



**CAPITAL CITY PUBLIC CHARTER SCHOOL**

**SINGLE AUDIT FINANCIAL REPORT  
UNDER UNIFORM GUIDANCE**

**JUNE 30, 2018 AND 2017**

CAPITAL CITY PUBLIC CHARTER SCHOOL

TABLE OF CONTENTS  
JUNE 30, 2018 AND 2017

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	<u>Pages</u>
Independent Auditors' Report.....	3-4
Financial Statements	
Statements of Financial Position .....	5
Statements of Activities .....	6
Statements of Functional Expenses .....	7-8
Statements of Cash Flows .....	9
Notes to Financial Statements.....	10-17
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 <i>Government Auditing Standards</i> .....	19-20
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	21-22
Schedule of Expenditures of Federal Awards .....	23
Notes to Schedule of Expenditures of Federal Awards .....	24
Schedule of Findings and Questioned Costs.....	25



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## Independent Auditors' Report

Board of Trustees  
Capital City Public Charter School  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying financial statements of Capital City Public Charter School (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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 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.  
November 29, 2018

Certified Public Accountants

**CAPITAL CITY PUBLIC CHARTER SCHOOL**

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

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 11,939,899	\$ 10,163,429
Federal Grants Receivable	208,107	315,772
Other Grants Receivable	10,000	8,000
Other Receivables	108,731	90,212
Prepaid Expenses	58,140	212,050
Total Current Assets	12,324,877	10,789,463
<b>Fixed Assets</b>		
Furniture and Equipment	2,984,409	2,923,383
Equipment under Capital Lease	146,571	146,571
Leasehold Improvements	30,241,986	29,200,327
	33,372,966	32,270,281
Less Accumulated Depreciation and Amortization	(8,653,253)	(7,248,361)
Total Fixed Assets	24,719,713	25,021,920
<b>Deposits</b>	6,415	20,915
<b>Total Assets</b>	<b>\$ 37,051,005</b>	<b>\$ 35,832,298</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 1,533,415	\$ 1,392,953
Accrued Vacation	182,018	117,681
Refundable Advances	448	69,203
Capital Lease Payable	32,042	32,700
Loan Payable	619,935	599,273
Total Current Liabilities	2,367,858	2,211,810
<b>Capital Lease, Net of Current Portion</b>	51,568	83,409
<b>Interest Rate Swap</b>	43,519	221,798
<b>Loan Payable, Net of Current Portion</b>	16,150,604	16,757,574
<b>Accrued Rent Liability - Ground Lease</b>	3,050,465	2,774,045
Total Liabilities	21,664,014	22,048,636
<b>Net Assets</b>		
Unrestricted	15,254,211	13,757,040
Temporarily Restricted	132,780	26,622
Total Net Assets	15,386,991	13,783,662
<b>Total Liabilities and Net Assets</b>	<b>\$ 37,051,005</b>	<b>\$ 35,832,298</b>

