

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS

WASHINGTON, DC

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COMPARATIVE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

Board of Trustees  
Richard Wright Public Charter School  
for Journalism and Media Arts  
770 M Street, SE  
Washington, DC 20003

INDEPENDENT AUDITOR'S REPORT

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Richard Wright Public Charter School for Journalism and Media Arts (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 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***

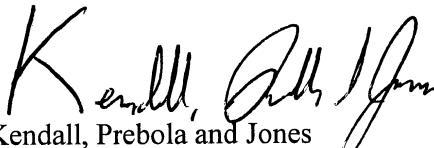
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Richard Wright Public Charter School for Journalism and Media Arts, as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then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

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

We have audited the financial statements of the Richard Wright Public Charter School for Journalism and Media Arts as of and for the years ended June 30, 2019 and 2018, and our report thereon dated December 16, 2019, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of the Richard Wright Public Charter School for Journalism and Media Arts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Richard Wright Public Charter School for Journalism and Media Arts' 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 Richard Wright Public Charter School for Journalism and Media Arts' internal control over financial reporting and compliance.

  
Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
December 16, 2019

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,138,713	\$ 745,597
Accounts Receivable	180,408	58,956
Grants Receivable	111,637	219,413
Promises Receivable	19,852	800
Prepaid Expenses	<u>90,080</u>	<u>4,253</u>
Total Current Assets	<u>\$ 1,540,690</u>	<u>\$ 1,029,019</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 39,947</u>	<u>\$ 90,007</u>
Total Fixed Assets	<u>\$ 39,947</u>	<u>\$ 90,007</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 277,862</u>	<u>\$ 72,350</u>
Total Other Assets	<u>\$ 277,862</u>	<u>\$ 72,350</u>
TOTAL ASSETS	<u>\$ 1,858,499</u>	<u>\$ 1,191,376</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 225,941	\$ 412,323
Income Taxes Payable	8,726	4,745
Interest Payable	468	-
Accrued Salaries and Payroll Withholdings	174,019	168,252
Current Portion of Deferred Rent	-	4,262
Current Portion of Capital Lease Payable	<u>4,749</u>	<u>23,260</u>
Total Current Liabilities	<u>\$ 413,903</u>	<u>\$ 612,842</u>
<u>Long-Term Liabilities:</u>		
Deferred Rent	\$ -	\$ 4,262
Less: Current Portion of Deferred Rent	-	(4,262)
Capital Lease Payable	11,021	27,727
Less: Current Portion of Capital Lease Payable	<u>(4,749)</u>	<u>(23,260)</u>
Total Long-Term Liabilities	<u>\$ 6,272</u>	<u>\$ 4,467</u>
Total Liabilities	<u>\$ 420,175</u>	<u>\$ 617,309</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 1,438,324	\$ 574,067
With Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 1,438,324</u>	<u>\$ 574,067</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,858,499</u>	<u>\$ 1,191,376</u>

(See Accompanying Notes and Auditor's Report)

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 5,400,108	\$ -	\$ 5,400,108	\$ 4,691,907	\$ -	\$ 4,691,907
Per Pupil Funding - Facilities Allocation	975,637	-	975,637	858,844	-	858,844
Federal Entitlements and Grants	563,120	-	563,120	556,573	-	556,573
Other Grants	24,450	-	24,450	32,173	-	32,173
Contributions	49,242	-	49,242	35,112	-	35,112
Student and Activity Fees	15,028	-	15,028	9,182	-	9,182
Interest and Dividends	70	-	70	76	-	76
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	-	-	-	-	-	-
Total Revenues and Other Support	<u>\$ 7,027,655</u>	<u>\$ -</u>	<u>\$ 7,027,655</u>	<u>\$ 6,183,867</u>	<u>\$ -</u>	<u>\$ 6,183,867</u>
<u>Expenses:</u>						
Educational Services	\$ 5,491,934	\$ -	\$ 5,491,934	\$ 5,299,685	\$ -	\$ 5,299,685
General and Administrative	635,496	-	635,496	419,350	-	419,350
Fundraising	<u>35,968</u>	-	<u>35,968</u>	<u>39,686</u>	-	<u>39,686</u>
Total Expenses	<u>\$ 6,163,398</u>	<u>\$ -</u>	<u>\$ 6,163,398</u>	<u>\$ 5,758,721</u>	<u>\$ -</u>	<u>\$ 5,758,721</u>
Changes in Net Assets	\$ 864,257	\$ -	\$ 864,257	\$ 425,146	\$ -	\$ 425,146
Net Assets/(Deficit), Beginning of Year	<u>574,067</u>	-	<u>574,067</u>	<u>148,921</u>	-	<u>148,921</u>
Net Assets/(Deficit), End of Year	<u>\$ 1,438,324</u>	<u>\$ -</u>	<u>\$ 1,438,324</u>	<u>\$ 574,067</u>	<u>\$ -</u>	<u>\$ 574,067</u>

