

BRIYA PUBLIC CHARTER SCHOOL

WASHINGTON, DC

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COMPARATIVE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**KENDALL, PREBOLA AND JONES**

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**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Trustees  
Briya Public Charter School  
2333 Ontario Road, NW  
Washington, DC 20009

INDEPENDENT AUDITOR'S REPORT

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Briya Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

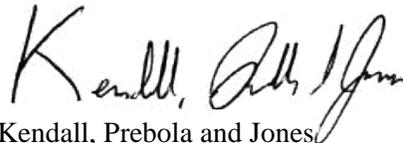
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Briya Public Charter School as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters*****Other Information**

We have audited the financial statements of the Briya Public Charter School as of and for the years ended June 30, 2019 and 2018, and our report thereon dated November 21, 2019, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019, on our consideration of the Briya 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 Briya 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 Briya Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
November 21, 2019

BRIYA PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 4,744,994	\$ 7,476,533
Certificates of Deposit	5,553,442	5,485,269
Investments	4,267,981	-
Accounts Receivable	112,057	117,791
Grants Receivable	206,582	389,670
Promises Receivable	50,000	288,126
Prepaid Expenses	<u>416,951</u>	<u>366,949</u>
Total Current Assets	<u>\$ 15,352,007</u>	<u>\$ 14,124,338</u>
<u>Fixed Assets:</u>		
Furniture, Equipment and Computers	\$ 1,499,269	\$ 1,233,681
Accumulated Depreciation - Furniture, Equipment and Computers	(998,917)	(755,145)
Leasehold Improvements	2,420,656	2,371,051
Accumulated Amortization - Leasehold Improvements	(797,490)	(724,095)
Construction in Progress	<u>-</u>	<u>38,515</u>
Total Fixed Assets	<u>\$ 2,123,518</u>	<u>\$ 2,164,007</u>
<u>Other Assets:</u>		
Deposits	\$ 564,763	\$ 478,508
Investment in Affiliate	<u>104,944</u>	<u>1,254,023</u>
Total Other Assets	<u>\$ 669,707</u>	<u>\$ 1,732,531</u>
TOTAL ASSETS	<u>\$ 18,145,232</u>	<u>\$ 18,020,876</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 738,615	\$ 658,562
Income Taxes Payable	142	401
Accrued Salaries and Expenses	36,158	21,992
Capital Lease - Current Portion	<u>35,426</u>	<u>31,090</u>
Total Current Liabilities	<u>\$ 810,341</u>	<u>\$ 712,045</u>
<u>Long-term Liabilities:</u>		
Capital Lease	\$ 1,540,571	\$ 1,565,710
Less: Current Portion	(35,426)	(31,090)
Deferred Rent	<u>421,740</u>	<u>359,260</u>
Total Long-term Liabilities	<u>\$ 1,926,885</u>	<u>\$ 1,893,880</u>
Total Liabilities	<u>\$ 2,737,226</u>	<u>\$ 2,605,925</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 15,326,339	\$ 15,016,369
With Donor Restrictions	<u>81,667</u>	<u>398,582</u>
Total Net Assets	<u>\$ 15,408,006</u>	<u>\$ 15,414,951</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,145,232</u>	<u>\$ 18,020,876</u>

(See Accompanying Notes and Auditor's Report)

BRIYA PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 7,632,268	\$ -	\$ 7,632,268	\$ 7,004,989	\$ -	\$ 7,004,989
Tuition - Per Pupil Facilities Allocation	2,342,834	-	2,342,834	2,148,706	-	2,148,706
Federal Entitlements and Grants	217,779	-	217,779	440,295	-	440,295
Donated Commodities	578	-	578	2,252	-	2,252
State Government Grants	652,190	-	652,190	568,676	-	568,676
Private Grants and Contributions	8,116	67,745	75,861	54,131	671,950	726,081
Student Fees	26,447	-	26,447	12,055	-	12,055
Donated Services, Facilities, Etc.	91,453	1,980	93,433	87,237	-	87,237
Interest, Dividends and Capital Gains	307,527	-	307,527	103,132	-	103,132
Unrealized Gains	110,679	-	110,679	-	-	-
E-rate and Other Revenues	63,692	-	63,692	46,673	-	46,673
Gain/(Loss) on Disposal of Fixed Assets	-	-	-	179	-	179
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	386,640	(386,640)	-	315,368	(315,368)	-
Total Revenues and Other Support	\$ 11,840,203	\$ (316,915)	\$ 11,523,288	\$ 10,783,693	\$ 356,582	\$ 11,140,275
<u>Expenses:</u>						
Educational Services	\$ 10,514,014	\$ -	\$ 10,514,014	\$ 8,907,179	\$ -	\$ 8,907,179
Fundraising	964,322	-	964,322	49,880	-	49,880
General and Administrative	51,897	-	51,897	1,418,210	-	1,418,210
Total Expenses	\$ 11,530,233	\$ -	\$ 11,530,233	\$ 10,375,269	\$ -	\$ 10,375,269
Changes in Net Assets	\$ 309,970	\$ (316,915)	\$ (6,945)	\$ 408,424	\$ 356,582	\$ 765,006
Net Assets, Beginning of Year	15,016,369	398,582	15,414,951	14,607,945	42,000	14,649,945
Net Assets, End of Year	\$ 15,326,339	\$ 81,667	\$ 15,408,006	\$ 15,016,369	\$ 398,582	\$ 15,414,951

(See Accompanying Notes and Auditor's Report)