*See accompanying Notes to Financial Statements.*

**CAPITAL CITY PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>June 30, 2018</u>			<u>June 30, 2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue</b>						
Grants and Contributions						
District of Columbia, per Pupil Allocation	\$ 16,978,086	\$ -	\$ 16,978,086	\$ 15,220,200	\$ -	\$ 15,220,200
District of Columbia, per Pupil Facilities	3,170,379	-	3,170,379	3,070,892	-	3,070,892
Federal Entitlements and Grants	1,537,732	-	1,537,732	1,849,206	-	1,849,206
Contributions and Grants	284,489	287,893	572,382	211,841	140,103	351,944
Interest	8,460	-	8,460	4,696	-	4,696
Realized Gain	-	-	-	978	-	978
Local and Supplemental Program Revenue	314,247	-	314,247	319,465	-	319,465
Miscellaneous	152,371	-	152,371	74,536	-	74,536
Net Assets Released from Restrictions	181,735	(181,735)	-	211,229	(211,229)	-
	<u>22,627,499</u>	<u>106,158</u>	<u>22,733,657</u>	<u>20,963,043</u>	<u>(71,126)</u>	<u>20,891,917</u>
<b>Expenses</b>						
Program Services	17,696,648	-	17,696,648	16,924,239	-	16,924,239
Management and General	3,352,053	-	3,352,053	3,155,382	-	3,155,382
Fundraising	259,906	-	259,906	219,932	-	219,932
	<u>21,308,607</u>	<u>-</u>	<u>21,308,607</u>	<u>20,299,553</u>	<u>-</u>	<u>20,299,553</u>
Change in Net Assets before Change in Fair Value of Interest Rate Swap	1,318,892	106,158	1,425,050	663,490	(71,126)	592,364
Change in Fair Value of Interest Rate Swap	178,279	-	178,279	403,054	-	403,054
Change in Net Assets	1,497,171	106,158	1,603,329	1,066,544	(71,126)	995,418
Net Assets, Beginning of Year	13,757,040	26,622	13,783,662	12,690,496	97,748	12,788,244
<b>Net Assets, End of Year</b>	<u>\$ 15,254,211</u>	<u>\$ 132,780</u>	<u>\$ 15,386,991</u>	<u>\$ 13,757,040</u>	<u>\$ 26,622</u>	<u>\$ 13,783,662</u>

*See accompanying Notes to Financial Statements.*

**CAPITAL CITY PUBLIC CHARTER SCHOOL**

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

	Program	Management and General	Fundraising	Total
<b>Personnel, Salaries, and Benefits</b>				
Salaries	\$ 9,526,543	\$ 1,998,895	\$ 182,176	\$ 11,707,614
Employee Benefits	1,671,248	349,774	33,719	2,054,741
Payroll Taxes	758,684	159,190	14,508	932,382
Professional Development	171,776	36,043	3,285	211,104
Other Staff-Related Expense	75,941	15,934	1,452	93,327
Total Personnel, Salaries, and Benefits	12,204,192	2,559,836	235,140	14,999,168
<b>Direct Student Costs</b>				
Supplies, Materials, Snacks	291,009	-	-	291,009
Fieldwork and Other Transportation	143,284	-	-	143,284
Contracted Instruction Fees	324,494	-	-	324,494
Textbooks	34,231	-	-	34,231
Student Assessments	26,830	-	-	26,830
Student Food Service Program	528,377	-	-	528,377
Other Student Costs	218,046	-	-	218,046
Total Direct Student Costs	1,566,271	-	-	1,566,271
<b>Occupancy Expense</b>				
Rent	269,510	6,581	329	276,420
Maintenance and Repairs	188,127	4,594	230	192,951
Utilities and Garbage Removal	403,641	9,857	493	413,991
Contracted Building Services	376,770	9,201	460	386,431
Janitorial Supplies	1,960	48	2	2,010
Interest - Facilities	642,526	15,691	785	659,002
Depreciation - Facilities	1,232,574	30,099	1,505	1,264,178
Total Occupancy Expense	3,115,108	76,071	3,804	3,194,983
<b>Office Expense</b>				
Office Supplies	66,974	14,053	1,281	82,308
Equipment Rent and Maintenance	31,903	6,694	610	39,207
Telecommunications	57,109	11,982	1,092	70,183
Postage	12,747	2,674	244	15,665
Printing and Copying	9,520	1,998	182	11,700
Computer Support Expenses	153,758	32,263	2,940	188,961
Interest - Operating Assets	4,401	924	84	5,409
Total Office Expense	336,412	70,588	6,433	413,433
<b>General Expense</b>				
Insurance	83,260	17,470	1,592	102,322
Authorizer Fees	-	231,003	-	231,003
Accounting, Auditing, and Payroll	-	183,745	-	183,745
Legal Fees	13,103	29,411	-	42,514
Other Professional and Fundraising Fees	-	8,900	7,818	16,718
Dues, Fees, Licenses, and Fines	11,320	49,731	3,019	64,070
Other General Expense	165,312	13,146	1,600	180,058
Depreciation - Operating Assets	201,670	112,152	500	314,322
Total General Expense	474,665	645,558	14,529	1,134,752
<b>Total</b>	<b>\$ 17,696,648</b>	<b>\$ 3,352,053</b>	<b>\$ 259,906</b>	<b>\$ 21,308,607</b>

