up to Play	897	-
Lowe's - Expanding Our School Garden	2,794	-
Robert's Foundation	<u>25,000</u>	<u>-</u>
Total Released	<u>\$ 113,680</u>	<u>\$ 71,652</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets are defined as net assets subject to donor-imposed stipulations require 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, 2018 or 2017.

(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. The time contributed by the Board of Trustees is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Marketing and Other Services	\$ <u>1,184</u>	\$ <u>8,325</u>

(g) 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 special events, fundraisers and the soliciting of contributions.

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.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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. All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

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

(h) 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.

(i) 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.

(j) Fair Value of Certain Financial Instruments:

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

(k) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or total net assets from the prior years.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

3. 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 DC Bilingual Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2018, 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, 2018, the statute of limitations for tax years 2014 through 2016 remains open with the U.S. federal jurisdiction or the District and various states and local jurisdictions in which the Charter School 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, 2018, the Charter School had no accruals for interest and/or penalties.

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Checking Account	\$ 2,984,511	\$ 1,540,652
Savings Account	248,779	10,017
Petty Cash	<u>3,519</u>	<u>3,799</u>
Total	<u>\$ 3,236,809</u>	<u>\$ 1,554,468</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 Charter School maintains its operating funds in multiple financial institutions. These checking 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, 2018 and 2017, \$2,612,629 and \$1,183,957, 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 Charter School was at risk for funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS: (Continued)

Cash Restricted for Debt Service

Under the terms of a promissory note with Eagle Bank, the Charter School has established a debt service reserve collateral account with Eagle Bank. This account serves as security for the loan obligations as a security interest is granted to Eagle Bank in this account. This account was established during the year ended June 30, 2018. A minimum deposit of \$238,243 was required to be made to this account upon its opening. Withdrawals or disbursements are not allowed to be made from this account and any earnings on the account must be reinvested into the account. The balance of this account as of June 30, 2018, is \$238,752.

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2018 and 2017 consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 108,234	\$ 48,696
Medicaid - School Based Services	206,141	1,837
Student Activity Fees	1,774	175
Other	<u>57,346</u>	<u>53,654</u>
Total	<u>\$ 373,495</u>	<u>\$ 104,362</u>
<u>Grants Receivable</u>		
National School Lunch and Breakfast Programs	\$ 35,942	\$ 40,489
E-Rate	5,526	25,356
No Child Left Behind - Entitlement Funds	255,547	9,735
Fresh Fruits and Vegetables Program	4,115	6,333
Healthy Schools Act	2,495	2,769
School Garden Grant	8,937	-
Scholarship for Opportunity and Results Act (SOAR)	24,194	840
Special Education, IDEA Grants to Local Education Agencies	<u>2,765</u>	<u>140</u>
Total	<u>\$ 339,521</u>	<u>\$ 85,662</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

Accounts and Grants Receivable (Continued)

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 amounts owed to it throughout the year and at year end.

Accounts and grants receivables are recorded when billed or accrued and reported net of an allowance for doubtful accounts, if any. Management provides for probable uncollectible amounts through bad debt expense and only after reasonable collection efforts have been exhausted. Management believes that no allowance for doubtful accounts is required at June 30, 2018 and 2017.

Trade receivables related to program service fees (activity fees, before and after care, etc.) are recognized as revenue at the time the program activity has occurred. Trade receivables are written off as uncollectible when payment has not been received after 180 days.

Promises Receivable

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Promises - Purpose Restricted	\$ 129,960	\$ 28,052
General	<u>-</u>	<u>305</u>
Total Promises Receivable	<u>\$ 129,960</u>	<u>\$ 28,357</u>

The above unconditional promises are due to be received within the next year.

6. FIXED ASSETS:

Furniture, equipment and textbooks 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. 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 as 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, 2018 and 2017 was \$102,412 and \$89,349, respectively. Maintenance and repairs are charged to expenses as incurred.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. FIXED ASSETS: (Continued)

Major classifications of fixed assets and their estimated useful lives are as summarized below:

<u>June 30, 2018</u>				
	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	3-7 Years	\$ 159,682	\$ 103,495	\$ 56,187
Computer Equipment	3-5 Years	240,904	182,947	57,957
Construction in Progress	-	<u>4,418,387</u>	<u>-</u>	<u>4,418,387</u>
Total		<u>\$ 4,818,973</u>	<u>\$ 286,442</u>	<u>\$ 4,532,531</u>

