FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.

REPORT ON FINANCIAL STATEMENTS
(with supplementary information)

YEARS ENDED JUNE 30, 2019 AND 2018

Maner Costerisan
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Friendship Public Charter School, Inc.

Report on the Financial Statements

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

Report on Summarized Comparative Information

We have previously audited the 2018 financial statements, and our report dated October 10, 2018, expressed an unmodified audit opinion on these financial statements. In our opinion, the summarized comparative information presented in the statement of functional expenses for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, and the 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*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, on our consideration of Friendship Public Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Friendship Public Charter School, Inc.'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 Friendship Public Charter School, Inc.'s internal controls over financial reporting and compliance.

Maner Costerisan PC

October 17, 2019

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 33,661,314	$ 31,464,121
Investments	5,279,512	4,312,137
Grants and accounts receivable	4,410,835	4,701,254
Prepaid expenses	582,056	334,214
TOTAL CURRENT ASSETS	43,933,717	40,811,726
NONCURRENT ASSETS:		
Cash and cash equivalents	13,961,866	16,539,213
Investments	258,994	253,559
Grants and accounts receivable	429,011	377,006
Property and equipment, net of accumulated depreciation	105,709,635	106,036,477
Deposits and other assets	90,486	97,977
TOTAL NONCURRENT ASSETS	120,449,992	123,304,232
TOTAL ASSETS	$ 164,383,709	$ 164,115,958
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 4,309,271	$ 2,697,591
Accrued salaries and related	6,046,061	6,207,757
Deferred revenue	-	103,797
Current portion of long-term debt	2,820,000	2,760,000
TOTAL CURRENT LIABILITIES	13,175,332	11,769,145
LONG-TERM DEBT		
less current portion and loan issuance costs	109,424,722	112,414,997
TOTAL LIABILITIES	122,600,054	124,184,142
NET ASSETS:		
Without donor restrictions	41,679,766	39,931,816
With donor restrictions	103,889	-
TOTAL NET ASSETS	41,783,655	39,931,816
TOTAL LIABILITIES AND NET ASSETS	$ 164,383,709	$ 164,115,958

See notes to financial statements.

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions
OPERATING REVENUES:				
Pupil revenue	$ 79,255,567	$ -	$79,255,567	$ 79,594,978
Federal grants	9,720,065	-	9,720,065	7,825,307
Extended learning and child care services	2,181,202	-	2,181,202	1,919,668
Other grants and contributions	1,381,012	103,889	1,484,901	1,149,434
Other income	70,533	-	70,533	129,617
Total operating revenues	92,608,379	103,889	92,712,268	90,619,004
OPERATING EXPENSES:				
Program services:				
Educational activities	74,458,038	-	74,458,038	71,924,513
Extended learning	5,204,364	-	5,204,364	4,736,670
Support services:				
Management and general	11,834,620	-	11,834,620	12,504,285
Fundraising	57,200	-	57,200	114,989
Total operating expenses	91,554,222	-	91,554,222	89,280,457
NET OPERATING ACTIVITIES	1,054,157	103,889	1,158,046	1,338,547
NONOPERATING ACTIVITIES:				
Interest income	493,958	-	493,958	250,605
Investment return, net	199,835	-	199,835	2,887
Total nonoperating activities	693,793	-	693,793	253,492
CHANGE IN NET ASSETS	1,747,950	103,889	1,851,839	1,592,039
NET ASSETS:				
Beginning of year	39,931,816	-	39,931,816	38,339,777
End of year	$ 41,679,766	$ 103,889	$41,783,655	$ 39,931,816

See notes to financial statements.

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(with comparative totals for the year ended June 30, 2018)

	Program services		Support services		Total expenses	
	Educational activities	Extended learning	Management and general	Fundraising	2019	2018
EXPENSES:						
Personnel salaries and benefits:						
Principal/executive salaries	$ 1,164,857	$ 1,225	$ 991,096	$ -	$ 2,157,178	$ 1,928,487
Teacher salaries	18,693,025	847,980	-	-	19,541,005	19,027,551
Special education salaries	5,015,118	-	-	-	5,015,118	4,553,970
Other education professional salaries	3,570,932	830,627	-	-	4,401,559	4,948,185
Business/operations salaries	1,186,496	-	-	-	1,186,496	1,259,925
Administrative/other staff salaries	10,636,560	1,607,456	4,691,336	-	16,935,352	15,922,318
Employee benefits and payroll taxes	7,418,334	307,755	827,462	-	8,553,551	7,907,968
Total personnel salaries and benefits	47,685,322	3,595,043	6,509,894	-	57,790,259	55,548,404
Direct student expenses:						
Educational supplies and textbooks	1,718,929	167,789	-	-	1,886,718	2,682,478
Student assessments/program evaluation	103,362	-	-	-	103,362	144,993
Contracted student services	792,656	-	-	-	792,656	652,775
Food service	2,297,754	4,114	-	-	2,301,868	2,057,600
Other direct student expenses	939,599	108,754	-	-	1,048,353	786,625
Total direct student expenses	5,852,300	280,657	-	-	6,132,957	6,324,471

See notes to financial statements.

