

**KINGSMAN ACADEMY  
PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2019 AND 2018**

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## Independent Auditor's Report

To the Board of Trustees  
Kingsman Academy Public Charter School  
Washington, DC

### **Report on the Financial Statements**

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

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of Kingsman 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 Kingsman Academy Public Charter School's internal control over financial reporting and compliance.

## **Other Matters**

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 19-20, as required by D.C. Public Charter School Board ("DCPCSB"), are the responsibility of management, and are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Jane Maruca & McQuade PA*

Washington, DC  
November 25, 2019

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

	2019	2018
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,570,015	\$ 2,353,823
Grants receivable	89,581	173,087
Accounts receivable	13,430	-
Prepaid expenses	23,317	37,614
Total Current Assets	2,696,343	2,564,524
<b>PROPERTY AND EQUIPMENT, NET</b>	9,593,609	9,344,985
<b>OTHER ASSETS</b>		
Cash and cash equivalents restricted by debt agreements	325,903	322,837
Deposits	40,000	40,000
Total Other Assets	365,903	362,837
<b>TOTAL ASSETS</b>	\$ 12,655,855	\$ 12,272,346
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 549,927	\$ 161,033
Accrued salaries and related expenses	403,545	320,685
Accrued interest	28,142	29,233
Deferred revenue	-	6,328
Capital lease obligation, current portion	1,390	16,750
Current portion of OPSCFS loan	50,904	48,676
Current portion of Series 2011 bonds	339,851	327,252
Total Current Liabilities	1,373,759	909,957
<b>NON-CURRENT LIABILITIES</b>		
Capital lease obligation, net	-	880
OPSCFS loan, net	677,600	728,504
Series 2011 bonds, net	7,919,931	8,249,290
Total Non-Current Liabilities	8,597,531	8,978,674
<b>TOTAL LIABILITIES</b>	9,971,290	9,888,631
<b>NET ASSETS</b>		
Without donor restrictions	2,684,565	2,383,715
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 12,655,855	\$ 12,272,346

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

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>REVENUE AND SUPPORT</b>		
Per pupil appropriations	\$ 7,435,860	\$ 6,820,342
Per pupil facilities allowance	916,903	794,989
Federal entitlements and grants	642,629	496,696
Other public grants	7,828	40,160
Contributions	6,967	474
Other revenue	33,435	609,605
Interest income	7,348	2,798
Total Revenue and Support	9,050,970	8,765,064
<b>EXPENSES</b>		
Educational services	7,830,126	6,806,029
Management and general	919,994	798,621
Total Expenses	8,750,120	7,604,650
<b>CHANGE IN NET ASSETS</b>	300,850	1,160,414
<b>NET ASSETS, beginning of year</b>		
Without Donor Restrictions	2,383,715	1,223,301
<b>NET ASSETS, end of year</b>		
Without Donor Restrictions	\$ 2,684,565	\$ 2,383,715

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

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

	Educational Services	Management and General	Total
<b>PERSONNEL, SALARIES AND BENEFITS</b>			
Salaries	\$ 3,795,569	\$ 517,578	\$ 4,313,147
Employee benefits	391,428	53,377	444,805
Payroll taxes	287,958	39,267	327,225
Professional development	100,286	13,675	113,961
Total Personnel, Salaries and Benefits	<u>4,575,241</u>	<u>623,897</u>	<u>5,199,138</u>
<b>DIRECT STUDENT COSTS</b>			
Supplies and materials	90,702	-	90,702
Contracted instruction fees	379,918	-	379,918
Textbooks	26,418	-	26,418
Food service/catering	63,425	-	63,425
Transportation	238,587	-	238,587
Student assessments	56,840	-	56,840
Other student costs	227,629	-	227,629
Total Direct Student Costs	<u>1,083,519</u>	<u>-</u>	<u>1,083,519</u>
<b>OCCUPANCY EXPENSES</b>			
Rent	1,879	256	2,135
Utilities	156,580	21,352	177,932
Maintenance and repairs	93,439	12,742	106,181
Janitorial services	5,401	737	6,138
Contracted building services	416,570	56,805	473,375
Total Occupancy Expenses	<u>673,869</u>	<u>91,892</u>	<u>765,761</u>
<b>OFFICE EXPENSES</b>			
Office supplies and materials	48,458	6,608	55,066
Computer support	88,583	12,080	100,663
Telecommunications	36,253	4,944	41,197
Professional fees	376,871	51,392	428,263
Dues and subscriptions	21,436	2,923	24,359
Postage and shipping	1,189	162	1,351
Total Office Expenses	<u>572,790</u>	<u>78,109</u>	<u>650,899</u>
<b>GENERAL EXPENSES</b>			
Insurance	74,488	10,158	84,646
Interest	346,152	47,202	393,354
Depreciation and amortization	368,892	50,303	419,195
Authorizer fees	70,986	9,680	80,666
Other general expense	64,189	8,753	72,942
Total General Expenses	<u>924,707</u>	<u>126,096</u>	<u>1,050,803</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 7,830,126</u></u>	<u><u>\$ 919,994</u></u>	<u><u>\$ 8,750,120</u></u>

