



Center City Public Charter Schools

Character, Excellence, Service

**SINGLE AUDIT FINANCIAL REPORT
UNDER UNIFORM GUIDANCE**

JUNE 30, 2018 AND 2017

CENTER CITY PUBLIC CHARTER SCHOOLS

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Independent Auditors' Report

To the Board of Directors
Center City Public Charter Schools
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Center City Public Charter Schools (CCPCS) a nonprofit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditors' 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 audits 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 auditors' 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 auditors consider 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 CCPCS 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.



Other Matters

Other Information

Our audits were 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of CCPCS'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 CCPCS's internal control over financial reporting and compliance.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
October 31, 2018

Certified Public Accountants

CENTER CITY PUBLIC CHARTER SCHOOLS

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 7,407,713	\$ 3,875,044
Investments	2,243,167	4,250,846
Receivables	834,437	627,392
Prepaid Expenses and Other Assets	513,609	587,032
Total Current Assets	10,998,926	9,340,314
Fixed Assets		
Furniture and Equipment	2,370,784	2,091,293
Construction in Progress	475,680	52,997
Leasehold Improvements	5,083,784	4,681,663
	7,930,248	6,825,953
Less Accumulated Depreciation and Amortization	(5,785,113)	(4,925,972)
Total Fixed Assets	2,145,135	1,899,981
Investments, Long-Term	747,370	747,895
Deferred Compensation	9,419	-
Total Assets	\$ 13,900,850	\$ 11,988,190
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 767,648	\$ 575,632
Accrued Payroll and Benefits	1,471,928	1,397,306
Deferred Revenue	1,913	27,704
Deferred Rent	16,217	148,080
Total Current Liabilities	2,257,706	2,148,722
Deferred Compensation Payable	9,419	-
Deferred Rent, Net of Current Portion	-	18,827
Total Liabilities	2,267,125	2,167,549
Net Assets		
Unrestricted	8,632,977	6,805,765
Unrestricted - Board-Designated Reserve	3,000,000	3,000,000
Temporarily Restricted	748	14,876
Total Net Assets	11,633,725	9,820,641
Total Liabilities and Net Assets	\$ 13,900,850	\$ 11,988,190

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018			June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Per Pupil Allocation	\$ 22,166,623	\$ -	\$ 22,166,623	\$ 19,765,956	\$ -	\$ 19,765,956
Facilities Fees	4,690,118	-	4,690,118	4,504,808	-	4,504,808
Federal Grants and Entitlements	2,895,677	-	2,895,677	3,090,737	-	3,090,737
Extended Care and Student Fees	390,049	-	390,049	336,657	-	336,657
Contributions	23,862	11,548	35,410	41,370	43,200	84,570
Other Grants and Awards	133,843	-	133,843	125,790	-	125,790
Interest Income	119,236	-	119,236	21,302	-	21,302
Other Income	17,005	-	17,005	3,593	-	3,593
Net Assets Released from Restrictions	25,676	(25,676)	-	28,324	(28,324)	-
Total Revenue	30,462,089	(14,128)	30,447,961	27,918,537	14,876	27,933,413
Expenses						
Program Services	26,075,390	-	26,075,390	23,847,128	-	23,847,128
Management and General	2,553,564	-	2,553,564	2,852,509	-	2,852,509
Fundraising	5,923	-	5,923	9,682	-	9,682
Total Expenses	28,634,877	-	28,634,877	26,709,319	-	26,709,319
Change in Net Assets	1,827,212	(14,128)	1,813,084	1,209,218	14,876	1,224,094
Net Assets, Beginning of Year	9,805,765	14,876	9,820,641	8,596,547	-	8,596,547
Net Assets, End of Year	\$ 11,632,977	\$ 748	\$ 11,633,725	\$ 9,805,765	\$ 14,876	\$ 9,820,641