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(with comparative totals for the year ended June 30, 2018)

	Program services		Support services		Total expenses	
	Educational activities	Extended learning	Management and general	Fundraising	2019	2018
Occupancy expenses:						
Rent	$ 24,190	$ 1,927	$ 1,375	$ -	$ 27,492	$ 27,732
Depreciation (facilities)	3,749,276	298,724	213,053	-	4,261,053	4,094,892
Interest expense (facilities)	4,184,226	333,378	237,769	-	4,755,373	4,823,950
Building maintenance and repairs	2,082,145	165,895	118,318	-	2,366,358	2,467,011
Contracted building services	2,594,917	195,633	243,310	-	3,033,860	3,504,962
Equipment rental and maintenance	288,552	1,957	299,581	-	590,090	666,967
Other occupancy expenses	1,996,106	639	14,401	-	2,011,146	2,081,348
Total occupancy expense	14,919,412	998,153	1,127,807	-	17,045,372	17,666,862
General and administrative expenses:						
Office supplies and materials	536,926	43,804	351,618	4,244	936,592	1,118,044
Telephone/telecommunications	235,819	18,789	13,400		268,008	245,334
Legal, accounting, and payroll services	270,683	4,231	1,406,518	-	1,681,432	1,218,618
Insurance	783,556	62,430	44,526	-	890,512	1,220,964
Transportation	78,624	31,712	107,921	-	218,257	166,672
Professional development	482,454	6,944	4,157	-	493,555	326,706
PCSB administrative fee	-	-	838,748	-	838,748	721,409
Management fee - online school	1,937,023	-	-	-	1,937,023	1,850,163
Depreciation (non-facility)	1,091,631	86,976	62,032	-	1,240,639	1,123,876
Other general expenses	584,288	75,625	1,367,999	52,956	2,080,868	1,748,934
Total general and administrative expenses	6,001,004	330,511	4,196,919	57,200	10,585,634	9,740,720
TOTAL EXPENSES	$74,458,038	$ 5,204,364	$11,834,620	$ 57,200	$ 91,554,222	$ 89,280,457

See notes to financial statements.

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Change in net assets	$ 1,851,839	$ 1,592,039
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	5,501,692	5,218,768
Amortization of loan premium and issuance costs - net	(170,275)	(171,120)
Unrealized (gain) loss on investments	(94,006)	(2,887)
Grants and accounts receivable	238,414	(906,735)
Prepaid expenses and deposits	(240,351)	468,908
Accounts payable and accrued expenses	680,032	1,104,005
Deferred revenue	(103,797)	(62,776)
Total adjustments	5,811,709	5,648,163
Net cash provided by operating activities	7,663,548	7,240,202
Cash flows from investing activities:		
Purchase of property and equipment	(4,404,898)	(3,945,665)
Purchase of investments	(878,804)	(4,306,926)
Net cash used by investing activities	(5,283,702)	(8,252,591)
Cash flows from financing activities:		
Payments on principal of notes payable	(2,760,000)	(2,690,000)
CHANGE IN CASH AND CASH EQUIVALENTS	(380,154)	(3,702,389)
CASH AND CASH EQUIVALENTS:		
Beginning of year	48,003,334	51,705,723
End of year	$ 47,623,180	$ 48,003,334

SUPPLEMENTAL DISCLOSURE INFORMATION:	2019	2018
Cash interest paid	$ 4,898,487	$ 4,980,946
Property and equipment included in accounts payable and accrued expenses	$ 769,952	$ 214,650

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Friendship Public Charter School, Inc. (the Charter) have been prepared on the accrual basis. The Charter's more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reclassification - Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

Cash and cash equivalents - The Charter considers short-term highly liquid investments, carried at cost (including money market funds) with maturities of 3 months or less to be cash equivalents.

Investments and investment return - Investments consist primarily of debt instruments and mutual funds and are stated at fair value in the statement of financial position. Net investment return or loss is included in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Investments are managed by professional advisors subject to the Charter's investment policy. The degree and concentration of market and credit risk vary by type of investment.

Accounts and grants receivable are stated at the amount of consideration from customers of which the Charter has an unconditional right to receive. 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 receivable. Grants receivable consist primarily of grant reimbursements outstanding at year-end. Management estimates no allowance for uncollectible amounts is necessary for the years ended June 30, 2019 and 2018.

Property and equipment is recorded at cost, or if donated, at approximate fair value at the date of donation. Depreciation is computed over the remaining estimated useful lives using the straight-line method. The Charter has a capitalization policy of $1,000.

Loan premiums are added to long-term debt and are amortized into interest expense in proportion to the related interest expense incurred. Loan issuance costs reduce long-term debt and are amortized into interest expense over the life of the loans using the straight-line method.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. The Charter has designated, from net assets without donor restrictions, net assets for furniture and curriculum reserves. Net assets without donor restrictions as of June 30 consist of the following:

	2019	2018
Undesignated	$ 41,131,901	$ 38,863,243
Designated for furniture reserve	55,323	155,488
Designated for curriculum reserve	492,542	913,085
	$ 41,679,766	$ 39,931,816

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished (see Note 13).

