

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2018
(With Comparative Totals For June 30, 2017)

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Independent Auditor's Report

The Board of Trustees
Integrated Design & Electronics Academy
Public Charter School
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Integrated Design & Electronics Academy Public Charter School (a nonprofit organization), 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Other Matters

Other Information

Our audit was 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* 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 consolidated 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018, on our consideration of Integrated Design & Electronics Academy Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Integrated Design & Electronics Academy Public Charter School's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements dated June 30, 2017, were audited by other auditors, whose report dated December 31, 2017, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent in all material respects, with the audited financial statements from which it has been derived.

Janis M. Hester & M. R. Rende PA

Washington, DC
November 16, 2018

INTEGRATED DESIGN & ELECTRONICS ACADEMY
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018

(With comparative totals for June 30, 2017)

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,298,153	\$ 560,466
Restricted cash	-	332,500
Grants receivable	176,043	518,371
Accounts receivable	23,814	-
Prepaid expenses	19,365	1,748
Deposits	2,630	3,445
Total Current Assets	1,520,005	1,416,530
PROPERTY AND EQUIPMENT, NET	13,030,047	11,887,635
TOTAL ASSETS	\$ 14,550,052	\$ 13,304,165
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	241,963	587,074
Accrued payroll liabilities	308,057	455,911
Accrued interest	26,835	17,208
Deferred revenue	-	19,133
Deposits payable	20,100	3,500
Capital lease liability, current portion	4,904	4,904
Loan payable, current portion	218,068	95,191
Total Current Liabilities	819,927	1,182,921
LONG TERM LIABILITIES		
Capital lease liability	9,777	16,750
Loan payable, net	7,144,116	6,609,892
Total Long Term Liabilities	7,153,893	6,626,642
Total Liabilities	7,973,820	7,809,563
NET ASSETS		
Unrestricted	6,566,834	5,479,089
Temporarily restricted	9,398	15,513
Total Net Assets	6,576,232	5,494,602
TOTAL LIABILITIES AND NET ASSETS	\$ 14,550,052	\$ 13,304,165

The accompanying notes are an integral part of these financial statements.

INTEGRATED DESIGN & ELECTRONICS ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

(With comparative totals for June 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Per pupil appropriations	\$ 5,866,089	\$ -	\$ 5,866,089	\$ 4,551,913
Per pupil facility allowance	970,589	-	970,589	818,488
Federal entitlements and other grants	1,032,054	-	1,032,054	955,358
Contributions	44,952	15,035	59,987	171,298
Activity fees	19,956	-	19,956	35,602
Interest income	7,428	-	7,428	946
Other income	236,982	-	236,982	165,068
Net assets released from restrictions	21,150	(21,150)	-	-
Total Revenue and Support	<u>8,199,200</u>	<u>(6,115)</u>	<u>8,193,085</u>	<u>6,698,673</u>
EXPENSES				
Program educational services	5,988,123	-	5,988,123	5,774,375
General and administrative	1,123,104	-	1,123,104	991,250
Fundraising	228	-	228	11,651
Total Expenses	<u>7,111,455</u>	<u>-</u>	<u>7,111,455</u>	<u>6,777,276</u>
CHANGE IN NET ASSETS	1,087,745	(6,115)	1,081,630	(78,603)
NET ASSETS, beginning of year	<u>5,479,089</u>	<u>15,513</u>	<u>5,494,602</u>	<u>5,573,205</u>
NET ASSETS, end of year	<u>\$ 6,566,834</u>	<u>\$ 9,398</u>	<u>6,576,232</u>	<u>\$ 5,494,602</u>

The accompanying notes are an integral part of these financial statements.

INTEGRATED DESIGN & ELECTRONICS ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

(With comparative totals for June 30, 2017)