BRIYA PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>				<u>June 30, 2018</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>								
Teacher Salaries	\$ 54,697	\$ 54,697	\$ -	\$ -	\$ 90,762	\$ 90,762	\$ -	\$ -
Teaching Assistant Salaries	149,941	149,941	-	-	165,269	165,269	-	-
Student Support Salaries	28,252	25,427	2,825	-	-	-	-	-
Front Office Salaries	93,896	80,081	13,815	-	66,919	12,737	54,182	-
IT Salaries	3,546	3,546	-	-	32,389	24,292	8,097	-
Security Salaries	24,797	19,838	4,959	-	15,041	12,842	2,199	-
Fringe Benefits - Staff	45,620	42,862	2,758	-	35,584	29,390	6,194	-
Contracted Executive Salaries	127,163	101,731	19,074	6,358	119,348	53,707	59,674	5,967
Contracted Business Management Services	329,338	149,569	163,632	16,137	317,176	73,131	224,876	19,169
Contracted Leadership Services	390,866	334,538	45,147	11,181	349,929	281,199	63,059	5,671
Contracted Teaching Services	2,607,606	2,589,770	17,836	-	2,402,696	2,402,696	-	-
Contracted Student Support Services	781,664	751,637	30,027	-	569,011	469,015	99,996	-
Contracted IT Support	206,348	165,078	41,270	-	201,146	150,859	50,287	-
Contracted Front Office Support	475,247	384,144	91,103	-	457,860	286,752	171,108	-
Contracted Teaching Assistant Services	261,205	261,205	-	-	225,619	225,619	-	-
Fringe Benefits - Contracted Staff	893,524	817,667	69,851	6,006	737,074	626,044	106,175	4,855
Program Stipends	78,264	77,800	464	-	33,645	33,645	-	-
Substitute Teachers	-	-	-	-	-	-	-	-
Temporary Contract Help	2,859	2,859	-	-	1,940	1,940	-	-
Staff Development Costs	110,710	104,061	6,286	363	106,914	91,286	15,628	-
Other Staff Related Expenses	460,822	433,148	26,163	1,511	369,058	315,112	53,946	-
<b>Total Personnel, Salaries and Benefits</b>	<b>\$ 7,126,365</b>	<b>\$ 6,549,599</b>	<b>\$ 535,210</b>	<b>\$ 41,556</b>	<b>\$ 6,297,380</b>	<b>\$ 5,346,297</b>	<b>\$ 915,421</b>	<b>\$ 35,662</b>
<u>Direct Student Costs:</u>								
Student Supplies, Snacks, etc.	\$ 56,732	\$ 56,732	\$ -	\$ -	\$ 73,891	\$ 73,891	\$ -	\$ -
Student Assessment and Materials	23,378	23,378	-	-	48,741	48,741	-	-
Student Textbooks	22,045	22,045	-	-	17,841	17,841	-	-
Library and Media Materials	-	-	-	-	3,676	3,676	-	-
Student Uniforms	13,431	13,431	-	-	931	931	-	-
Contracted Instructional Fees	145,443	145,443	-	-	139,226	139,226	-	-
Student Travel/Field Trips	40,636	40,636	-	-	41,801	41,801	-	-
Food Service Fees	50,270	50,270	-	-	46,268	46,268	-	-
Other Student Costs	112,885	112,885	-	-	106,043	106,043	-	-
<b>Total Direct Student Costs</b>	<b>\$ 464,820</b>	<b>\$ 464,820</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 478,418</b>	<b>\$ 478,418</b>	<b>\$ -</b>	<b>\$ -</b>

(See Accompanying Notes and Auditor's Report)

BRIYA PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019				June 30, 2018			
	<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>Occupancy Costs:</u>								
Amortization Leasehold Improvements	\$ 4,845	\$ 4,554	\$ 275	\$ 16	\$ 2,831	\$ 2,402	\$ 411	\$ 18
Imputed Interest	77,423	72,773	4,396	254	78,680	78,680	-	-
Capital Lease Amortization	68,550	64,433	3,892	225	68,550	68,550	-	-
Rent	1,015,704	954,708	57,666	3,330	996,237	845,410	144,730	6,097
Loss from LLC - Occupancy Costs	1,149,079	1,080,073	65,239	3,767	1,128,460	957,615	163,939	6,906
Maintenance and Custodial Salaries	104,212	83,369	20,843	-	114,279	97,575	16,704	-
Fringe Benefits - Maintenance and Custodial	10,970	8,776	2,194	-	10,065	8,594	1,471	-
Contracted Building Support	94,821	89,127	5,383	311	-	-	-	-
Contracted Building Services	3,280	3,083	186	11	33,916	28,943	4,955	18
Rent - Other	3,000	2,820	170	10	3,375	2,882	493	-
Cleaning and Maintenance	64,727	60,840	3,675	212	24,737	20,992	3,593	152
Facility Consulting Fees	10,707	10,064	608	35	2,500	2,135	365	-
<b>Total Occupancy Costs</b>	<b>\$ 2,607,318</b>	<b>\$ 2,434,620</b>	<b>\$ 164,527</b>	<b>\$ 8,171</b>	<b>\$ 2,463,630</b>	<b>\$ 2,113,778</b>	<b>\$ 336,661</b>	<b>\$ 13,191</b>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 51,406	\$ 48,319	\$ 2,919	\$ 168	\$ 59,362	\$ 50,375	\$ 8,624	\$ 363
Equipment Rental and Maintenance	42,909	40,332	2,436	141	37,763	32,046	5,486	231
Telephone and Telecommunications	129,193	121,434	7,335	424	65,743	55,790	9,551	402
Postage, Shipping and Delivery	1,102	1,036	62	4	464	393	67	4
Printing and Duplication	373	351	21	1	4,352	3,693	632	27
<b>Total Office Expenses</b>	<b>\$ 224,983</b>	<b>\$ 211,472</b>	<b>\$ 12,773</b>	<b>\$ 738</b>	<b>\$ 167,684</b>	<b>\$ 142,297</b>	<b>\$ 24,360</b>	<b>\$ 1,027</b>
<u>General Expenses:</u>								
Insurance	\$ 47,795	\$ -	\$ 47,795	\$ -	\$ 22,098	\$ 18,868	\$ 3,230	\$ -
Administrative Fee	98,018	92,132	5,886	-	87,541	74,745	12,796	-
Management Fees	102,500	96,345	6,155	-	100,000	85,383	14,617	-
Accounting, Auditing and Payroll	134,771	6,267	128,504	-	128,412	109,642	18,770	-
Legal Fees	11,525	470	11,055	-	12,625	10,780	1,845	-
Computer Support Fees	265,210	249,283	15,057	870	236,676	202,081	34,595	-
Other Professional Fees	150,853	130,768	19,694	391	152,643	130,331	22,312	-
Business Fees and Dues	27,552	25,898	1,564	90	20,603	17,591	3,012	-
Income Tax	61	-	61	-	401	-	401	-
Imputed Interest	1,029	968	58	3	619	619	-	-
Other Expenses	23,661	22,239	1,344	78	13,704	11,701	2,003	-
Depreciation and Amortization	243,772	229,133	14,639	-	192,835	164,648	28,187	-
<b>Total General Expenses</b>	<b>\$ 1,106,747</b>	<b>\$ 853,503</b>	<b>\$ 251,812</b>	<b>\$ 1,432</b>	<b>\$ 968,157</b>	<b>\$ 826,389</b>	<b>\$ 141,768</b>	<b>\$ -</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 11,530,233</b>	<b>\$ 10,514,014</b>	<b>\$ 964,322</b>	<b>\$ 51,897</b>	<b>\$ 10,375,269</b>	<b>\$ 8,907,179</b>	<b>\$ 1,418,210</b>	<b>\$ 49,880</b>

(See Accompanying Notes and Auditor's Report)