<u>June 30, 2017</u>				
	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	3-7 Years	\$ 223,704	\$ 130,386	\$ 93,318
Computer Equipment	3-5 Years	201,809	105,745	96,064
Construction in Progress	-	<u>593,875</u>	<u>-</u>	<u>593,875</u>
Total		<u>\$ 1,019,388</u>	<u>\$ 236,131</u>	<u>\$ 783,257</u>

7. DEFERRED RENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position. As more fully discussed in Note 14, the DC Bilingual Public Charter School entered into a lease agreement for the rental of a school building located in Washington, DC, for 30 years, commencing on March 12, 2018, and expiring on March 31, 2048. Accordingly, future rent payments have been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of unamortized deferred rent at June 30, 2018, was \$75,446.

8. CAPITAL LEASE PAYABLE:

During the year ended June 30, 2016, the Charter School entered into a capital lease for the purchase of two photocopiers. The amount financed on the capital lease was \$90,032, payable over 60 months with a monthly payment of \$1,741. Maturity is scheduled for August 31, 2020. Interest expense was \$3,123 and \$4,155 for the years ended June 30, 2018 and 2017, respectively, using an implicit rate of 6%. The lease is secured by the photocopiers, which cost \$90,032, and is presented as part of fixed assets. For each of the years ended June 30, 2018 and 2017, depreciation expense in the amount of \$18,006 on the photocopiers has been included in depreciation expense. Accumulated depreciation was \$49,518 and \$31,511 at June 30, 2018 and 2017, respectively. The balance of the capital lease was \$42,338 and \$60,102 at June 30, 2018 and 2017, respectively.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

8. CAPITAL LEASE PAYABLE: (Continued)

The Charter School is committed under the capital lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 20,887	\$ 18,860	\$ 2,027
2020	20,887	20,023	864
2021	<u>3,481</u>	<u>3,455</u>	<u>26</u>
Total Future Minimum Lease Payments	<u>\$ 45,255</u>	<u>\$ 42,338</u>	<u>\$ 2,917</u>

9. LOAN PAYABLE:

Eagle Bank - Construction Loan

On March 13, 2018, the District of Columbia Bilingual Public Charter School entered into a promissory note with Eagle Bank in the amount of \$14,000,000. This note was for the purpose of renovation and construction of the land and school facility, known as Keene School located at 33 Riggs Road, NE. As of June 30, 2018, the Charter School borrowed \$1,442,446 against the loan. This loan calls for consecutive monthly installments of interest only payments effective April 1, 2018, through March 31, 2021. Commencing April 1, 2021, monthly installments of principal and interest are required until maturity of the loan. This note bears interest at a fixed rate of 4.7% per annum. Principal and interest payments are based on a twenty-five (25) year amortization. Maturity on this loan is scheduled for March 13, 2023, at which point there is a balloon payment of any remaining outstanding principal and unpaid interest. As a provision of this loan, the Charter School is permitted to prepay any portion of the principal balance, however they may be subject to a "breakage fee" equal to two percent (2%) of the principal amount prepaid. After three years, prepayments on the loan may be made with no breakage fee. The Charter School is required to meet certain covenants, but not limited to, maintaining a debt service coverage ratio of at least 1.15 to 1.00. Upon execution of this loan, the Charter School was required to open a Debt Service Reserve Account and deposit a total amount of \$238,243 of which, withdrawals and disbursements can only be made as permitted by Eagle Bank for Debt Service obligations. The balance of this cash account as of June 30, 2018, is \$238,752. This loan was secured by the leasehold interest in the real estate located at 33 Riggs Road NE, Washington, DC, improvements to the real estate, fixtures, all profits and revenues including the Per Pupil Funding from the District of Columbia. Eagle Bank's security interest was recorded as the first deed of trust. Interest expense for the year ended June 30, 2018, was \$6,400, which has been capitalized as part of construction in progress. The balance of this note at June 30, 2018, was \$1,442,446. Future minimum required payments of principal on this loan for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2019	\$ -
2020	-
2021	7,628
2022	31,421
2023	<u>1,403,397</u>
Total	<u>\$ 1,442,446</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. LOAN PAYABLE: (Continued)

Debt Issuance Costs

The Charter School adopted the requirements of FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt. Amortization of the debt issuance costs is reported as interest expense in the schedules of functional expenses. Amortization of debt issuance costs was \$17,784 for the year ended June 30, 2018.