	Educational	Administrative	Fundraising	2018 Total	2017 Total
Personnel Expenses					
Salaries	\$ 3,273,904	\$ 212,484	\$ -	\$ 3,486,388	3,609,865
Employee benefits	203,034	135,356	-	338,390	350,482
Payroll taxes	256,093	64,023	-	320,116	315,790
Professional development	139,998	-	-	139,998	109,220
Recruitment	9,900	-	-	9,900	1,106
Total Personnel Expenses	<u>3,882,929</u>	<u>411,863</u>	<u>-</u>	<u>4,294,792</u>	<u>4,386,463</u>
Direct Student Costs					
Supplies and material	60,760	-	-	60,760	44,008
Contracted instruction fees	282,680	-	-	282,680	194,669
Food service	93,080	-	-	93,080	83,755
Textbooks	875	-	-	875	7,223
Student assessment fees	111,900	-	-	111,900	77,046
Other	245,237	-	-	245,237	221,426
Total Direct Student Costs	<u>794,532</u>	<u>-</u>	<u>-</u>	<u>794,532</u>	<u>628,127</u>
Occupancy Expense					
Maintenance and repairs	85,160	21,290	-	106,450	112,668
Contracted building services	345,252	86,313	-	431,565	412,026
Total Occupancy Expense	<u>430,412</u>	<u>107,603</u>	<u>-</u>	<u>538,015</u>	<u>524,694</u>
Office Expense					
Telephone	20,088	5,022	-	25,110	23,051
Supplies	61,439	15,360	-	76,799	60,515
Equipment rental	3,455	864	-	4,319	14,492
Printing	-	-	-	-	890
Postage and delivery	11,936	2,984	-	14,920	7,911
Total Office Expense	<u>96,918</u>	<u>24,230</u>	<u>-</u>	<u>121,148</u>	<u>106,859</u>
General Expense					
Depreciation and amortization	358,698	89,675	-	448,373	407,950
Authorizer fee	-	74,012	-	74,012	66,675
Office supplies	40,094	10,023	-	50,117	35,274
Insurance	46,016	11,504	-	57,520	50,443
Professional fees	290,078	181,613	-	471,691	335,848
Interest	48,446	212,247	-	260,693	226,144
Auction items and fees	-	-	228	228	1,792
Bad debt	-	334	-	334	7,007
Total General Expense	<u>783,332</u>	<u>579,408</u>	<u>228</u>	<u>1,362,968</u>	<u>1,131,133</u>
Total Expenses	<u>\$ 5,988,123</u>	<u>\$ 1,123,104</u>	<u>\$ 228</u>	<u>\$ 7,111,455</u>	<u>\$ 6,777,276</u>

The accompanying notes are an integral part of these financial statements.

INTEGRATED DESIGN & ELECTRONICS ACADEMY
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

(With comparative totals for June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,081,630	\$ (78,603)
Adjustments to reconcile change in net assets provided by (used for) operating activities:		
Depreciation and amortization	448,373	410,864
Amortization of deferred financing costs	13,983	15,318
Loss on disposal of property and equipment	334	-
(Increase) decrease in assets:		
Grants receivable	342,328	-
Accounts receivable	(23,814)	(322,313)
Prepaid expenses	(17,617)	12,328
Deposit	815	5,375
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(345,111)	72,906
Accrued payroll liabilities	(147,854)	(36,804)
Accrued interest	9,627	11,473
Deferred revenue	(19,133)	19,133
Deposits payable	16,600	3,500
Capital lease liability	(6,973)	21,654
Net Cash Provided by Operating Activities	1,353,188	134,831
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,924,019)	(524,223)
Net Cash Used for Investing Activities	(1,924,019)	(524,223)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted cash	332,500	-
Borrowing on loan	749,900	-
Principle payments of loan	(106,382)	(92,752)
Net Cash Provided by (Used for) Financing Activities	976,018	(92,752)
NET CHANGE IN CASH	405,187	(482,144)
CASH, beginning of year	892,966	1,375,110
CASH, end of year	\$ 1,298,153	\$ 892,966
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 235,474	\$ 193,618

The accompanying notes are an integral part of these financial statements.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE A - ORGANIZATION AND NATURE OF BUSINESS

Integrated Design & Electronics Academy Public Charter School (the “School”) was incorporated as a non-stock and not-for-profit organization in 1998 under the laws of the District of Columbia. The School serves students in grade 9-12, based on the JROTC Career Academy model that is career focused and integrates academic and occupational curriculums, increase student career options, and provides a meaningful learning context for both potential drop-outs and college-bound youth.

On July 1, 1998, the School entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board in Washington, DC. The charter was renewed in March 2015, and shall continue for a term of 15 years unless renewed, revoked, or terminated by the DC Board of Education for violation of applicable laws, conditions, terms and procedures set forth in the charter. The School’s current charter provides for enrollment of up to 600 students in ninth through twelfth grade.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School’s financial statements have been prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit Entities*. In accordance with the topic, the School is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time. Temporarily restricted net assets as of June 30, 2018, totaled \$9,398 and were restricted for scholarships, Boys Scout and the garden club programs.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they maintained permanently by the school. There were no permanently restricted net assets during the year ended June 30, 2018.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

Cash and Cash Equivalents

IDEA considers all cash in banks and short-term investments with original maturities of less than 90 days to be cash and cash equivalents. Cash equivalents consist of money market funds.