**BRIYA PUBLIC CHARTER SCHOOL**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ (6,945)	\$ 765,006
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
(Gain)/Loss on Disposal of Fixed Assets	-	(179)
Depreciation and Amortization	317,167	264,217
Accounts Receivable - (Increase)/Decrease	5,734	(91,386)
Grants Receivable - (Increase)/Decrease	183,088	(111,389)
Promises Receivable - (Increase)/Decrease	238,126	(248,126)
Prepaid Expenses - (Increase)/Decrease	(50,002)	(58,539)
Deposits - (Increase)/Decrease	(86,255)	(118,754)
Accounts Payable - Increase/(Decrease)	80,053	89,070
Income Taxes Payable - Increase/(Decrease)	(259)	401
Accrued Salaries and Expenses - Increase/(Decrease)	14,166	(12,474)
Deferred Revenue - Increase/(Decrease)	-	(28,597)
Deferred Rent - Increase/(Decrease)	<u>62,480</u>	<u>140,580</u>
Net Cash Flows from Operating Activities	<u>\$ 757,353</u>	<u>\$ 589,830</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets and Construction in Progress	\$ (276,678)	\$ (200,540)
Insurance Proceeds on Disposal of Fixed Assets	-	858
Purchase of Investments	(4,267,981)	-
Net Sales (Purchases) of Certificates of Deposit	(68,173)	(1,074,477)
Investment in Affiliate	<u>1,149,079</u>	<u>1,128,460</u>
Net Cash Flows from Investing Activities	<u>\$ (3,463,753)</u>	<u>\$ (145,699)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds on Capital Lease	\$ 7,193	\$ 19,595
Payments Made on Capital Lease	<u>(32,332)</u>	<u>(27,476)</u>
Net Cash Flows from Financing Activities	<u>\$ (25,139)</u>	<u>\$ (7,881)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ (2,731,539)	\$ 436,250
Cash and Cash Equivalents at Beginning of Year	<u>7,476,533</u>	<u>7,040,283</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,744,994</u>	<u>\$ 7,476,533</u>

Supplemental Disclosures:

- a) Interest in the amount of \$78,452 and \$79,299 was paid during the years ended June 30, 2019 and 2018, respectively.
- b) Income taxes in the amount of \$531 were paid during the year ended June 30, 2019.

Non-Cash Activities:

- a) During the year ended June 30, 2019, the Charter School purchased an AltaLink Copier in the amount of \$7,193 by financing through a capital lease.
- b) During the year ended June 30, 2018, the Charter School purchased two Bizhub C658 copiers in the amount of \$19,595 by financing through a capital lease.

(See Accompanying Notes and Auditor's Report)

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION:

Briya Public Charter School (Briya PCS), a District of Columbia Not-for-Profit Corporation was incorporated on July 12, 2005, exclusively for educational purposes. Briya PCS operates as part of the District of Columbia Public School system with its focus on providing high quality education for adults and children that empowers families through a culturally sensitive family literacy model.

**Basic Programs**

Education

The Briya Public Charter School is a multicultural family literacy public charter school designed to give an integrated educational experience to parents and their children. The program creates a place where parents can learn necessary English literacy and parenting skills and children are prepared for future school success. The program builds on families' strengths and provides the tools and support for improving educational, economic, and social opportunities.

The Charter School works in collaboration with Mary's Center for Maternal and Child Care, Inc., and Bancroft Elementary School.

- Adult Education - English for Speakers of Other Languages.
- Early Childhood Education - Literacy focused classes for children that are held simultaneously with Adult services. Early Childhood Education Classes are taught with an emphasis on preparing children for school aged success.
- Parenting - Parenting Workshops assist parents with developing responsible parenting skills. Parenting includes early childhood education, how to help your child in school, child behavior management, and nutrition.
- Parenting and Child Together - This unique component of family literacy brings parents and their children together in the child's classroom to work, play, and learn through literacy activities.
- Work force development programs - Two programs help students achieve economic independence with credentials for jobs in health care and early childhood care:
  - Medical Assistant (MA) Program - This 18-month program prepares students for a career as a Registered Medical Assistant in medical offices, clinics and hospitals. MA students learn to perform both clinical and administrative duties.
  - CDA Program - This program prepares students to gain the nationally-recognized Child Development Associate (CDA) credential. With the CDA credential, graduates can pursue career options such as early childhood teacher, home visitor, or operator of a licensed home daycare facility.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

**Basic Programs** (Continued)

Education (Continued)

- The National External Diploma Program (NEDP) - NEDP is offered to Briya students who are enrolled in the Advanced II class and provides a unique way for students to earn a high school diploma.
- Education Fellows - Education Fellows Program is a paid internship program that provides a one-year entry level work experience and tuition assistance for continuing education, with the possibility of a second-year renewal.

Other Services

- Counseling and interpretation are available to students in most workshops and during registration and referral services.
- Referral services are available for health care, nutrition, employment, legal aid, emergency shelter, and continuing education.

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.

(b) Revenue Recognition:

**Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

**Contributions** (Contributions)

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Conditional promises, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

**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 recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

(c) Corporate Taxes:

The Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective July 12, 2005. 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 to the Charter School qualify as a charitable tax deduction by the contributor. Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. As of June 30, 2019 and 2018, the Charter School recognized \$127 and \$281, respectively, of income tax expense related to the filing of the 990-T tax return. In addition, \$144 and \$120, respectively, of income tax expense due to the District of Columbia has been reflected in the financial statements related to income tax on transportation benefits for the years ended June 30, 2019 and 2018.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Government Grants:

The Charter School receives grants from federal and state governmental agencies for various purposes in the form of exchange transactions. Grant revenues are recognized based on allowable costs incurred. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue.

(e) Net Assets:

The Charter School reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations and over which the Board of Trustees has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Charter School's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

From time to time, the Board of Trustees designates a portion of the Charter School's unrestricted net assets for purposes that are of importance to the organization.

**Net Assets with Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Charter School must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets with Donor Restrictions** (Continued)

Net assets with donor restrictions were available at year end for the following programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
General -Time Restricted	\$ 50,000	\$ -
Improving Well Being of Young Immigrant Children and their Families	31,667	397,369
Student Loans - Use Restricted	<u>-</u>	<u>1,213</u>
Total Net Assets Available	<u>\$ 81,667</u>	<u>\$ 398,582</u>

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Improving Well Being of Young Immigrant Children and their Families	\$ 365,702	\$ 262,631
Early Childhood Classrooms	10,000	10,000
Antibias Training	7,000	-
Playground Construction	6,895	-
Travel	2,600	1,950
Books	1,980	-
Coat Drive	1,250	-
Student Loans	1,213	787
Toddler Program	<u>-</u>	<u>40,000</u>
Total Net Assets Released from Restrictions	<u>\$ 386,640</u>	<u>\$ 315,368</u>

(f) Donated Services, Materials and Facilities:

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 Charter School's 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.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services, Materials and Facilities: (Continued)

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Facilities	\$ 89,344	\$ 86,742
Books	1,980	-
Conference Registration	1,839	-
Legal Services	270	-
General Services	<u>-</u>	<u>495</u>
Total	<u>\$ 93,433</u>	<u>\$ 87,237</u>

(g) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Charter School's mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

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

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. The Charter School has established a method to specifically identify and record those costs that are considered to be direct student expenses. Such program expenses consist of contracted instructional services, food service, student supplies, student transportation and textbooks.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on estimated amounts of time spent on particular activities.
- Costs of professional fees, legal and accounting, insurance, other general expense, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

- Certain staff expenses including travel, meetings and development are generally allocated between general and administrative and program functions on a percentage basis that is equivalent to that determined for salaries and wages.
- Shared costs (office supplies, telephone, equipment rental, postage and computer expense) are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

(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) Certificates of Deposit:

Certificates of deposit are other investments with original maturities greater than three months and are carried at cost. The certificates of deposit do not qualify as securities as defined in Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) 320, *Investments - Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

(k) Fair Value of Certain Financial Instruments:

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

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(l) Reclassifications:

Certain amounts 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 to total net assets from the prior years.