Contributions - Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor 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. Gifts and investment income having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Grants and contracts - Grants and contracts revenue result from agreements, typically with government agencies, corporations, or individuals that fund specific activities for the Charter. The grants and contracts are of two primary types: conditional contributions and contracts with customers. An agreement is a conditional contribution if its primary purpose is to enable the Charter to provide a service to, or maintain a facility for, the direct benefit of the students or the general public rather than to serve the direct needs of the granting or contracting party. In other words, the agreement is a conditional contribution if any benefit to the granting or contracting party is indirect and insubstantial as compared to the public benefit. In contrast, if the grant or contract provides a benefit directly to the granting or contracting party, the agreement is a contract with a customer.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conditional contributions are recognized as the Charter incurs qualifying expenditures in compliance with rules and regulations established by the grantor, who is typically a state or federal awarding agency. The grants are paid on a cost-reimbursement basis, most often by drawdowns of the grant funds. Any unused funds are forfeited, and if any expenditures are unallowed, the Charter may be required to refund the amounts drawn down. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contracts with customers - Revenue from contracts with customers for extended learning and child care services is reported at the amount that reflects the consideration to which the Charter expects to be entitled in exchange for providing care services to students. Parent/guardians pay directly or may be eligible for an income-based subsidy up to 100% of the weekly fee. Families with more than 1 student are eligible for a 10% discount, such amounts are not reported as revenue.

Parent/guardian pay revenue is recognized as performance obligations are satisfied, which is on a weekly basis when the services are available to students. Fees are based on stated rates for student weekly enrollment rather than student attendance. A parent/guardian must provide a two week notice for cancellation of services. The parent/guardian will be billed a prorated amount after cancellation.

Income-based subsidy revenue is recognized as performance obligations are satisfied, which is daily when the services are rendered. Fees are based on stated rates for daily attendance.

The composition of extended learning and child care services by payor the years ended June 30:

	2019	2018
Parent/guardian	$ 652,397	$ 634,952
Third party payor - DHS Child Care Subsidy	1,528,805	1,284,716
	$ 2,181,202	$ 1,919,668

Receivables from contracts with customers are included in grants and accounts receivable on the statement of financial position. For receivables, the net realizable value is determined using estimates of historical collection experience. There were no significant changes in the contract assets and there were no contract liabilities as of June 30 2019 and 2018. Receivables from contracts with customers for the year ended June 30, are summarized as follows:

	2019	2018
Beginning of the year	$ 98,486	$ 158,582
End of the year	$ 99,558	$ 98,486

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Functional allocation of expenses - The costs of providing the various programs and other activities has been summarized on a functional basis on the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Charter. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates of time and effort. Allocated expenses primarily consist of payroll and related, occupancy and depreciation, and various other expense classifications necessary to support the day-to-day operations of the Charter.

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES

Organization - The Friendship Public Charter School, Inc. (the Charter) is a public charter school authorized under Section 2203 of the District of Columbia School Reform Act of 1995 by the District of Columbia Public Charter School Board (DCPCSB). The Charter operates 12 campuses in 9 buildings in Washington, DC, each covering different grade levels ranging from preschool through grade 12. DCPCSB has authorized the Charter through June 30, 2028.

The significant program services for the Charter are as follows:

Education services represent the cost of educating students during the regular school day and school year. Programmatic expenses include the cost of classroom instruction, school leadership, academic support and other school support services such as janitorial and food services.

Extended learning includes a before and after school program and summer school programs. The before and after school program reinforces standards and teaching practices of the Charter through project-based learning and exploration. The summer school programs are both credit recovery and academic enrichment programs offered to Charter students during the summer months.

The Charter has been granted tax-exempt status under the provisions of Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to federal income taxes other than those arising from unrelated business income.

The Charter is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the Charter to concentrations of credit risk consist principally of temporary cash, investments, and receivables. The Charter places its temporary cash investments with FDIC insured financial institutions. Although such investments and cash balances exceeded the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. Investments are exposed to various risk such as interest rate, market, and credit risks. Concentrations of credit risk with respect to receivables is limited due to the nature of the organizations that fund the Charter’s activities.

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (Concluded)

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

The Charter evaluates events and transactions that occur after year-end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through October 17, 2019, which is the date the financial statements were available to be issued.

In preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination by the various taxing authorities for a period of 3 to 4 years.

Under the terms of the grant agreements, the final determination of allowable expenses is subject to interpretation and adjustments by grantor agencies.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Charter regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter considers all expenditures related to its educational and extended learning activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets in excess of daily cash requirements are held in the Charter's investment portfolio or in high-yield savings accounts. The overall investment objectives are 1) preservation of capital; 2) liquidity and the ability to access funds necessary for operations; 3) compliance with all applicable financial covenants; and 4) optimization of investment returns within acceptable investment risk parameters.

NOTE 3 - LIQUIDITY AND AVAILABILITY (Concluded)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following at June 30:

	2019
Current assets	$ 43,933,717
Less excludable items:	
Prepaid expenses	(582,056)
Board designated curriculum and furniture reserves	(547,865)
Donor restricted net assets	(103,889)
Financial assets available to meet cash needs for general expenditures within one year	$ 42,699,907

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 4 - CASH AND CASH EQUIVALENTS

	2019	2018
Current assets - cash and cash equivalents	$33,661,314	$31,464,121
Noncurent assets - cash and cash equivalents:		
Repair and replacement reserves - money market funds (2016A)	573,063	1,175,559
Debt service reserves - money market funds (2012)	4,268,870	4,119,657
Debt service reserves - Repayment of the District of Columbia Office of Public Charter School Financing and Support note payable - money market funds	3,000,000	3,000,000
Unspent project proceeds - money market funds	6,119,933	8,243,997
	13,961,866	16,539,213
	$47,623,180	$48,003,334

External restrictions have been placed on noncurrent cash and cash equivalents under the terms of loan and bond documents.