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program	Management and General	Fundraising	Total
Personnel, Salaries, and Benefits				
Salaries	\$ 14,938,441	\$ 1,073,738	\$ 5,923	\$ 16,018,102
Employee Benefits	1,842,674	127,794	-	1,970,468
Payroll Taxes	1,203,097	120,895	-	1,323,992
Contracted Staff	130,499	2,500	-	132,999
Professional Development	439,529	25,263	-	464,792
Other Staff Costs	46,296	54,310	-	100,606
Total Personnel, Salaries, and Benefits	18,600,536	1,404,500	5,923	20,010,959
Direct Student Costs				
Contracted Instruction Fees	202,371	-	-	202,371
Supplies and Materials	166,040	-	-	166,040
Other Student Costs	498,955	-	-	498,955
Student Assessments	154,873	-	-	154,873
Textbooks	153,991	-	-	153,991
Food Service/Catering	1,134,196	-	-	1,134,196
Total Direct Student Costs	2,310,426	-	-	2,310,426
Occupancy Expense				
Rent	2,209,723	244,516	-	2,454,239
Maintenance and Repairs	440,158	386	-	440,544
Utilities	339,812	-	-	339,812
Furniture, Fixtures and Equipment	215,473	879	-	216,352
Contracted Building Services	699,257	-	-	699,257
Total Occupancy Expense	3,904,423	245,781	-	4,150,204
Office Expense				
Professional Fees	47,512	249,187	-	296,699
Computer and Related	163,797	70,804	-	234,601
Equipment Rental	84,645	6,723	-	91,368
Office Supplies and Materials	45,953	6,774	-	52,727
Memberships and Subscriptions	13,541	19,621	-	33,162
Other Office Expense	12,177	18,618	-	30,795
Telecommunications	71,407	24,244	-	95,651
Postage and Shipping	2,828	5,233	-	8,061
Printing and Publications	2,797	6,560	-	9,357
Total Office Expense	444,657	407,764	-	852,421
General Expense				
Depreciation	750,828	108,312	-	859,140
DCPCSB Administration Fee	-	270,219	-	270,219
Recruiting and Advertising	33,884	52,335	-	86,219
Insurance	20,163	64,261	-	84,424
Fees and Licenses	10,473	392	-	10,865
Total General Expense	815,348	495,519	-	1,310,867
Total	\$ 26,075,390	\$ 2,553,564	\$ 5,923	\$ 28,634,877

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program	Management and General	Fundraising	Total
Personnel, Salaries, and Benefits				
Salaries	\$ 13,262,081	\$ 1,156,255	\$ 6,150	\$ 14,424,486
Employee Benefits	1,675,653	263,175	246	1,939,074
Payroll Taxes	1,050,572	146,065	470	1,197,107
Contracted Staff	162,661	130,174	-	292,835
Professional Development	430,897	25,965	1,055	457,917
Other Staff Costs	39,177	58,313	-	97,490
Total Personnel, Salaries, and Benefits	16,621,041	1,779,947	7,921	18,408,909
Direct Student Costs				
Contracted Instruction Fees	308,573	-	-	308,573
Supplies and Materials	284,172	-	-	284,172
Other Student Costs	350,405	-	-	350,405
Student Assessments	157,459	-	-	157,459
Textbooks	127,180	-	-	127,180
Food Service/Catering	1,105,523	-	-	1,105,523
Total Direct Student Costs	2,333,312	-	-	2,333,312
Occupancy Expense				
Rent	2,194,033	246,370	-	2,440,403
Maintenance and Repairs	288,040	-	-	288,040
Utilities	326,884	-	-	326,884
Furniture, Fixtures and Equipment	38,013	809	-	38,822
Contracted Building Services	643,164	-	-	643,164
Total Occupancy Expense	3,490,134	247,179	-	3,737,313
Office Expense				
Professional Fees	28,191	211,872	-	240,063
Computer and Related	154,020	65,567	-	219,587
Equipment Rental	101,021	4,314	-	105,335
Office Supplies and Materials	31,910	14,414	1,761	48,085
Memberships and Subscriptions	14,770	15,527	-	30,297
Other Office Expense	11,566	24,848	-	36,414
Telecommunications	77,675	35,179	-	112,854
Postage and Shipping	71	15,566	-	15,637
Printing and Publications	-	4,758	-	4,758
Total Office Expense	419,224	392,045	1,761	813,030
General Expense				
Depreciation	854,129	97,372	-	951,501
DCPCSB Administration Fee	-	271,208	-	271,208
Recruiting and Advertising	103,344	-	-	103,344
Insurance	19,360	63,791	-	83,151
Fees and Licenses	6,584	967	-	7,551
Total General Expense	983,417	433,338	-	1,416,755
Total	\$ 23,847,128	\$ 2,852,509	\$ 9,682	\$ 26,709,319