(m) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 “Presentation of Financial Statements of Not-for-Profit Entities” in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of activities has been changed to present columns for both activities with donor restrictions and activities without donor restrictions as management believes this better reports changes in the Charter School’s changes in financial position arising from its activities.
- The schedule of functional expenses is included as a component of the financial statements.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes had no effect on net assets at July 1, 2018.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Charter School’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (Continued)

Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>June 30, 2019</u>
Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 4,744,994
Certificates of Deposit	5,553,442
Investments	4,267,981
Accounts Receivable	112,057
Grants Receivable	206,582
Promises Receivable	<u>50,000</u>
Total Financial Assets	<u>\$ 14,935,056</u>
Less Amounts Not Available for General	
Expenditure Within One Year:	<u>\$ -</u>
Financial Assets Available to Meet General	
Expenditures Over the Next Twelve Months	<u>\$ 14,935,056</u>

As part of the Charter School’s liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Charter School invests cash in excess of daily requirements in short-term investments through a repurchase agreement which invests in demand deposit accounts.

4. 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 Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2019, 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, 2019, the statute of limitations for tax years 2015 through 2017 remains open with the U.S. federal jurisdiction or the 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, 2019, the Charter School had no accruals for interest and/or penalties.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

5. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT:

**Cash and Cash Equivalents**

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Interest Bearing Checking Account	\$ 4,487,424	\$ 7,414,056
Savings Accounts	182,980	48,369
Non-Interest Bearing Checking Accounts	4,503	4,503
Money Market	70,087	8,980
Petty Cash	<u>-</u>	<u>625</u>
Total	<u>\$ 4,744,994</u>	<u>\$ 7,476,533</u>

**Certificates of Deposit**

Certificates of deposit are purchased from banking institutions by the Charter School and the Manufacturers and Traders Trust Co. as custodian for the Charter School. Certificates of deposit are valued at original cost plus reinvested interest. Balances at year end consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Certificates of Deposit	<u>\$ 5,553,442</u>	<u>\$ 5,485,269</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, including money market mutual accounts.

The Charter School maintains its cash in multiple financial institutions. These cash accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per banking institution, as well as account category. Deposits held in non-interest bearing transaction accounts are aggregated with interest bearing deposits and the combined total is insured up to \$250,000 per banking institution.

As of June 30, 2019 and 2018, \$4,386,427 and \$7,236,516, 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 would be at risk for any funds held in excess of the insured amounts.

The Charter School has entered into two repurchase agreements with PNC Bank and City First Bank in which the banks agreed to transfer to the Charter School an interest in securities issued or guaranteed by the United States or an agency thereof against the transfer of funds from the Charter School to the respective bank. Per the repurchase agreements, funds in excess of \$50,000 and \$200,000 are transferred out on a daily basis. The amount of funds transferred back the next day includes the original purchase price plus interest earned.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

5. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT: (Continued)

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. The balance of these accounts as of June 30, 2019 and 2018 was \$4,264,482 and \$551,913, respectively. These amounts are included in the interest bearing checking amounts above.

As of June 30, 2019 and 2018, \$70,087 and \$8,980, respectively, was held in money market funds that are not federally insured. Management has minimized risk related to these money funds by investing in high quality short term securities as well as certain repurchase agreements that are backed by high quality securities. The money market funds seek to maintain a share price of \$1.00. 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 these accounts.

6. INVESTMENT IN AFFILIATE - MAMIE D. LEE LLC:

Mamie D. Lee, LLC (LLC), was formed on October 1, 2015, by Briya Public Charter School and Bridges Public Charter School for the purpose of leasing property from the District of Columbia and to renovate, remodel, operate, manage, maintain, improve, repair and rent space to the two Member charter schools. Each of the two Member charter schools have equal fifty percent (50%) voting rights in the LLC. Briya Public Charter School's investment in Mamie D. Lee, LLC is accounted for on the equity method. The equity method provides that each Member is allocated their proportionate share of the LLC's net profits and losses. For the years ended June 30, 2019 and 2018, the LLC's net profits, losses and cash flows were allocated based on each Member's share of the investment account balance in the LLC. This investment account balance is calculated by adjusting for capital contributions, distributions, rent usage fees, operating costs and debt service. For the years ended June 30, 2019 and 2018, Briya Public Charter School was allocated 81.38% and 84.40%, respectively, of the LLC's net profits, losses and cash flows. Operating expense is allocated based on square footage occupied by each Member. Debt service was allocated to the Members based on the net debt ratio. Per the agreement between the Charter School and the LLC, Member contributions were required to be paid, all of which were made prior to the year ended June 30, 2016. The balance of the Charter School's investment in Mamie D. Lee, LLC, at June 30, 2019 and 2018 was \$104,944 and \$1,254,023, respectively. The Charter School's proportion of net profits and losses of the LLC for the years ended June 30, 2019 and 2018 was (\$1,149,079) and (\$1,128,460), respectively. The following tables detail the Charter School's investment in affiliate:

Balance - June 30, 2018	\$ 1,254,023
Member Contributions	-
Share of Earnings/(Loss)	<u>(1,149,079)</u>
Balance - June 30, 2019	<u>\$ 104,944</u>
Balance - June 30, 2017	\$ 2,382,483
Member Contributions	-
Share of Earnings/(Loss)	<u>(1,128,460)</u>
Balance - June 30, 2018	<u>\$ 1,254,023</u>

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN AFFILIATE - MAMIE D. LEE LLC: (Continued)

Assets, liabilities and Members' equity of Mamie D. Lee, LLC, as of June 30, 2019 and 2018 were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets	\$ <u>32,730,561</u>	\$ <u>33,799,603</u>
Total Assets	\$ <u>32,730,561</u>	\$ <u>33,799,603</u>
Liabilities	\$ 32,901,813	\$ 32,558,882
Members' Equity	<u>(171,252)</u>	<u>1,240,721</u>
Total Liabilities and Net Assets	\$ <u>32,730,561</u>	\$ <u>33,799,603</u>