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

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018**

	Educational Services	Management and General	Total
<b>PERSONNEL, SALARIES AND BENEFITS</b>			
Salaries	\$ 3,255,700	\$ 443,959	\$ 3,699,659
Employee benefits	294,989	40,226	335,215
Payroll taxes	251,617	34,311	285,928
Professional development	99,436	13,560	112,996
Total Personnel, Salaries and Benefits	<u>3,901,742</u>	<u>532,056</u>	<u>4,433,798</u>
<b>DIRECT STUDENT COSTS</b>			
Supplies and materials	144,814	-	144,814
Contracted instruction fees	155,319	-	155,319
Textbooks	25,984	-	25,984
Food service/catering	92,870	-	92,870
Transportation	233,002	-	233,002
Student assessments	52,641	-	52,641
Other student costs	244,865	-	244,865
Total Direct Student Costs	<u>949,495</u>	<u>-</u>	<u>949,495</u>
<b>OCCUPANCY EXPENSES</b>			
Rent	1,808	247	2,055
Utilities	138,483	18,884	157,367
Maintenance and repairs	140,114	19,107	159,221
Janitorial services	5,240	714	5,954
Contracted building services	264,902	36,123	301,025
Total Occupancy Expenses	<u>550,547</u>	<u>75,075</u>	<u>625,622</u>
<b>OFFICE EXPENSES</b>			
Office supplies and materials	42,574	5,806	48,380
Computer support	91,345	12,456	103,801
Telecommunications	70,878	9,665	80,543
Professional fees	323,523	44,117	367,640
Dues and subscriptions	10,571	1,442	12,013
Postage and shipping	1,272	174	1,446
Total Office Expenses	<u>540,163</u>	<u>73,660</u>	<u>613,823</u>
<b>GENERAL EXPENSES</b>			
Insurance	69,504	9,478	78,982
Interest	360,200	49,118	409,318
Depreciation and amortization	350,862	47,845	398,707
Authorizer fees	67,735	9,237	76,972
Other general expense	15,781	2,152	17,933
Total General Expenses	<u>864,082</u>	<u>117,830</u>	<u>981,912</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 6,806,029</u></u>	<u><u>\$ 798,621</u></u>	<u><u>\$ 7,604,650</u></u>

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

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 300,850	\$ 1,160,414
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	419,195	398,707
Amortization of debt issuance costs	10,492	10,492
(Increase) decrease in assets:		
Grants receivable	83,506	67,650
Accounts receivable	(13,430)	-
Prepaid expenses	14,297	(19,687)
Cash and cash equivalents restricted by debt agreements	(3,066)	(1,029)
(Decrease) increase in liabilities:		
Accounts payable	388,894	26,074
Accrued salaries and related expenses	82,860	61,354
Accrued interest	(1,091)	(7,225)
Deferred revenue	(6,328)	(52,737)
Net Cash Provided by Operating Activities	1,276,179	1,644,013
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(667,819)	(272,376)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital lease payments	(16,240)	(15,448)
Principal payments on OPSCFS loan	(48,676)	(46,546)
Principal payments on Series 2011 bonds	(327,252)	(314,268)
Net Cash Used for Financing Activities	(392,168)	(376,262)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	216,192	995,375
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	2,353,823	1,358,448
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 2,570,015	\$ 2,353,823
 <b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 383,953	\$ 398,826

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

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE A – ORGANIZATION AND PURPOSE**

Kingsman Academy Public Charter School (the “School”) was incorporated in March 2015 as a not-for-profit school located in Washington, DC. The School has been approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The contract was dated June 29, 2015 and remains in effect for 15 years unless terminated sooner in accordance with the contract. The School is an open-enrollment, tuition-free, public school that opened its doors in August 2015. The School serves approximately 250 students in grades six through twelve who may be at risk of dropping out of school. Many of these students are over-age and under-credit for their grade level, have attendance problems, and have behavioral or emotional challenges.