*See accompanying Notes to Financial Statements.*

**CAPITAL CITY PUBLIC CHARTER SCHOOL**

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

	Program	Management and General	Fundraising	Total
<b>Personnel, Salaries, and Benefits</b>				
Salaries	\$ 9,017,680	\$ 1,910,759	\$ 162,627	\$ 11,091,066
Employee Benefits	1,119,115	238,564	19,847	1,377,526
Payroll Taxes	702,549	148,862	12,670	864,081
Professional Development	186,302	39,475	3,360	229,137
Other Staff-Related Expense	64,509	13,669	1,163	79,341
Total Personnel, Salaries, and Benefits	11,090,155	2,351,329	199,667	13,641,151
<b>Direct Student Costs</b>				
Supplies, Materials, Snacks	321,639	-	-	321,639
Fieldwork and Other Transportation	136,183	-	-	136,183
Contracted Instruction Fees	357,178	-	-	357,178
Textbooks	84,023	-	-	84,023
Student Assessments	38,572	-	-	38,572
Student Food Service Program	494,653	-	-	494,653
Other Student Costs	201,132	-	-	201,132
Total Direct Student Costs	1,633,380	-	-	1,633,380
<b>Occupancy Expense</b>				
Rent	559,592	13,665	683	573,940
Maintenance and Repairs	187,767	4,586	229	192,582
Utilities and Garbage Removal	391,526	9,561	478	401,565
Contracted Building Services	360,208	8,796	440	369,444
Janitorial Supplies	3,815	93	5	3,913
Interest - Facilities	520,799	12,718	636	534,153
Depreciation - Facilities	1,069,622	27,135	1,306	1,098,063
Total Occupancy Expense	3,093,329	76,554	3,777	3,173,660
<b>Office Expense</b>				
Office Supplies	116,916	24,774	2,108	143,798
Equipment Rent and Maintenance	126,965	25,726	2,290	154,981
Telecommunications	27,055	5,733	488	33,276
Postage	12,035	2,550	217	14,802
Printing and Copying	9,352	1,981	169	11,502
Computer Support Expenses	143,035	30,308	2,580	175,923
Interest - Operating Assets	3,959	2,859	71	6,889
Total Office Expense	439,317	93,931	7,923	541,171
<b>General Expense</b>				
Insurance	90,331	19,140	1,629	111,100
Authorizer Fees	-	210,736	-	210,736
Accounting, Auditing, and Payroll	-	191,547	-	191,547
Legal Fees	9,550	3,726	-	13,276
Other Professional and Fundraising Fees	-	41,312	5,973	47,285
Dues, Fees, Licenses, and Fines	9,704	21,302	492	31,498
Other General Expense	192,545	31,715	-	224,260
Depreciation - Operating Assets	365,928	114,090	471	480,489
Total General Expense	668,058	633,568	8,565	1,310,191
<b>Total</b>	<b>\$ 16,924,239</b>	<b>\$ 3,155,382</b>	<b>\$ 219,932</b>	<b>\$ 20,299,553</b>