The activities of Mamie D. Lee, LLC, as of June 30, 2019 and 2018 were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues	\$ 2,530,265	\$ 2,478,548
Expenses	<u>(3,942,238)</u>	<u>(3,815,563)</u>
Total Change in Members' Equity	\$ <u>(1,411,973)</u>	\$ <u>(1,337,015)</u>

7. INVESTMENTS:

The Charter School invested in equity securities during the year, which are subject to market fluctuations. Investments in equity securities have been measured at fair value and are recorded as such in the statements of financial position. The fair values for marketable equity securities are based on quoted market prices. Unrealized gains and losses are included in the change in net assets. A comparison of the carrying value of these investments at year end was as follows:

<u>June 30, 2019</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Mutual Funds	\$ <u>4,157,302</u>	\$ <u>122,635</u>	\$ <u>(11,956)</u>	\$ <u>4,267,981</u>
Total	\$ <u>4,157,302</u>	\$ <u>122,635</u>	\$ <u>(11,956)</u>	\$ <u>4,267,981</u>

Unrealized gains and losses on investments are based on the difference between book value and fair value. Net unrealized gains at June 30, 2019, were \$110,679.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS: (Continued)

The composition of investment return consisted of the following:

	<u>June 30, 2019</u>
Interest and Dividends	\$ 188,137
Capital Gain Distributions	119,390
Unrealized Gain/(Loss)	<u>110,679</u>
Total	<u>\$ 418,206</u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could affect the amounts reported in the statement of financial position. The Charter School attempts to limit its credit risk associated with investments through diversification.

8. FAIR VALUE MEASUREMENTS:

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

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

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (such as interest note and yield curves);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

8. FAIR VALUE MEASUREMENTS: (Continued)

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

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

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

The following tables set forth by level, within the fair value hierarchy, the Charter School's assets measured at fair value as of June 30, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 4,267,981	\$ -	\$ -	\$ 4,267,981
Total	\$ 4,267,981	\$ -	\$ -	\$ 4,267,981

9. ACCOUNTS, GRANTS, AND PROMISES RECEIVABLE:

**Accounts and Grants Receivable**

Accounts and grants receivable are considered to be fully collectible by management. Balances at year end consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Accounts Receivable:</u>		
Related Organizations	\$ 57,636	\$ 54,288
Per Pupil Funding	15,425	24,140
Interest	20,445	16,852
Other	18,551	22,511
Total	\$ 112,057	\$ 117,791

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

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

**Accounts and Grants Receivable** (Continued)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Grants:</u>		
Adult and Family Education	\$ 113,574	\$ 178,652
Community Schools	53,553	63,854
Immigrant Justice Legal Services	31,279	23,672
E-Rate	6,149	21,792
National School Lunch Program	1,895	4,422
Healthy Schools Act	132	343
Workforce Investment Council	-	49,430
Scholarship for Opportunity and Results Act (SOAR)	-	47,501
Individuals with Disabilities Education Act	-	4
	\$ 206,582	\$ 389,670
Total	\$ 206,582	\$ 389,670

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

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectible once management determines that available collection efforts have been exhausted.

**Promises Receivable**

Contributions are recognized when the 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.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

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

**Promises Receivable** (Continued)

Promises receivable at year end consisted of:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
General - Time Restricted	\$ 50,000	\$ -
Improving Well Being of Young Immigrant Children and their Families	-	248,126
Toddler Program	<u>-</u>	<u>40,000</u>
Total	<u>\$ 50,000</u>	<u>\$ 288,126</u>

The above unconditional promises receivable are all due to be received in less than one year.

10. FIXED ASSETS:

Furniture and equipment, and leasehold improvements are recorded at cost or in the case of contributed property at the fair market value at the date of the 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 or amortized over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected in revenues for the period. Depreciation and amortization have been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$317,167 and \$264,217, respectively. Maintenance and repairs are charged to expenses as incurred.

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

<u>June 30, 2019</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book Value</u>
Furniture and Equipment	5 Years	\$ 303,537	\$ 165,151	\$ 138,386
Computers and Software	3-5 Years	1,195,732	833,766	361,966
Building and Leasehold Improvements	Remaining Life of Lease	<u>2,420,656</u>	<u>797,490</u>	<u>1,623,166</u>
Total		<u>\$ 3,919,925</u>	<u>\$ 1,796,407</u>	<u>\$ 2,123,518</u>

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

10. FIXED ASSETS: (Continued)

<u>June 30, 2018</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book Value</u>
Furniture and Equipment	5 Years	\$ 206,931	\$ 137,170	\$ 69,761
Computers and Software	3-5 Years	1,026,750	617,975	408,775
Building and Leasehold Improvements	Remaining Life of Lease	2,371,051	724,095	1,646,956
Construction in Progress	-	<u>38,515</u>	<u>-</u>	<u>38,515</u>
Total		<u>\$ 3,643,247</u>	<u>\$ 1,479,240</u>	<u>\$ 2,164,007</u>

11. CAPITAL LEASE PAYABLE:

**Leasehold - Georgia Avenue**

On November 1, 2010, Briya Public Charter School entered into a 30-year lease with Mary's Center for Maternal and Child Care, Inc., for approximately 7,735 square feet located at 3910 Georgia Avenue, NW, Washington, DC. Rent for approximately 1,215 square feet of space has been abated. Rent is at a fixed rate of \$15 per square foot in year one and shall increase one percent (1%) each subsequent year over the previous year's rate per square foot per year. The commencement date of this lease was July 1, 2011. The lease may be terminated by a written notice of intent to terminate at least six months prior to the date desired and written consent by the landlord. The Charter School has the option to buy in ten years. The Charter School contributed \$374,000 towards the design and construction of leasehold improvements. On July 1, 2011, the cost value of the capital lease was \$2,056,499. This amount includes the total lease payments of \$1,682,499 and \$374,000 for the design and construction. The lease has been capitalized and is being amortized over 30 years beginning on July 1, 2011. Interest expense was \$77,423 and \$78,680, respectively, for the years ended June 30, 2019 and 2018, using an implicit rate of 5%. The lease is secured by the building and leasehold improvements that cost \$2,056,499, and is presented as part of Building and Leasehold Improvements. For the years ended June 30, 2019 and 2018, amortization expense in the amount of \$68,550 on the building and leasehold improvements is included in depreciation expense. Accumulated amortization was \$548,399 and \$479,849, respectively, at June 30, 2019 and 2018. The balance of the capital lease at June 30, 2019 and 2018 was \$1,521,022 and \$1,548,454, respectively. The Charter School is committed under this capital lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 105,903	\$ 29,852	\$ 76,051
2021	106,962	32,404	74,558
2022	108,032	35,094	72,938
2023	109,113	37,929	71,184
2024	110,203	40,916	69,287
Thereafter	<u>2,051,411</u>	<u>1,344,827</u>	<u>706,584</u>
Total Future Minimum Lease Payments	<u>\$ 2,591,624</u>	<u>\$ 1,521,022</u>	<u>\$ 1,070,602</u>