NOTE 5 - FAIR VALUE MEASUREMENTS

The Charter's investments are classified using a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

The three levels of the hierarchy are described below:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Charter's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset 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.

The following is a description of the valuation methodologies use for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Charter are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at the price. The mutual funds held by the Charter are deemed to be actively traded.

Debt instruments - corporate bonds and U.S. government securities: The investment grade debt securities held by the Charter often do not trade in active markets on the measurement date. If they do, they are measured at the closing price in that active market. In the absence of a trade on the measurement date for the identical security in an active market, corporate bonds and U.S. government securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

NOTE 5 - FAIR VALUE MEASUREMENTS (Concluded)

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

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy.

The following are market value summaries by the level of inputs used as of June 30, in evaluating the Charter's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in these securities.

Assets at fair value as of June 30, 2019:

	Level 1:	Level 2:	Level 3:	Total
Mutual funds:				
Equity	$ 61,560	$ -	$ -	$ 61,560
Fixed income	197,434	-	-	197,434
Debt instruments:				
Corporate bonds and US government securities	-	5,279,512	-	5,279,512
Total investments at fair value	$ 258,994	$ 5,279,512	$ -	$ 5,538,506

Assets at fair value as of June 30, 2018:

	Level 1:	Level 2:	Level 3:	Total
Mutual funds:				
Equity	$ 42,200	$ -	$ -	$ 42,200
Fixed income	211,359	-	-	211,359
Debt instruments:				
Corporate bonds and US government securities	-	4,312,137	-	4,312,137
Total investments at fair value	$ 253,559	$ 4,312,137	$ -	$ 4,565,696

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30 consists of the following:

	Years of useful life	2019	2018
Land		$ 7,345,512	$ 7,345,512
Buildings and leasehold improvements	20 - 40	130,683,680	129,223,590
Software and computer equipment	3 - 5	5,710,386	4,761,000
Furniture and office equipment	15 - 20	2,532,763	2,353,173
Curriculum	5	2,819,733	2,367,000
Construction in progress		3,013,778	880,727
		152,105,852	146,931,002
Less accumulated depreciation and amortization		46,396,217	40,894,525
		$ 105,709,635	$ 106,036,477
Depreciation expense		$ 5,501,692	$ 5,218,768

The Charter leases the Collegiate Academy building and improvements under a capital lease (see Note 7). The property include above subject to a capital lease at June 30 is as follows:

	2019	2018
Property and equipment	$ 2,869,327	$ 2,869,327
Accumulated depreciation	$ 412,090	$ 294,350
Depreciation expense	$ 117,740	$ 117,740

NOTE 7 - LONG-TERM DEBT

Notes payable consists of the following at June 30:

	2019	2018
2012 Note payable - District of Columbia payable quarterly in annual totals ranging from $805,000 to $2,260,000 through 2042, plus interest at 4.78% to 5.00%. Secured by revenues from all related campuses, on parity with the 2016A and 2016B notes payable plus real estate of the Tech Prep campus, and the 2012 debt service reserve funds.	$ 32,090,000	$ 32,870,000
2016A Note payable - District of Columbia payable quarterly in annual totals ranging from $1,750,000 to $4,420,000 through 2046, plus interest at 5.00%. Secured by revenues from all related campuses, on parity with the 2012 and 2016B notes payable, and the 2016A debt service reserve funds.	57,895,000	57,895,000
2016B Note payable - District of Columbia payable quarterly in annual totals ranging from $2,015,000 to $2,285,000 through 2026, plus interest at 2.1%. Secured by revenues from all related campuses, on parity with the 2012 and 2016A notes payable.	15,030,000	17,010,000
Note payable - District of Columbia Office of Public Charter School Financing and Support (OPCSFS), with interest only payments until maturity in 2046. Interest earnings of the Credit Enhancement Account (see Note 4) to be remitted quarterly to OPCSFS.	3,000,000	3,000,000
Total notes payable before loan issuance costs and bond premium	108,015,000	110,775,000
Less unamortized loan issuance costs	(3,008,532)	(3,161,725)
Plus unamortized bond premium on 2012 note payable	712,959	763,411
Plus unamortized bond premium on 2016A note payable	5,213,922	5,486,938
Total notes payable	110,933,349	113,863,624
Less current portion	2,820,000	2,760,000
	$ 108,113,349	$ 111,103,624

NOTE 7 - LONG-TERM DEBT (Continued)

2012 Note payable

Payments made on the 2012 note payable to the District of Columbia have been assigned by the District of Columbia under a trust agreement, for the benefit of the bond holders for the full payment of the $35,780,000 District of Columbia Revenue Bonds (Friendship Public Charter School, Inc. Issue - Series 2012A) issued in October 2012. The 2012 bonds were issued primarily to finance construction, renovation, and acquisition of furniture, fixtures, and equipment, the repayment of existing debt and reimbursement of pre-construction expenditures for the Tech Prep School. As of June 30, 2019, $32,090,000 of the 2012 bonds remained outstanding.