(See Accompanying Notes and Auditor's Report)

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	For Year Ending June 30, 2019				For Year Ending June 30, 2018			
	Total	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
School Leadership Salaries	\$ 420,692	\$ 357,588	\$ 52,587	\$ 10,517	\$ 463,820	\$ 394,247	\$ 57,977	\$ 11,596
Academic Salaries	1,634,208	1,634,208	-	-	1,669,094	1,669,094	-	-
Special Education Salaries	331,507	331,507	-	-	305,522	305,522	-	-
Operations Salaries	206,355	144,448	51,589	10,318	198,663	69,532	119,198	9,933
Clerical Salaries	146,535	102,575	43,960	-	143,310	100,317	42,993	-
Payroll Taxes	237,795	223,127	12,859	1,809	234,179	213,822	18,544	1,813
Benefits	260,863	244,772	14,107	1,984	273,099	249,359	21,625	2,115
Professional Development	9,727	9,197	530	-	7,085	7,085	-	-
Transportation, Travel and Meetings	<u>51,163</u>	<u>48,375</u>	<u>2,788</u>	<u>-</u>	<u>11,738</u>	<u>10,732</u>	<u>930</u>	<u>76</u>
Total Personnel, Salaries and Benefits	<u>\$ 3,298,845</u>	<u>\$ 3,095,797</u>	<u>\$ 178,420</u>	<u>\$ 24,628</u>	<u>\$ 3,306,510</u>	<u>\$ 3,019,710</u>	<u>\$ 261,267</u>	<u>\$ 25,533</u>
<u>Direct Student Costs:</u>								
Textbooks	\$ 5,020	\$ 5,020	\$ -	\$ -	\$ 5,335	\$ 5,335	\$ -	\$ -
Student Supplies and Materials	145,220	145,220	-	-	67,963	67,963	-	-
Student Assessments	14,485	14,485	-	-	11,845	11,845	-	-
Contracted Student Services	153,994	153,994	-	-	136,464	136,464	-	-
Food Service	155,662	155,662	-	-	165,456	165,456	-	-
Transportation	4,100	4,100	-	-	-	-	-	-
Other Student Costs	<u>172,865</u>	<u>172,865</u>	<u>-</u>	<u>-</u>	<u>158,464</u>	<u>158,464</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 651,346</u>	<u>\$ 651,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545,527</u>	<u>\$ 545,527</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 1,210,441	\$ 1,129,859	\$ 72,592	\$ 7,990	\$ 1,169,218	\$ 1,067,580	\$ 92,585	\$ 9,053
Depreciation - Leasehold Improvements	13,901	12,975	834	92	40,840	37,290	3,234	316
Janitorial Supplies	7,293	6,808	437	48	8,664	7,911	686	67
Maintenance, Repairs and Contracted Building Services	41,684	38,909	2,500	275	12,981	11,853	1,029	99
Facility Consulting Fee	<u>21,200</u>	<u>19,789</u>	<u>1,271</u>	<u>140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Occupancy Costs	<u>\$ 1,294,519</u>	<u>\$ 1,208,340</u>	<u>\$ 77,634</u>	<u>\$ 8,545</u>	<u>\$ 1,231,703</u>	<u>\$ 1,124,634</u>	<u>\$ 97,534</u>	<u>\$ 9,535</u>