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

11. CAPITAL LEASE PAYABLE: (Continued)

**Copiers**

On October 18, 2017, Briya Public Charter School entered into a capital lease for the rental of two Konica Minolta Bizhub C658 photocopiers. The amount financed on the capital lease was \$19,595, payable over 60 months with a monthly payment of \$370. Maturity is scheduled for October 31, 2022. Interest expense was \$780 and \$619 for the years ended June 30, 2019 and 2018, respectively, using an implicit rate of 5%. The lease is secured by the photocopy equipment that cost \$19,595, and is presented as part of Furniture and Equipment. For the years ended June 30, 2019 and 2018, amortization expense in the amount of \$3,919 and \$2,613, respectively, on the photocopiers is included in depreciation expense. Accumulated amortization was \$6,532 and \$2,613 at June 30, 2019 and 2018, respectively. The balance of the capital lease at June 30, 2019 and 2018 was \$13,599 and \$17,256, respectively. The Charter School is committed under this capital lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 4,437	\$ 3,845	\$ 592
2021	4,437	4,041	396
2022	4,437	4,248	189
2023	<u>1,482</u>	<u>1,465</u>	<u>17</u>
Total Future Minimum Lease Payments	<u>\$ 14,793</u>	<u>\$ 13,599</u>	<u>\$ 1,194</u>

On August 23, 2018, Briya Public Charter School entered into a capital lease with Canon Financial Services for the rental of an AltaLink C8055 copier. The amount financed on the capital lease was \$7,193, payable over 48 months with a monthly payment of \$166. Maturity is scheduled for September 19, 2022. Interest expense was \$249 for the year ended June 30, 2019, using an implicit rate of 5%. The lease is secured by the photocopy equipment that cost \$7,193, and is presented as part of Furniture and Equipment. For the year ended June 30, 2019, amortization expense in the amount of \$1,079 on the photocopier is included in depreciation expense. Accumulated amortization was \$1,079 at June 30, 2019. The balance of the capital lease at June 30, 2019, was \$5,950. The Charter School is committed under this capital lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,988	\$ 1,729	\$ 259
2021	1,988	1,818	170
2022	1,988	1,911	77
2023	<u>497</u>	<u>492</u>	<u>5</u>
Total Future Minimum Lease Payments	<u>\$ 6,461</u>	<u>\$ 5,950</u>	<u>\$ 511</u>

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

12. 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 a deferred rent in the accompanying statements of financial position. The Charter School entered into an operating lease agreement and a sublease agreement, as more fully discussed in Note 16, for the rental and sublease of space at the Gallatin Street Building in Washington, DC. As a result of these agreements, a net amount of \$421,740 representing future payments has been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of the unamortized deferred rent at June 30, 2019 and 2018 was \$421,740 and \$359,260, respectively. A summary of the net rent obligation and change in deferred rent related to these leases are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2020	\$ 687,280	\$ 15,620	\$ 702,900
2021	687,280	15,620	702,900
2022	687,280	15,620	702,900
2023	687,280	15,620	702,900
2024	687,280	15,620	702,900
Thereafter	<u>15,120,158</u>	<u>343,640</u>	<u>15,463,798</u>
Totals	<u>\$ 18,556,558</u>	<u>\$ 421,740</u>	<u>\$ 18,978,298</u>

13. 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 1, 2006, provides for a 15-year charter effective the date of first operation. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Briya Public Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 18/19 and 17/18 school years) 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, 2019 and 2018, the Charter School incurred \$98,018 and \$87,541, respectively, in administrative fees.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

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

The charter contract provides that the Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2019, was 897 students. Actual enrollment for the 2018/2019 year was 718 students.

14. 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, 2019, the per pupil rate ranged from \$9,486 to \$14,282 for the educational allotment and \$3,263 for the facility allotment. For the year ended June 30, 2018, the per pupil rate ranged from \$9,129 to \$13,744 for the educational allotment and \$3,193 for the facility allotment. Additional allotments were given for Special Education needs and At Risk Students. The number of equivalent full-time students for the years ended June 30, 2019 and 2018 was 718 and 673, respectively. Per-pupil funding for the years ended June 30, 2019 and 2018 was as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Pre-School	\$ 399,888	\$ 343,610
Pre-Kindergarten	318,674	306,684
Adult	6,326,909	5,705,456
Special Education	204,367	189,810
English as a Second Language	339,457	301,556
At Risk	42,973	31,448
Teachers' Collective Bargaining	-	126,425
Facilities Allowance	<u>2,342,834</u>	<u>2,148,706</u>
Total	<u>\$ 9,975,102</u>	<u>\$ 9,153,695</u>

15. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2019 and 2018, the Charter School participated in the following federal award programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Scholarship for Opportunity and Results Act (SOAR)	\$ 113,141	\$ 316,045
Adult Education and Family Literacy Act	69,449	91,725
National School Lunch and Breakfast Program	26,175	27,423
Individuals with Disabilities Education Act (IDEA)	9,014	5,102
Donated Commodities	<u>578</u>	<u>2,252</u>
Total	<u>\$ 218,357</u>	<u>\$ 442,547</u>

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

16. COMMITMENTS:

**Ontario Road - Mary's Center**

The Charter School entered into an amended lease agreement with the Mary's Center for Maternal and Childcare, Inc., effective for a one-year period commencing on August 16, 2010, and ending on August 15, 2011, for the rental of 4,171 square feet of space in a building located at 2355 Ontario Road, NW, and 1707 Kalorama Road, NW, Washington, DC. This lease calls for monthly lease payments of \$10,080. The Charter School renewed the lease terms annually through July 31, 2020. The cost per square foot is \$29. The cost of these facilities was \$120,960 for each of the years ended June 30, 2019 and 2018. Future minimum payments due under this lease are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 120,960
2021	<u>10,080</u>
Total	<u>\$ 131,040</u>

**Kalorama Road - Mary's Center**

On September 1, 2011, the Charter School entered into a lease agreement with the Mary's Center for Maternal and Childcare, Inc., for five years commencing on September 1, 2011, for 2,220 square feet of additional space at 2355 Ontario Road, NW, and 1707 Kalorama Road, NW, at \$21 per square foot. The payments increase by one percent (1%) each subsequent year over the previous year's rate. The lease currently calls for monthly lease payments of \$4,165. The lease has been renewed with the same terms through August 31, 2020. The cost of these facilities was \$49,900 and \$49,406 for the years ended June 30, 2019 and 2018, respectively. Future minimum payments due under this lease are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 50,340
2021	<u>8,414</u>
Total	<u>\$ 58,754</u>

**Newton Street - Jacqueline Bennett**

On August 20, 2016, the Charter School entered into a lease agreement with Jacqueline L. Bennett for the rental of storage space and internship housing located at 1726 Newton Street, NW. The lease was for one year and called for a monthly payment of \$3,211. This lease was extended for an additional two-year term through August 31, 2019. Monthly lease payments of \$3,474 were required as of June 30, 2019. A security deposit of \$2,800 was required to be made related to this lease. Rental expense was \$40,420 and \$39,822 for the years ended June 30, 2019 and 2018, respectively.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