2016A Note payable

Payments made on the 2016A note payable to the District of Columbia have been assigned by the District of Columbia under a trust agreement, for the benefit of the bond holders for the full payment of the $57,895,000 District of Columbia Revenue Bonds (Friendship Public Charter School, Inc. Issue - Series 2016A) issued in March 2016. The 2016A bonds were issued primarily to finance the current refundings of the 2003 and 2006 notes payable, fund the cost of certain capital projects, refinance a $4,500,000 loan issued to acquire one of its previously lease campuses, fund a portion of the 2016A debt service reserve fund, and to pay certain costs related to the issuance of the 2016A bonds. As of June 30, 2019, $57,895,000 of the 2016A bonds remained outstanding.

2016B Note payable

Payments made on the 2016B note payable to the District of Columbia have been assigned by the District of Columbia under a trust agreement, for the benefit of the bond holders for the full payment of the $20,915,000 District of Columbia Revenue Bonds (Friendship Public Charter School, Inc. Issue - Series 2016B) issued in March 2016. The 2016B bonds were issued primarily to finance the current refunding of the 2007 note payable and to fund certain costs related to the issuance of the 2016B bonds. As of June 30, 2019, $15,030,000 of the 2016B bonds remained outstanding.

The interest rate is subject to change if the maximum corporate tax rate changes, the Charter does not maintain at least $12,500,000 with the bond purchaser and the Charter does not maintain a credit rating of at least BBB-/Baa3.

The Charter is subject to certain financial covenants under the terms of the 2012, 2016A, and 2016B notes payable to the District of Columbia for which the Charter is in compliance.

NOTE 7 - LONG-TERM DEBT (Continued)

Maturities of notes payable are as follows:

Year ending June 30,	
2020	$ 2,820,000
2021	2,895,000
2022	2,965,000
2023	3,040,000
2024	3,130,000
Thereafter	93,165,000
	$ 108,015,000

Capital lease obligation

Payments on the Collegiate Academy capital lease are subject to a base rent which increases at 2% annually until 2020. The lease is subject to a fair market value adjustment in base rent in 2020 and continue at a 2% annual increase through end of the lease term in 2040. The fair market value adjustment is unknown and therefore not included in the capital lease obligation. Annual rent payments range from approximately $472,000 to $728,000 which are reduced by available rent credits subject to an annual minimum payment of $63,000.

	2019	2018
Capital lease obligation due for Collegiate Academy High School with interest imputed at 5.0%. Payments of principal and interest are due monthly and increase annually at 2%.	$ 1,311,373	$ 1,311,373

NOTE 7 - LONG-TERM DEBT (Concluded)

Future payments on the capital lease obligation are as follows:

Year ending June 30,	
2020	$ 63,000
2021	63,000
2022	63,000
2023	63,000
2024	63,000
Thereafter	2,362,833
	2,677,833
Less interest	1,366,460
	$ 1,311,373

The initial operating lease for Collegiate allowed for rent credits for leasehold improvements made to the property by the Charter totaling approximately $13.5 million. These rent credits are netted against the capitalized assets and capital lease obligation because they related to the leasehold improvements previously capitalized by the Charter. An additional $2.7 million of lease credits related to the CAPCS assumption of debt were granted in the capital lease negotiated in 2016.

Approximately $10 million of the total rent credits remain available for use at June 30, 2019. Based on current estimates, the rent credits are expected to be fully utilized by the fiscal year 2038. Due to the existence of the rent credits, payments on the capital lease are effectively interest only until fiscal year 2038.

The following is a reconciliation of long-term debt balances as presented in the statements of financial position at June 30:

	2019	2018
Current portion of long-term debt:		
Notes payable	$ 2,820,000	$ 2,760,000
Long-term debt - less current portion:		
Notes payable	$ 108,113,349	$ 111,103,624
Capital lease obligation	1,311,373	1,311,373
	$ 109,424,722	$ 112,414,997

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30:

	2019	2018
Accounts payable - trade	$ 3,783,943	$ 2,234,844
Accrued interest payable	472,679	445,518
Due to student groups	52,649	17,229
	$ 4,309,271	$ 2,697,591

NOTE 9 - OPERATING LEASES

The Charter leases Friendship Online Academy school facilities from the District of Columbia Public Schools (a governmental entity) under an operating lease expiring through 2021.

Future minimum operating lease payments required over the remaining lease terms are as follows:

Year ending June 30,	
2020	$ 27,492
2021	18,328

Rent expense, including short term leases, for the years ended June 30, 2019 and 2018, was $27,492 and $27,732, respectively.

NOTE 10 - RETIREMENT PLAN

Substantially all employees may participate in a 403(b) plan established by the Charter in July 2007. Under the plan, employee contributions are matched at the discretion of the Charter. For the years ended June 30, 2019 and 2018, the Charter matched employee contributions by 50% up to 4% of the employee's compensation. The Charter has a deferred compensation agreement with certain key individuals. Under the agreement, the participants are entitled to deferred compensation upon separation from the Charter. The Charter contributed approximately $190,000 and $280,000 to these plans in 2019 and 2018, respectively.