*See accompanying Notes to Financial Statements.*



**CAPITAL CITY PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 1,603,329	\$ 995,418
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,578,499	1,591,517
Gain on Disposal of Fixed Assets	-	(978)
Decrease (Increase) in Federal Grants Receivable	107,665	(43,323)
Increase in Other Grants Receivable	(2,000)	(1,900)
Increase in Other Receivables	(18,519)	(11,005)
Decrease (Increase) in Prepaid Expenses	153,910	(50,555)
Decrease in Deposits	14,500	20,934
Increase (Decrease) in Accounts Payable and Accrued Expenses	140,462	(192,096)
Increase in Accrued Vacation	64,337	10,275
(Decrease) Increase in Refundable Advances	(68,755)	68,024
Increase in Accrued Rent Liability - Ground Lease	276,420	573,940
Net Cash Provided by Operating Activities	<u>3,849,848</u>	<u>2,960,251</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Fixed Assets	<u>(1,276,292)</u>	<u>(4,067,185)</u>
Net Cash Used in Investing Activities	<u>(1,276,292)</u>	<u>(4,067,185)</u>
<b>Cash Flows from Financing Activities</b>		
Principal Payments on Loan Payable	(586,308)	(538,643)
Change in Value of Interest Rate Swap	(178,279)	(403,054)
Principal Payments on Capital Lease Payable	<u>(32,499)</u>	<u>(30,912)</u>
Net Cash Used in Financing Activities	<u>(797,086)</u>	<u>(972,609)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,776,470	(2,079,543)
Cash and Cash Equivalents, Beginning of Year	<u>10,163,429</u>	<u>12,242,972</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 11,939,899</u></u>	<u><u>\$ 10,163,429</u></u>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Interest Paid	\$ 651,446	\$ 528,077

**Noncash Transaction from Investing and Financing Activities**

During the year ended June 30, 2017, CCPCS entered into capital lease agreements for office equipment valued at approximately \$45,000.

*See accompanying Notes to Financial Statements.*

CAPITAL CITY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Organization*

Capital City Public Charter School (CCPCS) is a not-for-profit corporation incorporated in the District of Columbia in December of 1999. CCPCS began operations on September 6, 2000. CCPCS implements the Expeditionary Learning Outward Bound (ELOB) school design, which uses “learning expeditions” to challenge students to meet rigorous academic and character standards.

The mission of CCPCS is to enable a diverse group of children to meet high expectations, develop creativity, critical thinking, problem-solving skills, and achieve a deep understanding of complex subjects, while acquiring a love of learning and a strong sense of community and character.

The school served 993 and 983 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.

*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*

Cash and cash equivalents include cash on hand, money market funds, and other highly liquid instruments with maturities, when initially purchased, of less than three months.

*Receivables*

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

CAPITAL CITY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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

*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.

*Donated Services*

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CCPCS.

*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.

*Reclassifications*

Certain 2017 amounts have been reclassified for comparative purposes.

**CAPITAL CITY PUBLIC CHARTER SCHOOL**

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

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**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, 100% of the total federal grants receivables were due from the District of Columbia Office of the State Superintendent.

**3. REFUNDABLE ADVANCES**

CCPCS records grant/contract revenue as a refundable advance until it is expended for the purpose of the grant, at which time it is recognized as revenue. The balance in refundable advances at June 30, 2018 and 2017 represents amounts received that will be expended in the next fiscal year in accordance with the grant/contract period.

As of June 30, 2018 and 2017, refundable advances consisted of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Chesapeake Bay Trust	\$ 190	\$ -
ESY Funding for Summer School	258	68,945
Healthy Schools Act	-	258
Total	<u>\$ 448</u>	<u>\$ 69,203</u>

**4. 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 \$20,148,000 and \$18,291,000, respectively, from the District of Columbia, which is approximately 88% and 86% of total revenue, respectively. These amounts are reflected as the District of Columbia, per pupil allocation and per pupil facilities revenue 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 \$320,000 in retroactive per pupil allocation revenue which was recognized and reported in CCPCS's financial statements for the year ended June 30, 2018.