16. COMMITMENTS: (Continued)

**Newton Street - Jacqueline Bennett** (Continued)

Future minimum payments due under this lease are as follows:

<u>Year Ending June 30,</u>	
2020	\$ <u>6,948</u>
Total	\$ <u>6,948</u>

**Gallatin Street - Mamie D. Lee, LLC**

On November 25, 2015, the Charter School entered into a thirty (30) year (sublease) agreement with Mamie D. Lee, LLC, (a related party) to occupy a portion of a new school building located at 100 Gallatin Street, NE, Washington, DC. The lease commenced on July 1, 2016, and is scheduled to expire on June 30, 2046. The Charter School has an option to renew the lease for an additional fourteen-year term. The Charter School has provided Mamie D. Lee, LLC, a first priority lien on the Charter School's Revenues. The annual usage fee represents an amount equal to a predetermined number of students multiplied by the per pupil facilities allowance received from the District of Columbia. The usage fee is full service and includes all utilities, tax, maintenance, repairs, cleaning, snow removal, security monitoring and pest control. The cost of these facilities was \$1,138,518 and \$1,122,745, respectively, for the years ended June 30, 2019 and 2018. Future minimum rental lease payments due under this lease along 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 Payment</u>
2020	\$ 1,110,717	\$ (92,625)	\$ 1,018,092
2021	1,110,717	(84,753)	1,025,964
2022	1,110,717	(76,677)	1,034,040
2023	1,110,717	(68,397)	1,042,320
2024	1,110,717	(59,913)	1,050,804
Thereafter	<u>24,435,761</u>	<u>1,320,669</u>	<u>25,756,430</u>
Totals	<u>\$ 29,989,346</u>	<u>\$ 938,304</u>	<u>\$ 30,927,650</u>

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

16. COMMITMENTS: (Continued)

**Gallatin Street (Sublease) - Mary's Center**

On November 25, 2015, Mary's Center (a related party), entered into a thirty (30) year use (sublease) agreement with Briya Public Charter School to occupy 12,000 square feet within the Charter School's space in the new school building located at 100 Gallatin Street, NE, Washington, DC. The lease commenced on July 1, 2016, and is scheduled to expire on June 30, 2046. Monthly rental payments of \$24,375 began on January 1, 2017, after a six-month abatement period. Rental payments increase annually on July 1. The monthly rental payment to the Charter School at June 30, 2019, was \$25,625. Rent expense was reduced by a total of \$423,438 for the years ended June 30, 2019 and 2018 related to this sublease. The future minimum payments to be paid by Mary's Center to Briya Public Charter School are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2020	\$ (423,437)	\$ 108,245	\$ (315,192)
2021	(423,437)	100,373	(323,064)
2022	(423,437)	92,297	(331,140)
2023	(423,437)	84,017	(339,420)
2024	(423,437)	75,533	(347,904)
Thereafter	<u>(9,315,603)</u>	<u>(977,029)</u>	<u>(10,292,632)</u>
Totals	<u>\$(11,432,788)</u>	<u>\$ (516,564)</u>	<u>\$ (11,949,352)</u>

The following schedule shows the composition of rental expense for the years ended June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Minimum Rentals	\$ 1,349,798	\$ 1,332,933
Donated Rent	89,344	86,742
Less: Sublease	<u>(423,438)</u>	<u>(423,438)</u>
Net Rental Expense	<u>\$ 1,015,704</u>	<u>\$ 996,237</u>

17. GUARANTEE OF INDEBTEDNESS:

Briya Public Charter School is a guarantor on a loan obtained by Mamie D. Lee, LLC, for which Briya Public Charter School is a member, as more fully explained in Note 6. Mamie D. Lee, LLC, obtained a loan in the amount of \$1,340,000 for the school facility. Briya Public Charter School is a guarantor of fifty percent (50%) of this principal balance. Bridges Public Charter School, the other member of Mamie D. Lee, LLC, is a guarantor for the other fifty percent (50%) of the principal balance. The guarantee on this loan includes interest, fees, late charges and any costs associated with the loan or collection of the loan.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

17. GUARANTEE OF INDEBTEDNESS: (Continued)

In addition to the guarantee on the loan, there are financial covenants related to this loan that need to be met as follows:

- a) Each guarantor needs to maintain a lease service coverage ratio of not less than 1.2 to 1.0.
- b) The guarantors along with Mamie D. Lee, LLC, need to maintain, on a combined basis, minimum unrestricted net assets of at least \$12,000,000.
- c) The guarantors need to maintain, on a combined basis, unencumbered liquid assets of not less than \$4,000,000.
- d) Each guarantor needs to maintain one or more deposit accounts with City First Bank of DC with a minimum balance of \$500,000.

These covenants are tested annually at the end of each fiscal year ended on June 30.

18. FUNDRAISING:

Expenses incurred during the years ended June 30, 2019 and 2018, for purposes of fundraising were \$51,897 and \$49,880, respectively.

19. RELATED PARTY TRANSACTIONS:

**Mamie D. Lee, LLC**

Briya Public Charter School and Bridges Public Charter School formed Mamie D. Lee, LLC (the LLC), which was established to lease a school building from the District of Columbia. These two schools, who are both 501(c)(3) organizations, are the only members of the LLC. This school building was renovated by the LLC in order to be subleased to Briya and Bridges Public Charter Schools for a period of thirty years commencing on July 1, 2016, and expiring on June 30, 2046. The Charter School recognized \$1,138,518 and \$1,122,745, respectively, of rent expense related to the lease with Mamie D. Lee, LLC, for the years ended June 30, 2019 and 2018.

The balance of the Charter School's investment in Mamie D. Lee, LLC, at June 30, 2019 and 2018 was \$104,944 and \$1,254,023, respectively. The Charter School's proportion of net profits and losses of the LLC for the years ended June 30, 2019 and 2018 was (\$1,149,079) and (\$1,128,460), respectively.

During the year ended June 30, 2017, the LLC entered into five separate loan agreements. Four of these loans are through the New Market Tax Credit program, which encourages investment in real estate projects in low-income communities by allowing investors to receive tax credits in exchange for making qualified investments in Community Development Entities (CDEs). The CDEs then provide loans to benefit the low-income communities to qualified entities. Mamie D. Lee, LLC, obtained these New Market Tax Credit loans on March 22, 2017. There are certain guarantees related to this debt by the Charter School. As of June 30, 2019 and 2018, the outstanding debt balance of the LLC is \$31,934,599 and \$31,682,574, respectively.