Grants and Accounts Receivable

Grants and accounts receivable are recorded when billed or accrued and represents claims against third parties that will be settled in cash. Accounts receivable are reported net of the allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due accounts receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. Grants receivables are due from governmental agencies. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected. Therefore, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment having a cost of greater than \$1,000 and a useful life of greater than one year are stated at cost, or if donated, at fair value. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the asset are capitalized. Leasehold improvements are capitalized at cost and amortized over the lesser of the remaining life of the lease or the life of the asset. The cost of property and equipment is depreciated over their estimated useful lives, ranging from two to seven years. Depreciation and amortization is computed using the straight-line method.

Debt Issuance Costs

Costs incurred for the issuance of debt have been capitalized and are reported in the statement of financial position as a direct deduction from the related debt liability. Debt issuance costs are amortized as interest expense over the remaining period of the debt using the straight-line method, which approximates the effective interest method.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Deferred revenue result from the School recognizing grant and activity fee revenue in the period in which the work is performed. Accordingly, grant and activity fee revenue which is received in the current fiscal year is deferred until the fiscal year in which the work is performed.

Revenue Recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the 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. When restrictions are met within the same year as restricted funds are contributed, they are classified as unrestricted contributions.

Grant revenues are received primarily from the District of Columbia government. The grants are subject to audit by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

The School receives a student allocation on a per-pupil basis from the District of Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations include \$1,826,350 for enhancements, such as special education, at-risk students and English language learners, for the year ended June 30, 2018.

Activity fees are recognized at the time of the activity. Activity fee revenue is earned from students, but not restricted to, field trips, camps and other school related activities.

Functional Expenses

The costs of providing the School's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(continued)**

NOTE C – INCOME TAXES

The School qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

The School has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic of the FASB ASC. The topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2014-2016), or expected to be taken in its 2017 information return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

NOTE D - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2018:

Computers and materials	\$	867,151
Classroom furniture		772,144
Buildings and building improvements		15,789,522
Land		150,000
Leased equipment		21,654
		17,600,471
Less: accumulated depreciation and amortization		(4,570,424)
Property and Equipment, Net		\$ 13,030,047

Depreciation and amortization expense for the year ended June 30, 2018 totaled \$448,373.

In November 2016, the School leased equipment at a cost of \$24,418 that is classified as capital lease and included in property and equipment. The accumulated amortization as of June 30, 2018 totaled \$7,578 and amortization expense totaled \$4,665.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(continued)**

NOTE E - LOAN PAYABLE

In June 2016, the District of Columbia issued \$7,000,000, of tax-exempt revenue Series 2016 bonds purchased by Eagle Bank (the “Bank”) secured by the land, building, and improvements of the property at 1027 45th Street NE, Washington, DC, the proceeds of which were loaned to the School. The loan has a floating interest rate fixed every five years equal to the lessor of five-year LIBOR plus 3.4 percent times one less the Bank’s tax rate of 2.95% for the five years ended June 30, 2021. The loan has a term of 25 years, with an initial interest-only period of 18 months. Monthly interest – only payments of \$17,781 are due until December 2017. After January 2018, monthly principal and interest payments of approximately \$33,164 are due on the loan until the loan matures on June 1, 2046.

The loan has certain financial covenants that require annual financial statement to be submitted within 150 days after year end, quarterly interim financial statements to be provide within 45 days of each 3-month time period and maintenance of a minimum debt service coverage ratio of 1.25 to 1. As of June 30, 2018, the balance on this loan totaled \$6,904,822.

In July 2017, the School entered into an agreement to participate in the Energy Efficiency Loan Program for the procurement and installation of certain energy saving equipment under the District of Columbia’s Energy efficiency Loan Program. Under this agreement the Bank, in its capacity as the Capital Provider, loaned the School \$787,500 that would be repaid through a voluntary special assessment on the School’s property located at 1027 45th Street, NE, Washington, DC. The annual special assessment would be \$64,994 paid in two installments of \$32,497 semi-annually initially, and would be subject to further adjustment. As of June 30, 2018, the balance on this loan totaled \$775,896.

For the year ended June 30, 2018, the School incurred deferred financing costs of \$37,600 associated with the above loan agreement. These and prior deferred financing costs are being amortized over the remaining life of the debt using the effective interest method, which approximated straight-line.