The School’s mission is to provide an individualized and rigorous education in a supportive environment to prepare scholars for post-secondary success and responsible citizenship. The School offers individualized instruction and additional resources for all students, rich special education services, a strong multi-tiered system of support, a school-wide positive behavioral intervention and support, and numerous co-curricular and extracurricular programs.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The School’s financial statements are 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.

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the School adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented.

A key change required by ASU 2016-14 is the change to the net assets classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES - continued**

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Financial Statements of Not-For-Profit organizations. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations.

*Net Assets with Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time or that must be maintained permanently by the School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

There were no net assets with donor restrictions as of June 30, 2019 and 2018.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of fewer than three months and money market funds to be cash equivalents.

Cash and Cash Equivalents Restricted by Debt Agreements

Cash and cash equivalents restricted by debt agreements are comprised of cash and cash equivalents held by a trustee or the authority to fund the current portion of debt service.

Grants and Accounts Receivable

The School’s grants receivable consist of unsecured amounts due from public funding sources whose ability to pay is subject to appropriations. Accounts receivable are related to program service fees and are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection experience and existing economic conditions. Accounts deemed uncollectible are charged off based on this review. Management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been established.

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Property and Equipment

Purchases of property and equipment over \$1,000 are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the underlying assets, which range from 3 to 40 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are expensed when incurred.

Debt Issuance Costs

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

Federal Entitlements

Federal entitlement revenue is grants received primarily from the District of Columbia Government. The grants are subject to audit by the grantor agencies. Such audit 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.

Grants and Contribution Revenue

Contributions, including unconditional promises to give, are recognized as revenue in the period in which they are made. Grants are recognized as revenue in the period in which such promises or agreements are made, generally when the agreement has been received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions received with donor restrictions are recorded as revenue with donor restrictions based on the donor's intent. When a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Per Pupil Appropriations

Per pupil appropriated revenue is recognized during the period for which the associated educational services are provided. Per pupil appropriation revenue includes \$3,861,167 and \$3,765,498 for enhancements such as special education and at-risk students for the years ended June 30, 2019 and 2018, respectively.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Methods Used for Allocation of Expenses from Management and General Activities

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.

**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 benefits to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon an 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 (2016-2018), or expected to be taken in its 2019 tax 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.

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY**

The School regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to prudently invest available funds. The School’s sources of liquidity at its disposal include cash and cash equivalents and grants and accounts receivables.

In addition to financial assets available to meet general expenditures over the next 12 months, the School anticipates collecting sufficient revenue to cover general expenditures. The following reflects the School’s financial assets as of June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,570,015	\$ 2,353,823
Grants receivable	89,581	173,087
Accounts receivable	13,430	-
Cash and cash equivalents restricted by debt agreements	325,903	322,837
	<u>2,998,929</u>	<u>2,849,747</u>
Less: cash and cash equivalents restricted by debt agreements	(325,903)	(322,837)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 2,673,026</u></u>	<u><u>\$ 2,526,910</u></u>

**NOTE E – PROPERTY AND EQUIPMENT**

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

	<u>2019</u>	<u>2018</u>
Land	\$ 2,259,174	\$ 2,259,174
Building improvements	7,654,092	7,642,635
Furnishings and equipment	362,240	329,384
Computers and materials	199,987	134,158
Construction in progress	557,677	-
	<u>11,033,170</u>	<u>10,365,351</u>
Less accumulated depreciation and amortization	<u>(1,439,561)</u>	<u>(1,020,366)</u>
Property and Equipment, Net	<u><u>\$ 9,593,609</u></u>	<u><u>\$ 9,344,985</u></u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018, totaled \$419,195 and \$398,707, respectively.