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,813,084	\$ 1,224,094
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	859,140	951,501
<u>(Increase) Decrease in Assets</u>		
Receivables	(207,045)	(80,318)
Prepaid Expenses and Other Assets	73,423	114,655
Deferred Compensation	(9,419)	-
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	192,016	67,612
Accrued Payroll and Benefits	74,622	207,161
Deferred Revenue	(25,791)	22,555
Deferred Rent	(150,690)	(72,420)
Deferred Compensation Payable	9,419	-
Net Cash Provided by Operating Activities	<u>2,628,759</u>	<u>2,434,840</u>
Cash Flows from Investing Activities		
Purchases of Investments	(4,225,944)	(5,768,302)
Redemptions of Investments	6,234,148	769,561
Purchases of Fixed Assets	<u>(1,104,294)</u>	<u>(1,032,689)</u>
Net Cash Provided by (Used in) Investing Activities	<u>903,910</u>	<u>(6,031,430)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,532,669	(3,596,590)
Cash and Cash Equivalents, Beginning of Year	<u>3,875,044</u>	<u>7,471,634</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,407,713</u></u>	<u><u>\$ 3,875,044</u></u>

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On October 11, 2007, Center City Public Charter Schools (CCPCS), was organized as a nonprofit corporation under the District of Columbia Nonprofit Corporation Act. The principal activity of CCPCS is to operate a community-based public charter school with multiple campuses. The schools are child- and family-centered and offer a comprehensive liberal arts education. CCPCS's mission is to enable a diverse group of students to meet high expectations, develop creativity, critical thinking and problem-solving skills, achieve a deep understanding of complex subjects and acquire a love of learning along with a strong sense of community and character.

CCPCS served 1,469 and 1,442 students during the years ended June 30, 2018 and 2017, respectively.

Income Taxes

CCPCS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and did not conduct unrelated business activities. In addition, CCPCS has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

CCPCS requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. CCPCS does not believe its financial statements include, or reflect, any uncertain tax positions.

CCPCS's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities generally for three years after filing.

Basis of Accounting

CCPCS's financial statements are presented on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses when incurred.

Revenue Recognition

A substantial portion of CCPCS's revenue is derived from the District of Columbia Public School system based on enrollment. The revenue is recognized ratably over the school year. Revenue from other government sources generally represents various entitlements and is recognized as earned.

Cash and Cash Equivalents

CCPCS considers all demand deposits, money market funds, and short-term investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist of bank certificates of deposit that are recorded at cost plus accrued interest.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Compensation

Investments for deferred compensation are recorded at fair market value based on quoted prices on national exchanges.

Receivables

Receivables consist primarily of amounts due from federal grants, receivables from the Office of the State Superintendent of Education of the District of Columbia and other grants. The management of CCPCS reviews the collectability of the receivables on a regular basis. Management believes all amounts are fully collectable and, therefore, no allowance for doubtful accounts is necessary.