(See Accompanying Notes and Auditor's Report)

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>For Year Ending June 30, 2019</u>				<u>For Year Ending June 30, 2018</u>			
	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 19,632	\$ 18,325	\$ 1,177	\$ 130	\$ 14,142	\$ 12,912	\$ 1,120	\$ 110
Office Equipment Rental and Maintenance	21,282	19,866	1,276	140	18,887	17,246	1,496	145
Telephone/Telecommunications	58,057	54,192	3,482	383	56,460	51,552	4,471	437
Professional and Payroll Services	377,156	218,699	158,457	-	269,765	246,315	21,361	2,089
Printing and Copying	6,017	5,616	361	40	8,335	7,610	660	65
Postage and Shipping	4,332	4,043	260	29	2,162	1,974	171	17
Computer and Related	<u>77,835</u>	<u>72,653</u>	<u>4,668</u>	<u>514</u>	<u>91,276</u>	<u>83,341</u>	<u>7,228</u>	<u>707</u>
Total Office Expenses	<u>\$ 564,311</u>	<u>\$ 393,394</u>	<u>\$ 169,681</u>	<u>\$ 1,236</u>	<u>\$ 461,027</u>	<u>\$ 420,950</u>	<u>\$ 36,507</u>	<u>\$ 3,570</u>
<u>General Expenses:</u>								
Insurance	\$ 18,236	\$ 17,022	\$ 1,094	\$ 120	\$ 19,912	\$ 18,323	\$ 1,589	\$ -
Interest	6,508	6,075	390	43	4,400	4,018	348	34
Authorizer Fee	62,581	58,803	3,778	-	58,664	46,931	11,733	-
Depreciation Expense	56,189	52,448	3,370	371	109,309	99,807	8,656	846
Licenses, Fees, and Fines	206,235	6,253	198,957	1,025	21,669	19,785	1,716	168
Other General Expenses	<u>4,628</u>	<u>2,456</u>	<u>2,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Expenses	<u>\$ 354,377</u>	<u>\$ 143,057</u>	<u>\$ 209,761</u>	<u>\$ 1,559</u>	<u>\$ 213,954</u>	<u>\$ 188,864</u>	<u>\$ 24,042</u>	<u>\$ 1,048</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 6,163,398</u>	<u>\$ 5,491,934</u>	<u>\$ 635,496</u>	<u>\$ 35,968</u>	<u>\$ 5,758,721</u>	<u>\$ 5,299,685</u>	<u>\$ 419,350</u>	<u>\$ 39,686</u>

(See Accompanying Notes and Auditor's Report)



RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 864,257	\$ 425,146
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	70,090	150,149
Accounts Receivable - (Increase)/Decrease	(121,452)	15,769
Grants Receivable - (Increase)/Decrease	107,776	(163,084)
Promises Receivable - (Increase)/Decrease	(19,052)	4,716
Prepaid Expenses - (Increase)/Decrease	(85,827)	8,815
Deposits - (Increase)/Decrease	(205,512)	-
Deferred Rent - Increase/(Decrease)	(4,262)	(49,433)
Accounts Payable - Increase/(Decrease)	(185,914)	199,214
Income Taxes Payable - Increase/(Decrease)	3,978	4,745
Accrued Salary and Payroll Withholdings - Increase/(Decrease)	<u>5,767</u>	<u>(22,929)</u>
Net Cash Flows from Operating Activities	<u>\$ 429,849</u>	<u>\$ 573,108</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	<u>\$ (12,513)</u>	<u>\$ (8,699)</u>
Net Cash Flows from Investing Activities	<u>\$ (12,513)</u>	<u>\$ (8,699)</u>
<u>Cash Flows from Financing Activities:</u>		
Payments on Capital Lease	<u>\$ (24,220)</u>	<u>\$ (47,000)</u>
Net Cash Flows from Financing Activities	<u>\$ (24,220)</u>	<u>\$ (47,000)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 393,116	\$ 517,409
Cash and Cash Equivalents at Beginning of Year	<u>745,597</u>	<u>228,188</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,138,713</u>	<u>\$ 745,597</u>

Supplemental Disclosures:

- a) Cash paid for interest for the years ended June 30, 2019 and 2018 was \$6,509 and \$4,399, respectively.
- b) Income taxes in the amount of \$1,809 were paid during the year ended June 30, 2019.