NOTE 11 - PUPIL REVENUE

The allocation of the per pupil revenue for the year ended June 30, are as follows:

	2019	2018
General education	$ 48,102,043	$ 49,796,762
Categorical enhancements:		
Special education	12,148,918	10,397,963
At-risk	5,643,812	5,734,763
English language learners	370,791	351,815
DC facilities allowance	12,990,003	13,313,675
	$ 79,255,567	$ 79,594,978

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the years ended June 30:

	Balance June 30, 2018	Additions	Released from restrictions	Balance June 30, 2019
Purpose restricted:				
Alumni support	$ -	$ 1,000	$ -	$ 1,000
Classroom equipment	-	18,637	-	18,637
Academic support	-	84,252	-	84,252
	$ -	$ 103,889	$ -	$ 103,889

NOTE 13 - CONTINGENCIES

During 2015, the Charter recorded buildings and land for $26.5 million and $1.0 million, respectively, as a result of the assumption of the CAPCS Armstrong property. The District of Columbia has a reversionary interest in the property which gives it the right to reacquire the property in the event the property is not used for public education purposes by a public charter school as defined by the D.C. Official Code. The District of Columbia would have the right to reacquire the property for the price it originally paid, plus any approved loan amounts secured by the property. As of June 30, 2019, the District of Columbia would have the right to reacquire the property for $22.8 million if the restrictions on use were not maintained.

NOTE 14 - ADOPTION OF NEW ACCOUNTING STANDARDS

Statement of Cash Flows - In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, "*Statement of Cash Flows"* (Topic 230): Restricted Cash. The ASU provides guidance on the presentation of restricted cash or restricted cash equivalents in the statements of cash flows. The Charter adopted ASU No. 2016-18 for the year ending June 30, 2019. The June 30, 2018 comparative information has been reclassified to conform to the current year presentation.

Revenue Recognition - In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers" (Topic 606)*, (ASU 2014-09), a new Topic, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principal, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, (5) recognize revenue when (or as) the entity satisfies a performance obligation.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made"* (ASU 2018-08), which clarifies the scope and accounting for contributions made and contributions received. The major changes include: (1) evaluating whether transactions should be accounted for as contributions (nonreciprical transactions) within the scope of Topic 958, *Not-For-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. Distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow the guidance in Subtopic 958-605, whereas for exchange transactions, an entity should follow other guidance (for example, Topic 606, Revenue from Contracts with Customers). Thus, the accounting may be different depending on the guidance applied.

The Charter adopted the provisions of this guidance on July 1, 2017 using the full retrospective approach. These two ASUs were adopted together as of July 1, 2017, because they both establish standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. Adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. The Charter has performed an assessment of its revenue contracts as well as worked with industry participants on matters of interpretation and application and has not identified any material changes to the timing or amount of its revenue recognition under ASU 2014-09. The Charter's accounting policies did not change materially as a result of applying the principles of revenue recognition from the ASUs and are largely consistent with existing guidance and current practices applied by the Charter. The adoption of the new standards also results in expanded disclosures. See Note 1.

NOTE 14 - ADOPTION OF NEW ACCOUNTING STANDARDS (Concluded)

Not-for-Profit Reporting - In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statement of Not-for-Profit Entities" (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Charter adopted ASU No. 2016-14 for the year ending June 30, 2019. The June 30, 2018 comparative information has been reclassified to conform to the current year presentation.

NOTE 15 - SUBSEQUENT EVENTS

Effective July 1, 2019, the Charter acquired the property of Ideal Academy Public Charter School for approximately $8.2 million. The Charter was authorized by the DC PCSB to become the replacement operator at the former campus starting in the academic year 2019-2020.

On August 28, 2019 the Charter obtained a note payable in the amount of $17.2 million with proceeds used to reimburse the Charter for acquisition of property of Ideal Academy Public Charter School, fund certain building renovations and equipment purchases, and fund transaction and other costs associated with the project.

SUPPLEMENTARY INFORMATION

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF VENDORS AWARDED CONTRACTS EQUAL TO OR ABOVE $25,000 DURING THE FISCAL YEAR
YEAR ENDED JUNE 30, 2019

Vendor	Good/service	Amount
4Imprint	Branded, Personalized and Promotional Goods and Related Services	$ 150,000
AJ Flood Insurance	Student Accident Insurance	35,554
Berkshire Hathaway	Workers Compensation Insurance	418,003
Birkshire Hathaway Homestate	Workman's compensation insurance	376,105
Busy Bee Enviromental-HVAC	HVAC Services	278,340
Busy Bee Enviromental-Janitorial	Janitorial Services	2,292,723
Busy Bee Enviromental-Maintenance	Building maintenance	2,363,308
CareFirst	Group Health Insurance, HMO	2,951,363
CareFirst	Group Health Insurance, POS	866,198
CareFirst	Group Health Insurance, PPO	602,638
Caribbean Coach	Student transportation	150,000
CDW Government LLC	Business technology resources	3,750,000
Central Avenue Bus Service	Student transportation	150,000
Clear Speech	Audiology Services	90,000
Cloverland Dairy	School Lunch Program- Dairy Products	320,000
Cloverland Frames Dairy	Milk and Dairy Products-School Lunch Program	225,000
Consigli-Keystone Plus Construction	General Contractor for Southeast Middle School building	11,217,173
DC Treasurer	Utilities	50,600
DC Water And Sewer Authority	Utilities	437,500
Edmentum	Online Curriculum Services	645,000
Elizabeth OnyiLofor	Registered Nurses Services	120,000
First Choice Transportation LLC	Student transportation	225,000
FPC Distribution	School Lunch Program- Paper Goods	165,000
FPC Holdings, Inc.	Paper Goods and Food Service related Products-School Lunch Program	125,000
G. Cefalu & Bros.	Fruits and Vegetable for Nation School Lunch Program	90,303
Global Freshman Academy at Arizona State University in partnership with EdX	Online College credits classes for students-Fall/Spring	60,000
Grand Hyatt	Special event space and services, Prom and Senior Dinner	38,500
Granite State University	Online College credits classes for students	60,000