Fixed Assets

CCPCS capitalizes all fixed asset acquisitions of \$1,000 and above. Fixed assets are carried at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation is provided using the straight-line method over the estimated useful life of the asset or for leasehold improvements the shorter of the useful life or the remaining lease term. Expenditures for fixed assets and related betterments that extend the useful lives of the assets are capitalized. Expenditures for maintenance and repairs, including planned major maintenance activities, are charged to expense as incurred.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Temporarily Restricted Net Assets

CCPCS reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain 2017 amounts have been reclassified for comparative purposes.

2. CONCENTRATIONS

During the years ended June 30, 2018 and 2017, CCPCS's cash balances at financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

As of June 30, 2018 and 2017, 82% and 84%, respectively, of the total receivables were due from the federal government and District of Columbia Office of the State Superintendent.

3. PER PUPIL ALLOTMENT

CCPCS receives an annual per pupil allotment from the District of Columbia based on its student enrollment which is a substantial portion of its revenue. If a significant reduction in this revenue should occur, it may have a material effect on CCPCS programs. During the years ended June 30, 2018 and 2017, CCPCS earned revenue of approximately \$22,167,000 and \$19,766,000, respectively, from the District of Columbia, which is approximately 73% and 71% of total revenue, respectively. These amounts are reflected as per pupil allocation in the accompanying statements of activities.

In September 2017, the offices of the Deputy Mayor of Education (DME) and the State Superintendent of Education (OSSE), notified all charter school leaders of a tentative approved contract with the Washington Teacher's Union (WTU). Upon approval of the contract by the City Council and Mayor of the District of Columbia (DC), DC provided additional funding to all DC Public and Charter Schools through an increase in the per pupil allocation [Uniform per Student Funding Formula (UPSFF)] which was applied retroactively for the year ended June 30, 2017. All public charter schools received a one-time payment to reflect the increase in the year ended June 30, 2017 UPSFF base rate, which was calculated based on the final enrollment audit count, supplemental payments, and extended school year (ESY) funding. Based on CCPCS's final enrollment count and the \$203 rate increase for the year ended June 30, 2017 UPSFF base rate, CCPCS received approximately \$415,000 in retroactive per pupil allocation revenue which was recognized and reported in CCPCS's financial statements for the year ended June 30, 2018.

4. LEASING ARRANGEMENTS

CCPCS has lease agreements for its school campus properties. The agreements provide for a rent escalation rate of 3% each year. The leases were renewed and extended to July 2023. The campus leases can be renewed for an additional five-year term at the current annual rate plus 3%.

CCPCS has a lease agreement for its central office in Washington, D.C. The lease expires on September 30, 2021. The agreement provides for a rent escalation each year.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. LEASING ARRANGEMENTS (CONTINUED)

Under accounting principles generally accepted in the United States of America (GAAP) all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the leases. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent liability in the accompanying statements of financial position.

CCPCS has entered into leases of certain office equipment. CCPCS is obligated under the leases through April 2021.

Minimum future lease payments under the leases are as follows:

For the Years Ending June 30,

2019	\$ 2,394,245
2020	2,748,801
2021	2,827,775
2022	2,665,162
2023	2,664,485
Thereafter	<u>222,607</u>
Total Minimum Lease Payments	<u><u>\$ 13,523,075</u></u>

5. RETIREMENT PLAN

CCPCS sponsors a 401(k) retirement plan (the 401k Plan) that covers substantially all eligible employees. Employees who are scheduled to work the minimum of 1,000 hours in a 12-month period as defined in the 401k Plan are eligible to participate in the 401k Plan. Eligible employees may elect to defer up to 100% of their annual compensation, not to exceed IRS-imposed limits. Under the 401k Plan, CCPCS matches employees' contributions up to 5% of employees' compensation. Employees are vested in the employer's contribution after one year of employment. CCPCS's contribution under the 401k Plan for the years ended June 30, 2018 and 2017, was approximately \$502,000 and \$507,000, respectively.