Aggregate annual maturities of the debt are as follows for the years ended June 30:

2019	\$ 218,068
2020	224,536
2021	232,519
2022	240,126
2023	247,993
Thereafter	6,517,477
	<u>\$ 7,680,719</u>

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(continued)**

NOTE E - LOAN PAYABLE – continued

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

Eagle bank loan due June 2046	\$ 6,904,822
PACE loan program	775,896
	7,680,718
Less: current maturity	(218,068)
Less: debt issuance costs, net of accumulated amortization	(318,534)
	\$ 7,144,116

Interest of \$245,101 was expensed for the year ended June 30, 2018.

The amortization of debt issuance costs as interest expense for the years ended June 30, 2018 was \$13,983.

Deferred financing costs and accumulated amortization are as follows at June 30, 2018:

Deferred financing costs	\$ 347,835
Less: accumulated amortization	(29,301)
Loans costs, Net	\$ 318,534

NOTE F – PENSION PLAN

The School has a 403(b) defined contributions retirement plan (the “Plan”). All eligible employees who are at least 21 years of age and meet 1,000 hours of service per year are eligible to participate in the Plan after the completion of one year of service. Employees may make elective deferral from their eligible earnings, up to the amount allowed by the Internal Revenue Service. The School contributes 2% of employee’s annual salary for those who do not contribute to the plan and 3% of each eligible employee’s annual salary for employees who contribute to the Plan. For the year ended June 30, 2018, pension expense totaled \$44,874.

NOTE G - COMMITMENTS AND CONTINGENT LIABILITIES

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

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(continued)**

NOTE H - CONCENTRATIONS OF RISK

The School places its cash with financial institutions which at times, may exceed the Federal Deposit Insurance Corporation's insurance limit of \$250,000. The School believes it is not exposed to any significant credit risk on cash or cash equivalents.

The School is supported primarily through local and federal appropriations and grants. For the years ended June 30, 2017 and 2016, 89% and 87%, respectively, of total revenue was provided from one local government agency. Reduction of this source of support would have a significant impact on the School's programs and activities.

NOTE I - SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the School's management has evaluated events and transactions through November 16, 2018, the date the School's financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required additional disclosure or recognition.



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

The Board of Trustees
Integrated Design & Electronics Academy
Public Charter School
Washington, DC

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 Integrated Design & Electronics Academy Public Charter School, (a non-profit organization) (the "School"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jane Maruca & McQuade PA

Washington, DC
November 16, 2018



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

The Board of Trustees of
Integrated Design & Electronics Academy
Public Charter School
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited Integrated Design & Electronics Academy Public Charter School, (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2018. The School'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 the 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 the School'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 the School'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 the School's compliance.

Opinion on Each Major Federal Program

In our opinion, Integrated Design & Electronics Academy Public Charter School 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 the School 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 the School'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 the School'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.

Jane Marusa & M^oQuade PA

Washington, DC
November 16, 2018

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
U. S. Department of Education			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Student Support and Academic Enrichment Program	84.424	82365A	\$ 9,989
Supporting Effective Instruction State Grants	84.367	82367A	43,340
DC School Choice Incentive Program	84.370		481,001
Special Education Grants to States	84.027	82027A	59,487
Title I Grants to Local Educational Agencies	84.010	82010a	207,561
Total U.S. Department of Education			<u>801,378</u>
U.S. Department of Agriculture - Food and Nutrition Service			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Child Nutrition Cluster			
School Breakfast Program	10.553		33,072
National School Lunch Program	10.555		115,668
Total Child Nutrition Cluster			<u>148,740</u>
Total U.S. Department of Agriculture			<u>148,740</u>
U.S. Department of Health and Human Services			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
School-Based HIV-STD Prevention	92.079		7,500
Total U.S. Department of Health and Human Services			<u>7,500</u>
U.S. Department of Defense			
Research and Technology Development	12.910		58,472
Total U.S. Department of Defense			<u>58,472</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,016,090</u>

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the 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”). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in 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 expenses are not allowable or are limited as to reimbursement. The School elected not to use the 10 percent de minimis indirect cost rate. Pass through programs, agencies, and entity identifying numbers are presented where available.

NOTE C – RECONCILIATION TO THE FINANCIAL STATEMENTS

Expenditures per the Schedule exclude \$15,964 of federal awards provided under the Federal Communications Commission E-Rate program, which are reported as federal entitlements and grant revenue in the consolidated statement of activities. Funding under the E-Rate program is considered to be federal funds, however, does not qualify as direct financial support, and therefore, is exempt from Uniform Guidance requirements.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on the financial statements	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Major programs

Name of Federal Program:	DC School Choice Incentive Program
CFDA Number	84.370
Name of Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number	84.010
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENTS FINDINGS

None Noted

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None Noted

SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None Noted