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF VENDORS AWARDED CONTRACTS EQUAL TO OR ABOVE $25,000 DURING THE FISCAL YEAR
YEAR ENDED JUNE 30, 2019

Vendor	Good/service	Amount
H & S Distribution, LLC	Whole Grain Bread Items-School Lunch Program	$ 35,000
H&S Bakery	School Lunch Program- Baked Goods	65,000
Harry Singleton	School Security Services	120,000
Houghton Mifflin Harcourt	Copyrighted published books, instructional materials, intervention software and copyrighted curricular materials purchased directly from the	147,973
Hyatt	Space rental and Food for select LEA staff Professional development	45,000
Keany Produce & Gourmet	Fresh Produce-School Lunch Program	195,000
Kim Lewis Consulting LLC	Special Ed consulting services	228,000
Lavinia Group	Consulting Services-math and literacy skills improvement	360,000
Liberty Power	Energy	1,200,000
Lindamood-Bell	Targeted student intervention, needs assessment and progress monitoring and reporting	256,640
Lisa Christian	Positive action program coordinator	55,000
Maner Costerisan	Financial Audit Services	84,950
Marcum Accountants and Advisors	Consulting Services for Technical and Accounting Support Services	225,000
Mario Barr	School Security Services	120,000
Marriott Marquis, Washington DC	Space rental and Food for LEA wide school year opening kick-off Convocation	96,250
Maxim Healthcare Service	Registered Nurses Services	150,000
MetLife	Dental Insurance	411,124
Michael Marshall Design, LLc/VA Spaces	Architectural consulting services	1,500,000
Nasco Healthcare-Simulaids	full body patient simulator	35,000
National Hall of Fame	Curricula and modules for Camp Intervention Program and Teacher PD.	75,000
Office Catering LLC	Event Support Services	105,000
Pepco	Utilities	825,200
Performance Food Service	School Lunch-Grocery	1,500,000

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF VENDORS AWARDED CONTRACTS EQUAL TO OR ABOVE $25,000 DURING THE FISCAL YEAR
YEAR ENDED JUNE 30, 2019

Vendor	Good/service	Amount
Philadelphia Indemnity Insurance Company	Educators Professional Liability	$ 20,434
Philadelphia Indemnity Insurance Company	Fiduciary Renewal insurance	4,256
Philadelphia Indemnity Insurance Company	Property, General Lability, Crime, Auto, Businessowners, employee benefits, sex/physical abuse, ultimate Cover Property	256,558
Philadelphia Indemnity Insurance Company	Umbrella Liability Insurance	16,088
Philadelphia Insurance	Property/General Lability/Abuse & Molestation/Auto Insurance	322,883
Philadelphia Insurance	Educators Legal Liability insurance	21,195
Philadelphia Insurance	Umbrella Insurance	19,543
Philadelphia Insurance	Fiduciary Liability Insurance	4,526
Positive Action	Positive Action program and copyrighted materials, including instructional materials software, published books, copyrighted curricular materials purchased directly from the owner of	100,000
Power School	Registration and intent to return software applications annual fees and training	70,000
Precon Events	Event Support Service	240,000
Quodammodo Solutions, LLC	Consulting Services	59,000
Ridgewells Catering	Catering Services	150,000
Royal Sonesta Harbor Courts	Event support services	105,000
School Specialty Science (Delta Education, Foss)	Copyrighted educational curriculum and programs (Science) and Professional development for teachers	62,648
Schoolzilla	Data warehouse systems and services	125,808
Spirit Cruises	Event support services	105,000
Sprint	Telecommunication Services	90,000
Staffing Plus	Registered Nurses Services	150,000
TD Promotions DBA Shirtboy	Branded, Personalized and Promotional Goods and Related Services	150,000

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF VENDORS AWARDED CONTRACTS EQUAL TO OR ABOVE $25,000 DURING THE FISCAL YEAR
YEAR ENDED JUNE 30, 2019