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE F – ASSET PURCHASE AGREEMENT**

On June 25, 2015, the School entered into an Amended and Restated Asset Purchase Agreement (the “Agreement”) with Options Public Charter School (“Options”) to serve Options’ former students in sixth through twelfth grades when Options ceased business operations. As such, Options transferred certain assets and liabilities to the School, which included the facility’s land, building and improvements and title thereto, licenses and permits, records, and all tangible personal property, such as books, supplies, and furniture. In addition, the School assumed the District of Columbia Revenue Bonds, Series 2011, as described in Note G.

**NOTE G – NOTES PAYABLE**

*Revenue Bonds*

In accordance with the Agreement, the School assumed District of Columbia Revenue Bonds (Options Public Charter School), Series 2011, issued for \$10,642,000 (“Series 2011 Bonds”). The proceeds of the Series 2011 Bonds at the time of issuance were used to construct and renovate Options’ facility. As of the date of assumption by the School in 2015, the Series 2011 Bonds’ outstanding principal balance was \$9,650,472. The Series 2011 Bonds are collateralized by the School’s Deed of Trust dated November 1, 2011 from Options, encumbering the real property and improvements thereto at 1375 E Street, NE, Washington, DC. The Series 2011 Bonds are scheduled to mature on November 1, 2036. Payments under the Series 2011 Bonds are payable monthly and comprised of principal plus interest. The Series 2011 Bonds bear interest at the greater of the following and reevaluated every five-year period (i) the five year average monthly Treasury Constant plus 3% multiplied by one minus 38% (the Bank Tax Rate), or (ii) 4.00% per annum.

As of June 30, 2019 and 2018, interest accrued at a rate of 4.00% per annum. As of June 30, 2019 and 2018, the outstanding principal balance of the Series 2011 Bonds totaled \$8,442,514 and \$8,769,766 respectively.

*Other Financing*

In conjunction with the assumption of the Series 2011 Bonds, the School secured financing with the District of Columbia’s Office of Public Charter School Financing and Support for \$900,000 (the “OPCSFS Loan”). The OPCSFS Loan was obtained to finance closing costs associated with the assumption of Options’ debt obligations, funding of a debt service reserve, and purchase of Options’ property and equipment. The OPCSFS Loan is secured by the deed of trust of the School’s property. The OPCSFS Loan is payable in quarterly principal and interest payments based on a 15-year amortization schedule. Interest accrues at a fixed rate of 4.50% per annum. The OPCSFS Loan is scheduled to mature on August 1, 2020, at which time, a balloon payment

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE G – NOTES PAYABLE - continued**

*Other Financing* (continued)

of \$677,600 is due. As of June 30, 2019 and 2018, the outstanding principal balance of the OPCSFS Loan totaled \$728,504 and \$777,180, respectively.

The above described debt agreements contain certain restrictive, financial, and nonfinancial covenants. In the opinion of management, the School has complied with the required covenants for 2019 and 2018. Interest expense totaled \$393,354 and \$409,318, including amortization of debt issuance costs of \$10,492 and \$10,492, for the years ended June 30, 2019 and 2018, respectively.

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

	2019	2018
Series 2011 Bonds, 4.0%, due through 2036	\$ 8,442,514	\$ 8,769,766
OPCSFS loan, 4.5%, due through 2020	728,504	777,180
	9,171,018	9,546,946
Less: Current installments	(390,755)	(375,928)
Less: Deferred financing costs, net of accumulated amortization	(182,732)	(193,224)
	\$ 8,597,531	\$ 8,977,794

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

	OPSCFS	Series 2011 Bonds	Total
2020	\$ 50,904	\$ 339,851	\$ 390,755
2021	677,600	354,815	1,032,415
2022	-	369,476	369,476
2023	-	384,742	384,742
2024	-	399,883	399,883
2025 and thereafter	-	6,593,747	6,593,747
Total	\$ 728,504	\$ 8,442,514	\$ 9,171,018

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE G – NOTES PAYABLE - continued**

The following is a summary of debt issuance costs as of June 30:

	2019	2018
Debt issuance costs	\$ 223,825	\$ 223,825
Less accumulated amortization	(41,093)	(30,601)
Debt Issuance Costs, Net	\$ 182,732	\$ 193,224

**NOTE H – CAPITAL LEASE**

In July 2015, the School entered into a lease for copier equipment which meets the accounting treatment criteria as a capital lease. The interest rate implicit in the lease is 5% per annum. The monthly payment is \$1,396 and the lease expires on July 22, 2019. As of June 30, 2019 and 2018, the capitalized cost of the equipment lease totaled \$60,618. Accumulated amortization on the equipment totaled \$59,228 and \$42,989, as of June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the outstanding balance due on the capital lease totaled \$1,390 and \$17,630, respectively.