Long-term debt at June 30, 2018, consisted of the following:

	<u>June 30, 2018</u>
Notes Payable	\$ 1,442,446
Less: Unamortized Debt Issuance Costs	<u>(248,982)</u>
Total	<u>\$ 1,193,464</u>

10. LINE OF CREDIT:

On July 23, 2015, the Charter School entered into a variable rate revolving \$500,000 line of credit arrangement with United Bank. The purpose of the line of credit was to provide short-term working capital, including relocation expenses. The line was collateralized with a first priority interest on all corporate assets of the Charter School and an assignment of the Charter School's facilities allotment. The line was payable on demand and calls for monthly interest payments at a rate floating monthly at the prevailing 30 day LIBOR as published in the Wall Street Journal and subject to a floor of 4.50%. This line of credit expired on December 31, 2017. There was no balance outstanding on this credit line as of June 30, 2018.

11. 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 July 8, 2004, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about July 8, 2019. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the 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 the DC Bilingual charter every five years, with the next review scheduled for 2018/2019. 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.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

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 (.9% for the 17/18 school year) 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, 2018 and 2017, the Charter School incurred \$93,980 and \$88,941, respectively, in administrative fees.

The charter contract provides that the Charter School may initially educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2018, was not permitted to be greater than 435 students. Audit enrollment for the 2017/2018 year was 435 students.

12. 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, 2018, the per-student rate ranged from \$10,257 to \$13,744 for the educational allotment and \$3,193 for the facility allotment. For the year ended June 30, 2017, the per-student rate ranged from \$9,682 to \$12,974 for the educational allotment and \$3,124 for the facility allotment. Per-pupil funding for the years ended June 30, 2018 and 2017 was as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Pre-K - Grade 5	\$ 4,919,667	\$ 4,419,639
Special Education	1,386,811	1,064,883
English as a Second Language	1,005,186	792,278
At Risk Students	327,950	332,894
Facilities Allotment	1,388,837	1,280,840
Teachers Collective Bargaining	<u>139,618</u>	<u>-</u>
Total	<u>\$ 9,168,069</u>	<u>\$ 7,890,534</u>

13. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2018 and 2017, the Charter School participated in the following award programs:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
National School Lunch and Breakfast Programs	\$ 229,074	\$ 228,425
No Child Left Behind - Entitlement Funds	255,546	225,214
Scholarship for Opportunity and Results Act (SOAR)	80,135	183,306
Special Education, IDEA, Grants to Local Education Agencies	<u>58,254</u>	<u>42,746</u>
Total	<u>\$ 623,009</u>	<u>\$ 679,691</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

Federal formula grants are allocations of money to states or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding, but rather, provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education (OSSE). The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture.

14. LEASE COMMITMENTS:

Building Lease

In June 2015, The Charter School entered into a license to occupy agreement with the District of Columbia to provide a Public Charter School on the premises at 33 Riggs Road, NE. The terms of this agreement were for a one-year term commencing on July 1, 2015, and expiring June 30, 2016. This agreement was extended for an additional one-year term expiring June 30, 2017. The monthly required payment at June 30, 2017, was \$16,617. During the year ended June 30, 2017, the Charter School incurred \$199,408 in licensing fees. On June 29, 2017, the Charter School signed an amendment to the lease which extended the lease term to March 12, 2018, the date on which the long-term ground lease for the building occurred. The amendment to the lease called for monthly payments of \$16,950 until this amended lease ended on March 12, 2018.

On March 12, 2018, the Charter School signed a new lease agreement with the District of Columbia for the land and school building located at 33-35 Riggs Road, NE, Washington, DC. The Charter School is completing a construction project for improvements to the school building. The lease is for a period of 30 years. The monthly rent payments began on March 12, 2018, (prorated for March) at a monthly amount of \$16,133. This payment amount is scheduled to continue until the rent adjustment date. This rent adjustment date is the earlier of two years from the beginning of the lease or the date construction is completed. On the rent adjustment date, the monthly rental payment increases to \$48,833. This monthly rental payment then increases by 2% annually over the life of the lease. The lease agreement also adjusts the rent payments for the approved amount of renovation costs once the construction is completed on the school building. The schedule below reflects an abatement of construction costs in the amount of \$15,790,580. Future required minimum rental lease payments with the change in deferred rent over the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Cash Payment</u>
2019	\$ 248,089	\$ (248,089)	\$ -
2020	248,089	(248,089)	-
2021	248,089	(248,089)	-
2022	248,089	(248,089)	-
2023	248,089	(248,089)	-
Thereafter	<u>6,126,774</u>	<u>1,315,891</u>	<u>7,442,665</u>
Total Future Minimum Lease Payments	<u>\$ 7,367,219</u>	<u>\$ 75,446</u>	<u>\$ 7,442,665</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