Non-Cash Activities:

- a) During the year ended June 30, 2019, the Charter School purchased a Toshiba copier in the amount of \$7,517 by financing through a capital lease.
- b) During the year ended June 30, 2018, the Charter School purchased Chromebook laptops in the amount of \$12,969 by financing through a capital lease.

(See Accompanying Notes and Auditor's Report)

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

The Richard Wright Public Charter School for Journalism and Media Arts (the Charter School), a nonprofit organization incorporated in the District of Columbia in 2010, has been granted a charter as a DC public charter school by the District of Columbia Public Charter School Board, as authorized by the DC School Reform Act.

As a DC public charter school, the Richard Wright Public Charter School for Journalism and Media Arts receives funding from the District of Columbia (uniform per student funding) and the U.S. federal government (federal grants for education and other programs) provided it meets certain compliance requirements. A DC public charter school is considered a Local Educational Agency (LEA) under federal education guidelines. As a DC public charter school, the Richard Wright Public Charter School for Journalism and Media Arts enjoys significant freedom from the budget and operational restrictions placed on traditional public schools, allowing it to create a unique educational mission and approach.

The Charter School's primary sources of support are local appropriations for charter schools from the District of Columbia.

**Basic Programs**

The mission of Richard Wright Public Charter School for Journalism and Media Arts is to transform students in grades 8-12 into well-versed media contributors by providing a student-centered environment that connects them to the classics and modern languages and a curriculum focused on strong writing skills and vocabulary.

Named after prominent African American novelist Richard Wright, the Charter School will emphasize the development of students' skills in communication and expression, while providing a comprehensive education that prepares students for college and career. The Charter School has adopted the Boston Latin School framework for grades 8-12 and aligned the curriculum to DCPS Learning Standards, where applicable. The Boston Latin Model has proven to be successful for well over 300 years. The Charter School will review its curriculum annually to ensure adherence to state and federal academic goals, and to incorporate best practices from education research.

Philosophy

The Charter School will connect our students with the culture of the classics and modern languages while enhancing their education through an exploration of journalism and media arts. The Charter School believes in the following core values which will be instilled by the administration and staff and demonstrated by students on a daily basis:

- Self-discipline
- Academic rigor
- Moral conviction
- Self-respect
- Positive energy

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

**Contributions**

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

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

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

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

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

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition:

**Federal and Charter School Funding**

The Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The Charter School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

(c) Corporate Taxes:

The Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective May 24, 2010. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code, and, accordingly, contributions to the Charter School qualify as a charitable tax deduction by the contributor. Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. As of June 30, 2019 and 2018, the Charter School recognized \$3,783 and \$3,322, respectively, of income tax expense related to filing of the 990-T tax returns. In addition, \$1,621 and \$1,423, respectively, of income tax expense due to the District of Columbia has been recorded in the financial statements related to income tax on transportation benefits for the years ended June 30, 2019 and 2018.

The Charter School is also exempt from District of Columbia sales, real estate and personal property taxes.

(d) Government Grants:

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

(e) Net Assets:

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

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets without Donor Restrictions**

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

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

**Net Assets with Donor Restrictions**

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

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use. There were no net assets with donor restrictions available as of June 30, 2019 and 2018. In addition, there were no net assets released from donor restrictions during June 30, 2019 or 2018.