**NOTE I – CONCENTRATIONS OF RISK**

The School is dependent on funding from the District of Columbia, as authorized by the District of Columbia Public Charter Board. During the years ended June 30, 2019 and 2018, approximately 89% and 87% , respectively, of total support was received from the District of Columbia.

The School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the School must adhere to the terms of its Charter Agreement. Uniform Per-Student Funding received from the District of Columbia is based upon actual student enrollment determined by an annual enrollment audit. As a result, actual revenue may vary materially from budgeted revenue if under-enrollment were to occur.

The School maintains its cash in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per institution. The School’s cash routinely exceeds the FDIC limit. Management does not believe the School is exposed to any significant credit risk on its cash and cash equivalents.

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE J – SUBSEQUENT EVENTS**

In preparing these financial statements, the School's management has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, the date the financial statements were available to be issued. There were no events or transactions discovered during the evaluation that required recognition or further disclosure.



**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 of  
Kingsman 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 Kingsman Academy Public Charter School (the "School"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2019.

**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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jane Maruca & McQuade PA*

Washington, DC  
November 25, 2019

## **SUPPLEMENTAL SCHEDULES**

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL  
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000  
YEAR ENDED JUNE 30, 2019**

Vendor Name	Services Provided	Amount Paid
Little Bird	Human Rresource and Payroll services	\$ 519,439
Deadwyler Transportation	Transportation	234,430
LGC Security LLC	Security	221,271
Delta-T Group Virginia, Inc.	Staffing	192,387
EdOps	Accounting and Finance Services	135,005
Holland & Knight	Legal	126,043
PMM Companies	Maintenance	124,285
The HR Source Inc	Staffing	119,404
Pepco	Utilities	114,419
McGee Technology Group, LLC	IT	95,800
Busy Bee Environmental Service	Maintenance	86,524
Andrea E. Brown, MA, CCC-SLP Very-Well Said, LLC	Special Education	82,130
D.C. Public Charter School Board	Authorizer	81,352
D. Wolf Contractor	Maintenance	71,150
Preferred Meal Systems ,Inc	Food Service	68,133
Align Staffing	Curricular Staffing	53,726
Marzano Research, LLC	Professional Development	53,000
Amazon Capital Services	Supplies	41,958
Evan C. Smith	Marketing and Communication Services	39,250
GuideOne Insurance	Business Insurance	37,919
DC Water and Sewer Authority	Utilities	33,711
Kazoo, Inc.	Student Assessment/ Rewards Program	28,895
Uber	Transportation	26,389

Note: The above schedule includes all vendors/contractors who were paid \$25,000 or more for which either a formal contract was executed or no formal contract was entered into, executed or negotiated during the fiscal year ended June 30, 2019. Based on a review of the signed conflict of interest forms, there appeared to be no related parties or parties-in-interest with respect to the above list of vendors.

**KINGSMAN ACADEMY PUBLIC CHARTER SCHOOL  
 SUPPLEMENTAL SCHEDULE OF VENDOR CONTRACTS AWARDED OVER \$25,000  
 YEAR ENDED JUNE 30, 2019**

Vendor Name	Services Provided	Approx Value
Fortabyte Cyber Solutions	IT Services	\$ 141,600
EdOps	Facility Finance Consulting Services for Renovation	79,000
Washington Gas	Utility Services	38,367

This schedule only reflects those unique vendors for which a verbal or written contract was entered into during fiscal year June 30, 2019, that are expected to equal or exceed \$25,000, for which services had not yet begun nor any payment received as of June 30, 2019. Therefore, this schedule does not include any vendors listed on the preceding schedule of vendors paid over \$25,000.