During 2018, CCPCS established a supplemental deferred compensation plan (the Plan) for its President and CEO. The Plan requires that CCPCS establish and maintain a book entry account on behalf of the President and CEO for all contributions, deferrals, and investment experience related to the Plan. CCPCS is not liable for any specific investment success, nor is it required to restore any loss of principal that may occur due to market conditions. Under current law, such funds remain the assets of CCPCS and, as such, are subject to the creditors of CCPCS. For the year ended June 30, 2018, CCPCS contributed approximately \$10,000 to the Plan.

6. CONTINGENCIES

CCPCS receives support and revenues from federal government grants and contracts. The ultimate determination of amounts received under these programs is generally based upon allowable costs, which are subject to audit. CCPCS is of the opinion that adjustments, if any, arising from such audits, will not have a material effect on the financial statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

7. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, temporarily restricted net assets consisted of the following:

Purpose	2018	2017
United Way Summer Strong 2017	\$ -	\$ 14,876
Global Ambassadors	748	-
Total Temporarily Restricted Assets	<u>\$ 748</u>	<u>\$ 14,876</u>

For the years ended June 30, 2018 and 2017, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Purpose	2018	2017
United Way Summer Strong 2017	\$ 25,676	\$ 28,324
Total Releases	<u>\$ 25,676</u>	<u>\$ 28,324</u>

8. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split-interest agreements).

The following presents the deferred compensation assets and liabilities measured at fair value as of June 30, 2018:

Description	Level 1	Level 2	Level 3	Total
Deferred Compensation				
Equity Securities	<u>\$ 9,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,419</u>
Deferred Compensation Payable	<u>\$ 9,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,419</u>

9. LINE OF CREDIT

CCPCS had a \$2,000,000 line of credit (LOC) from a financial institution. The LOC was collateralized by CCPCS's bank deposits. Interest was due monthly at the one-month floating London Interbank Offered Rate plus 310 basis points. There was no activity on the LOC during the year ended June 30, 2017. The LOC was closed in November 2016.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

10. CHANGE IN DEPRECIATION OF LEASEHOLD IMPROVEMENTS

CCPCS reviews the estimated useful lives of fixed assets on an ongoing basis. This review indicated that the actual lives of certain leasehold improvements were being depreciated based on the 1st extended lease period, which expires in July 2018. As a result, CCPCS changed its estimates of the remaining depreciation of leasehold improvements based on the extended lease period, during which these assets will remain in service. The effect of this change in estimate was to increase 2017 depreciation expense by approximately \$186,000.

11. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 31, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**Independent Auditors' 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***

To the Board of Directors
Center City Public Charter Schools
Washington, D.C.

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Center City Public Charter Schools (CCPCS), which comprise the statement of financial position as of June 30, 2018, 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 31, 2018.

Internal Control over Financial Reporting

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

To the Board of Directors
Center City Public Charter Schools

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
October 31, 2018

Certified Public Accountants



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

To the Board of Directors
Center City Public Charter Schools
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Center City Public Charter Schools' (CCPCS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CCPCS's major federal programs for the year ended June 30, 2018. CCPCS's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CCPCS'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 CCPCS'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 CCPCS's compliance.

Opinion on Each Major Federal Program

In our opinion, CCPCS 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, 2018.