**CAPITAL CITY PUBLIC CHARTER SCHOOL**

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

**5. LOAN PAYABLE AND COMMITMENTS**

*Loan Payable*

In July 2014, the District of Columbia issued \$19,200,000 of tax-exempt variable rate demand revenue bonds (the Series 2014 Bonds), the proceeds of which were loaned to CCPCS via direct placement with a bank. The bonds mature in July 2044. Both principal and interest are payable based on a 23-year mortgage style amortization such that the principal balance will be retired at the end of the first option period of the ground lease discussed in Note 7. Principal is payable based on a fixed schedule, while interest is payable based on a rate that varies monthly. Payments began September 1, 2014. The variable interest rate is 78% of the 30-day LIBOR plus 1.76% during the seven-year initial floating rate period, which ends in July 2021. For the years ended June 30, 2018 and 2017, the average interest rates were approximately 3.17% and 2.31%, respectively. Subsequent to the initial floating rate period, the variable rate will be determined by applying a margin to a percentage of the 30-day LIBOR, with such margin and percentage being determined by the bank, or may be converted to a fixed rate. Such determination of the interest rate for each interest rate period will be consistent with the bank's then-current pricing practices. Further, the bank may call or accelerate the loan at the end of the initial, or any subsequent floating rate period. The duration, as well as interest rates, of subsequent floating rate periods will be determined at the end of each preceding interest rate period. Loans payable at June 30, 2018 and 2017, consisted of the following:

	<b>2018</b>	2017
Loan Payable in Monthly Installments	<b>\$ 17,016,876</b>	\$ 17,616,149
Less Current Portion	<b>(619,935)</b>	(599,273)
Less Unamortized Loan Issuance Costs	<b>(246,337)</b>	(259,302)
Total Long-Term Loan Payable	<b><u>\$ 16,150,604</u></b>	<b><u>\$ 16,757,574</u></b>

During the year ended June 30, 2017, CCPCS retroactively adopted the requirements in *FASB ASC 835-30* to present loan issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of loan issuance costs is reported as interest expense in the statements of activities.

The Series 2014 Bond proceeds were used to repay the outstanding balances of the original Senior Loan and Subordinate Debt used to finance renovating and equipping the School, as well as to fund certain issuance costs. The Series 2014 Bonds are secured by substantially all of the assets of CCPCS and contain restrictive covenants as well as various financial covenants including maintaining a certain debt service coverage ratio and minimum liquidity. As of June 30, 2018 and 2017, CCPCS was in compliance with all of its debt covenants.

The future scheduled maturities of the Series 2014 Bonds are as follows:

For the Years Ending June 30,

2019	\$ 621,826
2020	645,228
2021	669,510
2022	694,706
2023	720,851
Thereafter	<u>13,664,755</u>
Total	<b><u>\$ 17,016,876</u></b>

**CAPITAL CITY PUBLIC CHARTER SCHOOL**

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

**5. LOAN PAYABLE AND COMMITMENTS (CONTINUED)**

***Interest Rate Swap Agreement***

In July 2014, CCPCS entered into a seven-year interest rate swap agreement (the Swap Agreement) to reduce its exposure to interest rate risk on its variable rate debt. The Swap Agreement covers a nominal principal value of \$9,600,000, which represented 50% of the outstanding principal balance of the Series 2014 bonds at issuance.

The Swap Agreement fixes the interest rate at 3.69% on \$9,600,000 of the variable rate debt. The Swap Agreement matures on July 1, 2021, which coincides with the end of the initial floating rate period. The fair value of the swap at June 30, 2018 and 2017 are liability positions of \$43,519 and \$221,798, respectively. The fair value is determined using forward-looking assumptions of interest rates and is not adjusted for non-performance risk of either party. CCPCS does not believe there is significant counter-party risk associated with its Swap Agreement as its counter-party is a highly rated bank.

The following table presents the notional principal amounts of CCPCS's interest rate swap and related treatment in the financial statements.

	Notional Value at June 30, 2018	Expiration Date	Estimated Fair Value at June 30, 2018
Series 2014 Bonds	\$ 9,600,000	7/1/2021	\$ (43,519)
		<b>2018</b>	<b>2017</b>
Statements of Financial Position Location			
Interest Rate Swap		\$ 43,519	\$ 221,798
Location of Gain (Loss) in the Statements of Activities			
Change in Fair Value of Interest Rate Swap		\$ 178,279	\$ 403,054

**6. 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;

**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;

**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.

The following presents CCPCS's liabilities measured at fair value as of June 30, 2018:

Description	Level 1	Level 2	Level 3	Total
Interest Rate Swap	\$ -	\$ 43,519	\$ -	\$ 43,519
Total Liabilities	\$ -	\$ 43,519	\$ -	\$ 43,519

**CAPITAL CITY PUBLIC CHARTER SCHOOL**

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

**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following presents CCPCS's liabilities measured at fair value as of June 30, 2017:

Description	Level 1	Level 2	Level 3	Total
Interest Rate Swap	\$ -	\$ 221,798	\$ -	\$ 221,798
Total Liabilities	\$ -	\$ 221,798	\$ -	\$ 221,798

*Cash and Cash Equivalents* - The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

*Interest Rate Swap Obligation* - Fair value is estimated by the commercial bank issuing the swap agreement based on current market terms of swap agreements with similar durations and interest rates.

*Loans Payable* - The carrying amounts of loans payable approximate fair values because those financial instruments predominantly bear interest at variable rates that approximate current market rates for loans with similar maturities and credit quality.

**7. LEASING ARRANGEMENTS**

***Ground Lease***

On October 17, 2011, CCPCS entered into a twenty-five year ground lease (the Ground Lease) with the District of Columbia for the School facility at 100 Peabody Street, NW, Washington, D.C. The Ground Lease commenced on September 1, 2012. The Ground Lease contains an option to extend the term for an additional twenty-five years if exercised within twelve months prior to the expiration of the original term. The Ground Lease contains a credit for the amount spent on leasehold improvements and renovations of the building to be applied to the first fifteen years of rent on a dollar-for-dollar basis. Any remaining amount of renovation costs not used by year fifteen will be taken as a credit and amortized over the remaining term. Annual rent is \$1,496,000. Under the terms of the original Ground Lease and the additional credit approved during the year ended June 30, 2017, the available credit is approximately \$29,051,000. If CCPCS uses the entire credit available, CCPCS would not pay rent until September 1, 2027. Assuming that the entire credit is used, the future minimum Ground Lease payments are expected to be approximately \$8,349,000. 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 Ground Lease.

The difference between the GAAP rent expense and the required Ground Lease payments is reflected as accrued rent liability-ground lease in the accompanying statements of financial position.

Rent expense for the years ended June 30, 2018 and 2017, was approximately \$276,000 and \$574,000, respectively.

***Capital Lease***

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

**CAPITAL CITY PUBLIC CHARTER SCHOOL**

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

**7. LEASING ARRANGEMENTS (CONTINUED)**

*Capital Lease (Continued)*

Minimum future lease payments under the leases are as follows:

For the Years Ending June 30,

2019	\$ 37,908
2020	37,908
2021	<u>13,659</u>
Total Minimum Lease Payments	89,475
Less Amount Representing Interest	<u>(5,865)</u>
Present Value of Total Minimum Lease Payments	<u><u>\$ 83,610</u></u>

**8. RETIREMENT PLAN**

CCPCS sponsors a 403(b) retirement plan (the Plan). Commencing with the date of hire, both full and part-time employees who average a minimum of 20 hours per week are eligible to participate in the Plan. The Plan provides funding in the amount of 3% for employees who contribute nothing to the Plan and up to 6 % of each eligible employee's annual salary for those employees who contribute 3% to the Plan. CCPCS's contribution under the Plan for the years ended June 30, 2018 and 2017, was approximately \$662,000 and \$613,000, respectively.

**9. 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.

**10. TEMPORARILY RESTRICTED NET ASSETS**

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

<u>Purpose</u>	<u>2018</u>	<u>2017</u>
School Redesign/Breakthrough Schools	\$ 2,509	\$ -
Family Engagement and College Readiness	2,673	1,335
Theatre Campaign	10,420	-
Community Values	20,896	6,880
Other Various Projects	10,010	13,407
Capital Partners for Education	1,556	5,000
Family Campaign	56,266	-
Students Scholarship	<u>28,450</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 132,780</u></u>	<u><u>\$ 26,622</u></u>



CAPITAL CITY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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**11. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

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:

<u>Purpose</u>	<u>2018</u>	<u>2017</u>
School Redesign/Breakthrough Schools	\$ 97,491	\$ 64,739
Family Engagement and College Readiness	8,661	4,297
Theatre Campaign	11,371	73,770
Physical Activity and Health Programs	-	575
Community Values	4	17,000
Other Various Projects	39,252	50,848
Capital Partners for Education	8,444	-
Family Campaign	512	-
Students Scholarship	16,000	-
Total Releases	<u>\$ 181,735</u>	<u>\$ 211,229</u>

**12. SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 29, 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***

Board of Trustees  
Capital City Public Charter School  
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 Capital City Public Charter School (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 November 29, 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*.

**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.  
November 29, 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**

Board of Trustees  
Capital City Public Charter School  
Washington, D.C.

### **Report on Compliance for Each Major Federal Program**

We have audited Capital City Public Charter School's (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 our audit of compliance, we considered CCPCS's internal control over compliance with the types of



***Report on Internal Control over Compliance (Continued)***

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.  
November 29, 2018

Certified Public Accountants

**CAPITAL CITY PUBLIC CHARTER SCHOOL**

**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
<b><u>U.S. Department of Education</u></b>			
<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	7210A; 82010A	\$ 451,304
Supporting Effective Instructions State Grants (formerly Improving Teacher Quality State Grants)	84.367A	82367A	95,344
English Language Acquisition State Grants	84.365A	82365A	23,690
Student Support and Academic Enrichment Program	84.424A	84.424A	19,246
Special Education Cluster - Special Grants to States	84.027A	72027A; 82027A	174,398
Special Education Cluster - Special Education Preschool Grants	84.173A	82173A	724
Charter Schools	84.282A	VB.282A	94,566
DC School Choice Incentive Program	84.370C	CHOICE, 84.370C	<u>243,670</u>
Total Pass-Through Programs from the Office of the State Superintendent			<u>1,102,942</u>
<b>Total U.S. Department of Education</b>			1,102,942
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Pass-Through Programs from the Office of the State Superintendent of Education of the District of Columbia</i>			
School-Based HIV-STD Prevention	93.079	N/A	<u>15,000</u>
<b>Total U.S. Department of Health and Human Services</b>			15,000
<b><u>U.S. Department of Commerce</u></b>			
<i>Pass-Through from the Chesapeake Bay Trust</i>			
Unallied Management Projects	11.454	15726	<u>4,210</u>
<b>Total U.S. Department of Commerce</b>			4,210
<b><u>Department of Agriculture - Food and Nutrition Service</u></b>			
<i>Pass-Through Programs from the Office of State Superintendent of Education of the District of Columbia</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	265,636
National School Breakfast Program	10.553	N/A	80,858
National School Snack Program	N/A	N/A	-
Fresh Fruit and Vegetable Program (Noncash Commodities)	10.555	N/A	<u>32,198</u>
<b>Total Department of Agriculture</b>			<u>378,692</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,500,844</u>

*See accompanying Notes to Schedule of Expenditures of Federal Awards.*

**CAPITAL CITY PUBLIC CHARTER SCHOOL**

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

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Capital City Public Charter School, under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Capital City Public Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Capital City Public Charter School.

**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, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. INDIRECT COST RATE**

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

<u>Description</u>	<u>Total</u>
Federal Entitlements and Grants	\$ 1,537,732
Less E-Rate (Not Considered Federal Financial Assistance)	<u>(36,888)</u>
Total Schedule of Expenditures of Federal Awards	<u>\$ 1,500,844</u>

**6. FOOD COMMODITIES**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.



CAPITAL CITY PUBLIC CHARTER SCHOOL

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

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**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>	
84.010	Title I Grants to Local Educational Agencies	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>	
84.010	Title I Grants to Local Educational Agencies	

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

Auditee qualified as low-risk auditee? ..... Yes

**Section II - Financial Statement Findings**

None were reported.

**Section III - Federal Award Findings and Questioned Costs**

None were reported.