During the years ended June 30, 2019 and 2018, the LLC reimbursed the Charter School for janitorial and facilities services, repair and maintenance costs of \$151,533 and \$42,042, respectively. On June 30, 2019 and 2018, an amount receivable from the LLC of \$10,141 and \$23,776, respectively, was reflected in the Charter School's statements of financial position.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS: (Continued)

**Mary's Center for Maternal and Childcare, Inc.**

Mary's Center for Maternal and Childcare, Inc., is a not-for-profit corporation. Briya Public Charter School and the Mary's Center for Maternal and Childcare, Inc., have separate independent boards of directors and all relationships between the two organizations are by contract.

The Charter School leased employees and facilities from Mary's Center for the years ended June 30, 2019 and 2018. The Charter School paid Mary's Center a human resource services management fee of \$102,500 and \$100,000, respectively, during the years ended June 30, 2019 and 2018. Payments to Mary's Center for contracted employees amounted to \$5,653,949 and \$5,552,178, respectively, for the years ended June 30, 2019 and 2018. Payments to Mary's Center for contracted employees are made on a cost reimbursement basis the following month. Therefore, to cover a portion of the cash Mary's Center uses to pay contracted employees, the Charter School paid Mary's Center a deposit for contracted employee costs that is reflected in Other Assets - Deposits, the balance of which was \$525,000 and \$425,000, respectively, at June 30, 2019 and 2018.

During the years ended June 30, 2019 and 2018, the Charter School reimbursed Mary's Center \$92,142 and \$53,205, respectively, for telephone, supplies and professional development. Mary's Center paid the Charter School \$5,165 and \$40,042 for exam fees and CDA classes during the years ended June 30, 2019 and 2018, respectively. Mary's Center also reimbursed the Charter School \$10,835 for flooring replacement.

On November 1, 2010, Briya Public Charter School entered into a 30-year lease with Mary's Center for the rental of 7,735 square feet located at 3910 Georgia Avenue, NW, Washington, DC, as more fully described in Note 11. This lease has been reflected as a capital lease payable in the statements of financial position. The Charter School made payments to Mary's Center totaling \$104,855 and \$103,817 of principal and interest during the years ended June 30, 2019 and 2018, respectively, related to this lease. The balance of the capital lease payable at June 30, 2019 and 2018 was \$1,521,022 and \$1,548,454, respectively.

During the year ended June 30, 2016, Mary's Center entered into a lease to lease space from Briya Public Charter School for a period of thirty years commencing on July 1, 2016, and expiring on June 30, 2046, as more fully described in Note 16. Rental expense was decreased by \$423,438 related to the lease with Mary's Center.

Mary's Center also leases to the Charter School space in buildings located at Kalorama Road and Ontario Road. Total rental payments made to Mary's Center for the years ended June 30, 2019 and 2018 were \$170,860 and \$170,366, respectively.

On June 30, 2019 and 2018, an amount receivable from Mary's Center of \$47,495 and \$30,512, respectively, was reflected in the Charter School's statements of financial position.

**Board Member Consulting**

During the year ended June 30, 2019, a current board member and a former board member provided consultation in the form of legal services and branding and marketing support, respectively. They were paid a combined fee of \$124,612. The former board member was selected in a competitive bidding process and the current board member was an essential part of a grant application and its award, funding the legal services.

BRIYA PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS

20. CONCENTRATIONS:

The Charter School is dependent on funding from the District of Columbia Public School System, as authorized by the District of Columbia Public Charter School Board. During the years ended June 30, 2019 and 2018, eighty-seven percent (87%) and eighty-three percent (83%), respectively, of total support, excluding donated services and facilities, was received from the District of Columbia for per pupil funding.

21. CONTINGENCIES:

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. There are also certain requirements of the New Market Tax Credit program that the Charter School must adhere to. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

22. SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 21, 2019, 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.

23. CONSOLIDATION:

Management has applied the principles of FASB ASC 958-810, *Reporting of Related Entities by Not-for-Profit Organizations*, in assessing the need to consolidate the financial statements of the Charter School with those of Mamie D. Lee, LLC. Under FASB ASC 958-810, consolidation should occur if both an economic interest between the organizations and control by a majority of common board members exist. Based on the criteria stipulated in the pronouncement, management has determined that financial statement consolidation is not appropriate for the fiscal years ending June 30, 2019 and 2018. Therefore, the accompanying financial statements reflect only the activity and net assets of the Charter School.

**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Trustees  
Briya Public Charter School  
2333 Ontario Road, NW  
Washington, DC 20009

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Briya Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 November 21, 2019.

***Internal Control Over Financial Reporting***

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

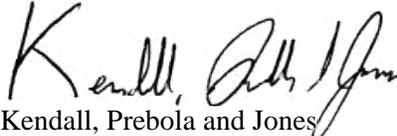
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Briya 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 Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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 21, 2019

BRIYA PUBLIC CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

There were no audit findings in the prior year.

BRIYA PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Briya Public 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 relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

There were no findings in the current year.

BRIYA PUBLIC CHARTER SCHOOL  
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000  
UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
Amazon	Miscellaneous Supplies and Equipment	29,224.01	no
Amy Houser	Branding, Marketing, Communication	35,000.00	yes
Ana G. Méndez University System	Tuition for Contracted Staff	40,000.00	no
Applied Image	Environmental Fabrication Services	58,843.00	no
Merit Research LLC, DBA Ashley Simpson	Research and Policy Consulting Services	30,817.50	no
Camilla Taft	Strategic Consulting Services	30,000.00	no
CITI	IT Support	66,000.00	no
Comcast	Telecommunications	40,620.00	no
Council for Professional Recognition	CDA Supplies and CDA Exam Fees	30,000.00	no
DC Public Charter School Board	Administration Fee	97,983.59	no
DES-DC, Inc (DESCDC)	Furniture	140,000.00	no
Dynamic Network Solutions	IT Hardware/Installation	40,765.00	no
EdOps	Accounting and Finance/Procurement/Consulting	108,000.00	no
Jacquelyn Bennett	Rent	40,420.00	no
Jill McFarren Aviles, LLC	Contracted Instruction	30,000.00	no
JTE, Inc.	Transportation	33,135.00	no
Julia M Toro Law Firm, PLLC	Legal Service	85,000.00	yes
LevelGreen Landscaping	Construction	46,455.00	no
LookThink	Student Information System Support	120,000.00	no
Lutheran Volunteer Corps	Staffing	33,258.32	no
Mamie D Lee LLC	Rent	1,138,518.00	no
Mary's Center	Rent/Staffing/Human Resources/Miscellaneous	6,819,925.00	no
Mennonite Voluntary Service	Staffing	27,017.00	no
Philadelphia Insurance Companies	Health and Life Insurance	28,000.00	no
Revolution Foods	Food Service	51,000.00	no
Salesforce	Student Information System Support	31,500.00	no
Urban Teachers	Staffing	50,000.00	no
WMR Immigration Law Group, LLC	Legal Service	26,657.69	no
Young & Well	Special Education	35,000.00	no