Vendor	Good/service	Amount
The Bellmoor Resort and Spa	Leadership PD retreat venue	$ 35,850
The Enchanted Florist	Event Support Services	105,000
The Southern Regional Education Board/High Schools That Work	Professional development for CTE teachers	49,368
Urban Teacher	Teacher candidate recruitment and training resource	300,000
US Postage/Pitney Bowes	Postage	30,300
USI Insurance Services	Insurance Brokerage Service-Broker of Record	48,000
Vena Solutions USA Inc.	Budget Software solutions and implementation services	67,000
Walter E. Washington Convention Center	LEA wide Teaching Institute venue	103,375
Washington Gas	Utilities	156,225
Washington Metropolitan Area Transit Authority	Student Transportation	25,000
Wilson Language Learners	Copyrighted educational curriculum and programs (reading)	50,000
Windstream	Telecommunications/internet	60,000
Windstream Enterprises	High Speed Wan, Internet Services, Sip & Telephone	65,832
Wye River Group, LLC	Financial consulting services	165,000

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Federal expenditures
U.S. Department of Agriculture:			
Passed through District of Columbia Office of			
the State Superintendent of Education:			
Child Nutrition Cluster:			
Non-cash Assistance (commodities):			
National School Lunch - Entitlement	10.555		$ 254,090
Cash Assistance:			
National School Lunch Programs	10.555	21NSL1-18	272,216
National School Lunch Programs	10.555	31NSL1-19	1,422,327
Total National School Lunch Programs - cash assistance			1,694,543
Total CFDA #10.555			1,948,633
National School Breakfast Programs	10.553	21NSB1-18	160,351
National School Breakfast Programs	10.553	31NSL1-19	646,410
Total CFDA #10.553			806,761
Total cash assistance			2,501,304
Total Child Nutrition Cluster			2,755,394
Fresh Fruit and Vegetable Program	10.582	21FFV1-18	16,949
Fresh Fruit and Vegetable Program	10.582	31FFV1-19	74,401
Total CFDA #10.582			91,350
Child and Adult Care Food Program	10.558	21CAC1-18	2,912
Child and Adult Care Food Program	10.558	31CAC1-19	18,603
Child and Adult Care Food Program	10.558	21CAF1-18	76,990
Child and Adult Care Food Program	10.558	31CAF1-19	262,030
Total CFDA #10.558			360,535
Total U.S. Department of Agriculture passed through District of Columbia Office of State Superintendent of Education			3,207,279
U.S. Department of Education:			
Passed through District of Columbia Office of			
the State Superintendent of Education:			
School Improvement Grants	84.010	92010A-18	1,917
Title I Grants to Local Educational Agencies	84.010	92010A-19	2,888,940
Total CFDA #84.010			2,890,857
Supporting Effective Instruction State Grants	84.367	92367A-19	607,726
Student Support and Academic Enrichment Grants	84.424	92424A-19	303,863

The accompanying notes are an integral
part of this schedule.

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Federal expenditures
U.S. Department of Education (Concluded):			
Passed through District of Columbia Office of the State Superintendent of Education (Concluded):			
Education For Homeless Children and Youth	84.196	82196A-18	$ 33,449
Career and Technical Education	84.048	92048A-19	547,353
Special Education - Grants to States	84.027	92027A-19	827,960
School Improvement Grants	84.377	72377A-17	210,970
DC Opportunity Scholarship Program	84.370	84370C-18	874,952
Total U.S. Department of Education passed through District of Columbia Office of the State Superintendent of Education			6,297,130
U.S. Department of Health and Human Services:			
Passed through District of Columbia Office of the State Superintendent of Education:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SM080961-01	215,656
Total U.S. Department of Health and Human Services passed through District of Columbia Office of the State Superintendent of Education			215,656
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 9,720,065

The accompanying notes are an integral part of this schedule.

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Friendship Public Charter School, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Friendship Public Charter School, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Friendship Public Charter School, Inc.

NOTE 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. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Friendship Public Charter School, Inc. has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - PASS-THROUGH FUNDS

The Charter did not pass through any federal funds to subrecipients.

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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*

To the Board of Trustees
Friendship Public Charter School, Inc.

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 Friendship Public Charter School, Inc., 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 October 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Friendship Public Charter School, Inc.'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 Friendship Public Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Friendship Public Charter School, Inc.'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 Friendship Public Charter School, Inc.'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcus Costerisan PC

October 17, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Friendship Public Charter School, Inc.

Report on Compliance for Each Major Federal Program

We have audited Friendship Public Charter School, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Friendship Public Charter School, Inc.'s major federal programs for the year ended June 30, 2019. Friendship Public Charter School, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Friendship Public Charter School, Inc.'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* (CFR) 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 Friendship Public Charter School, Inc.'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 unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Friendship Public Charter School, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Friendship Public Charter School, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Friendship Public Charter School, Inc. 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 Friendship Public Charter School, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Friendship Public Charter School, Inc.'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 a 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.

Marcus Costeirian PC

October 17, 2019

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	*Unmodified*				
Internal control over financial reporting:					
➢ Material weakness(es) identified?		Yes	X	No	
➢ Significant deficiency(ies) identified?		Yes	X	None reported	
Noncompliance material to financial statements		Yes	X	No	

Federal Awards

Internal control over major programs:					
➢ Material weakness(es) identified?		Yes	X	No	
➢ Significant deficiency(ies) identified?		Yes	X	None reported	
Type of auditor's report issued on compliance for major programs:	*Unmodified*				
Any audit findings that are required to be reported in accordance with Title 2 CFR Section		Yes	X	No	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.370	DC Opportunity Scholarship Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?	X	Yes		No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

FRIENDSHIP PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

There were no findings for the year ended June 30, 2018.