15. CONCENTRATIONS:

Revenues

The Charter School receives public funds from the District of Columbia (DC) based on the number of students they enroll according to the Uniform Per Student Funding Formula. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2018 and 2017, eighty-four percent (84%) and eighty-nine percent (89%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives District and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education), as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

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

16. CONTINGENCIES:

The Charter School was granted its charter by the District of Columbia Public Charter School Board, 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 the Charter School's 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 Charter School. While the Charter School's Board of Trustees and management believes 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.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administrations of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 30, 2018, 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.

18. RELATED PARTY TRANSACTIONS:

Contributions

Various board members and employees of the Charter School, organizations for which they are affiliated, and relatives of board members gave contributions to the Charter School in the amount of \$71,630 and \$5,017, respectively, during the years ended June 30, 2018 and 2017.

Board Members

Some of the board members have children that are currently enrolled in the DC Bilingual Public Charter School.

19. FUNDRAISING:

During the years ended June 30, 2018 and 2017, expenses incurred for the purpose of fundraising were \$111,944 and \$19,311, respectively.

20. ADVERTISING COSTS:

Advertising costs are expensed when incurred. Advertising activities were conducted for the purpose of promoting open enrollment to the Charter School and to provide outreach to the community. Direct advertising costs in the amount of \$170 and \$200 were incurred during the years ended June 30, 2018 and 2017, respectively.

21. RETIREMENT PLAN:

The Charter School provides pension benefits for its employees through a qualified defined contribution 401(k) retirement plan administered by a third party. All employees, including part-time employees working at least twenty hours per week are eligible to participate in the Plan. The Charter School contributes, at its discretion, an amount up to 3% of eligible compensation for employees who successfully complete the orientation period. Employer contributions for the years ended June 30, 2018 and 2017 totaled \$131,858 and \$113,712, respectively.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

22. EMPLOYEE BENEFITS:

The cost of payroll taxes and fringe benefits incurred for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Social Security/Medicare	\$ 363,963	\$ 347,807
Health Insurance	207,946	199,479
Retirement	131,858	113,712
Life and Disability Insurance	22,675	20,552
Unemployment	29,794	26,598
Worker's Compensation	31,280	7,729
DeMinimus	<u>-</u>	<u>1,712</u>
Total	<u>\$ 787,516</u>	<u>\$ 717,589</u>

23. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Rent	\$ 215,058	\$ 187,408
Maintenance and Repairs	123,867	85,574
Contracted Building Services	258,861	280,904
Utilities	141,953	143,872
Janitorial Supplies	<u>1,271</u>	<u>-</u>
Total	<u>\$ 741,010</u>	<u>\$ 697,758</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>				<u>June 30, 2017</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Salaries	\$ 4,933,030	\$ 4,395,401	\$ 492,322	\$ 45,307	\$ 4,747,118	\$ 4,215,560	\$ 531,558	\$ -
Employee Benefits	393,759	350,845	39,297	3,617	343,184	304,756	38,428	-
Payroll Taxes	393,757	350,843	39,298	3,616	374,405	332,481	41,924	-
Staff Development Expense	39,436	35,098	4,338	-	64,852	57,590	7,262	-
Other Personnel Expense	<u>15,088</u>	<u>13,429</u>	<u>1,659</u>	<u>-</u>	<u>31,420</u>	<u>27,902</u>	<u>3,518</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 5,775,070</u>	<u>\$ 5,145,616</u>	<u>\$ 576,914</u>	<u>\$ 52,540</u>	<u>\$ 5,560,979</u>	<u>\$ 4,938,289</u>	<u>\$ 622,690</u>	<u>\$ -</u>
<u>Direct Student Costs:</u>								
Textbooks	\$ 27,450	\$ 27,450	\$ -	\$ -	\$ 32,269	\$ 32,269	\$ -	\$ -
Student Supplies and Materials	93,562	93,562	-	-	145,207	145,207	-	-
Student Assessment Materials	1,687	1,687	-	-	5,921	5,921	-	-
Food Service	428,457	428,457	-	-	402,656	357,569	45,087	-
Contracted Instruction	596,985	596,985	-	-	726,922	726,922	-	-
Student Travel/Transportation	293	293	-	-	1,739	1,739	-	-
Other Student Costs	<u>109,156</u>	<u>109,156</u>	<u>-</u>	<u>-</u>	<u>87,506</u>	<u>87,506</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 1,257,590</u>	<u>\$ 1,257,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,402,220</u>	<u>\$ 1,357,133</u>	<u>\$ 45,087</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 215,058	\$ 191,620	\$ 21,463	\$ 1,975	\$ 187,408	\$ 166,423	\$ 20,985	\$ -
Maintenance and Repairs	123,867	110,367	12,362	1,138	85,574	75,991	9,583	-
Contracted Building Services	258,861	230,648	25,835	2,378	280,904	249,450	31,454	-
Utilities	141,953	126,482	14,167	1,304	143,872	127,762	16,110	-
Janitorial Supplies	<u>1,271</u>	<u>1,133</u>	<u>126</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Occupancy Costs	<u>\$ 741,010</u>	<u>\$ 660,250</u>	<u>\$ 73,953</u>	<u>\$ 6,807</u>	<u>\$ 697,758</u>	<u>\$ 619,626</u>	<u>\$ 78,132</u>	<u>\$ -</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 15,199	\$ 13,542	\$ 1,517	\$ 140	\$ 41,971	\$ 37,271	\$ 4,700	\$ -
Equipment Rental and Maintenance	25,845	23,029	2,579	237	25,855	22,960	2,895	-
Telephone/Telecommunications	11,796	10,511	1,177	108	22,405	19,896	2,509	-
Postage and Shipping	1,078	960	108	10	1,234	1,096	138	-
Computer Support Fees	34,237	30,506	3,417	314	46,213	41,038	5,175	-
Printing and Duplication	<u>2,717</u>	<u>2,421</u>	<u>271</u>	<u>25</u>	<u>3,201</u>	<u>2,843</u>	<u>358</u>	<u>-</u>
Total Office Expenses	<u>\$ 90,872</u>	<u>\$ 80,969</u>	<u>\$ 9,069</u>	<u>\$ 834</u>	<u>\$ 140,879</u>	<u>\$ 125,104</u>	<u>\$ 15,775</u>	<u>\$ -</u>
<u>General Expenses:</u>								
Insurance	\$ 31,926	\$ 28,710	\$ 3,216	\$ -	\$ 29,472	\$ 26,172	\$ 3,300	\$ -
Authorizer Fee	93,980	84,514	9,466	-	88,941	78,982	9,959	-
Interest Expense	3,123	-	3,123	-	4,155	-	4,155	-
Business Fees and Dues	49,721	44,713	5,008	-	21,682	19,254	2,428	-
Other Professional Fees	424,319	378,075	42,348	3,896	406,693	344,201	43,402	19,090
Other Expenses	46,926	-	-	46,926	3,079	2,538	320	221
Depreciation	<u>102,412</u>	<u>91,250</u>	<u>10,221</u>	<u>941</u>	<u>89,349</u>	<u>79,345</u>	<u>10,004</u>	<u>-</u>
Total General Expenses	<u>\$ 752,407</u>	<u>\$ 627,262</u>	<u>\$ 73,382</u>	<u>\$ 51,763</u>	<u>\$ 643,371</u>	<u>\$ 550,492</u>	<u>\$ 73,568</u>	<u>\$ 19,311</u>
Total Functional Expenses	<u>\$ 8,616,949</u>	<u>\$ 7,771,687</u>	<u>\$ 733,318</u>	<u>\$ 111,944</u>	<u>\$ 8,445,207</u>	<u>\$ 7,590,644</u>	<u>\$ 835,252</u>	<u>\$ 19,311</u>

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Trustees
DC Bilingual Public Charter School
33 Riggs Road, NE
Washington, DC 20011

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 DC Bilingual Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 November 30, 2018.

Internal Control Over Financial Reporting

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

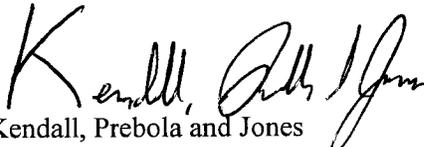
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 DC Bilingual Public Charter 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 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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 30, 2018

DC BILINGUAL PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no audit findings in the prior year.

DC BILINGUAL PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Charter School 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 Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

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

There were no findings in the current year.