Report on Internal Control over Compliance

Management of CCPCS, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing



Report on Internal Control over Compliance (Continued)

our audit of compliance, we considered CCPCS'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 CCPCS'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.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
October 31, 2018

Certified Public Accountants

CENTER CITY PUBLIC CHARTER SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Pass-Through Programs from the Office of the State Superintendent of Education of the District of Columbia</i>			
Title I Grants to Local Educational Agencies	84.010A	82010A; Phase 18 and 72010A; Phase 17	\$ 801,970
Supporting Effective Instructions State Grants (formerly Improving Teacher Quality State Grants)	84.367A	82367A; Phase 18 and 72367A; Phase 17	174,502
	84.367B	72367B; Phase 17 and 62367B; Phase 16	<u>88,818</u>
			263,320
English Language Acquisition State Grants	84.365A	82365A; Phase 18 and 72365A; Phase 17	23,479
Student Support and Academic Enrichment Program	84.424A	S424A170009	30,260
Charter Schools	84.282A	VB.282A Phase 18	87,197
Special Education Cluster - Special Education Grants to States	84.027A	82027A; Phase 18 and 72027A; Phase 17	225,621
Special Education Cluster - Special Education Preschool Grants	84.173A	82173A; Phase 18	<u>1,802</u>
			227,423
Education for Homeless Children and Youth	84.196A	62196A; Phase 17	4,895
DC School Choice Incentive Program	84.370C	U370C150002 and U370C170001	<u>283,041</u>
Total Pass-Through Programs from the Office of the State Superintendent			<u>1,721,585</u>
Total U.S. Department of Education			<u>1,721,585</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Pass-Through Programs from the Government of the District of Columbia Department of Health Care Finance</i>			
Medical Assistance Program	93.778	N/A	<u>40,727</u>
Total U.S. Department of Health and Human Services			40,727
<u>Department of Agriculture - Food and Nutrition Service</u>			
<i>Pass-Through Programs from the Office of the State Superintendent of Education of the District of Columbia</i>			
Child Nutrition Cluster - National School Lunch Program (NSLP)	10.555	N/A	502,231
Child Nutrition Cluster - School Breakfast Program (SBP)	10.553	N/A	236,259
Child Nutrition Cluster - National School Snack Program	10.555	N/A	49,876
Fresh Fruit and Vegetable Program (Noncash Commodities)	10.555	N/A	<u>65,330</u>
Total Department of Agriculture			<u>853,696</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,616,008</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Center City Public Charter Schools, under programs of the federal government for the year ended June 30, 2018. The information in this 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). Because the Schedule presents only a selected portion of the operations of Center City Public Charter Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Center City Public Charter Schools.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-Profit Organization*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

Center City Public Charter Schools has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. PASS-THROUGH TO SUBRECIPIENTS

There were no funds passed through to subrecipients.

5. RECONCILIATION OF EXPENDITURES

The financial statements of Center City Public Charter Schools, are presented in accordance with U.S. generally accepted accounting principles. Expenditures per the schedule of expenditures of federal awards are reported on the statements of activities in the audited financial statements as follows:

Description	Total
Federal Grants and Entitlements	\$ 2,895,677
Less Recovery of Prior Year Amounts for the Medical Assistance Program	(221,016)
Less E-Rate (Not Considered Federal Financial Assistance)	(66,382)
Plus Write-off Prior Year Receivable for FY14 SOARs	4,249
Plus Fresh Fruit Vegetables coded to Expense	3,480
Total Schedule of Expenditures of Federal Awards	\$ 2,616,008

CENTER CITY PUBLIC CHARTER SCHOOLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:..... Unmodified

Internal control over financial reporting:

Material weakness(es) identified?..... No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?.....None reported

Noncompliance material to financial statements noted?.....No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?..... No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?None reported

Type of auditors' report issued on compliance for major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
	Child Nutrition Cluster	
10.553	School Breakfast Program	Unmodified
10.555	National School Lunch Program	Unmodified
10.555	School Snack Program	Unmodified
10.555	Fresh Fruit and Vegetables Program	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a).No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	School Snack Program
10.555	Fresh Fruit and Vegetables Program

Dollar threshold used to distinguish between Type A and Type B programs.....\$750,000

Auditee qualified as low-risk auditee? Yes

CENTER CITY PUBLIC CHARTER SCHOOLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section II - Financial Statement Findings

None were reported.

Section III - Federal Award Findings and Questioned Costs

None were reported