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Trustees is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There were no donated services and materials recorded in the financial statements during the years ended June 30, 2019 and 2018.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Functional Expense Allocation Policies and Procedures:

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

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

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

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

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on estimated amounts of time spent on particular activities.
- Costs of professional fees, legal and accounting, insurance, other general expense, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Certain staff expenses including travel, meetings and development are generally allocated between general and administrative and program functions on a percentage basis that is equivalent to that determined for salaries and wages.
- Shared costs (office supplies, telephone, equipment rental, postage and computer expense) are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

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NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Use of Estimates:

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

(i) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(j) Fair Value of Certain Financial Instruments:

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

(k) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or to total net assets from prior years.

(l) Change in Accounting Principles:

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

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of activities has been changed to present columns for both activities with donor restrictions and activities without donor restrictions as management believes this better reports changes in the Charter School's changes in financial position arising from its activities.

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NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(l) Change in Accounting Principles: (Continued)

- The statement of functional expenses is included as a component of the financial statements.
- The financial statements include a disclosure about liquidity and availability of resources.

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

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

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

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>June 30, 2019</u>
Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 1,138,713
Accounts Receivable	180,408
Grants Receivable	111,637
Promises Receivable	<u>19,852</u>
Total Financial Assets	<u>\$ 1,450,610</u>
Less Amounts Not Available for General Expenditure Within One Year:	<u>\$ -</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,450,610</u>

As part of the Charter School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.



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4. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School’s financial statements and prescribe a threshold of “more likely than not” for recognition of tax positions taken or expected to be taken in a tax return. The Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2019, the statute of limitations for tax years 2015 through 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School’s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2019, the Charter School had no accruals for interest and/or penalties.

5. CASH AND CASH EQUIVALENTS:

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Interest Bearing Savings Account	\$ 125,158	\$ 620,510
Non-Interest Bearing Checking Accounts	<u>1,013,555</u>	<u>125,087</u>
Total	<u>\$ 1,138,713</u>	<u>\$ 745,597</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

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

As of June 30, 2019, the bank balance exceeded the Federal Deposit Insurance Corporation limits by \$928,413. Due to increased cash flows at certain times during the year, the amount of funds deposited in excess of FDIC limits may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

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NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

**Accounts and Grants Receivable**

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Accounts Receivable</u>		
Activity and Student Fees	\$ -	\$ 175
Per Pupil Funding	7,104	7,376
Reimbursable Expenses	173,304	51,405
Employee Receivable	<u>-</u>	<u>-</u>
Total	<u>\$ 180,408</u>	<u>\$ 58,956</u>
<u>Grants Receivable</u>		
Federal Entitlement Grants	\$ 83,598	\$ 131,351
National School Lunch Program	15,735	46,127
Healthy Schools Act	710	1,220
School Technology Fund	-	6,712
Individuals with Disabilities Education Act (IDEA 611)	-	15,182
Scholarships for Opportunity and Results Act (SOAR)	11,594	3,018
E-Rate	-	15,663
Local Grants	<u>-</u>	<u>140</u>
Total	<u>\$ 111,637</u>	<u>\$ 219,413</u>

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

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2019 and 2018.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable when payment has not been received after 180 days.

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NOTES TO FINANCIAL STATEMENTS

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

**Promises Receivable**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Promises receivable were \$19,852 and \$800 at June 30, 2019 and 2018, respectively. These amounts were all due to be received within one year.

7. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2019 and 2018 was \$70,090 and \$150,149, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2019

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture, Computers and Equipment	3-7 Years Remaining	\$ 938,810	\$ 900,155	\$ 38,655
Leasehold Improvements	Life of Lease	<u>400,281</u>	<u>398,989</u>	<u>1,292</u>
Total		<u>\$ 1,339,091</u>	<u>\$ 1,299,144</u>	<u>\$ 39,947</u>

June 30, 2018

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture, Computers and Equipment	3-7 Years Remaining	\$ 931,294	\$ 844,149	\$ 87,145
Leasehold Improvements	Life of Lease	<u>387,768</u>	<u>384,906</u>	<u>2,862</u>
Total		<u>\$ 1,319,062</u>	<u>\$ 1,229,055</u>	<u>\$ 90,007</u>

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8. DEFERRED RENT:

The Charter School entered into a lease agreement for the rental of space located at 770 M Street, SE, Washington, DC, for 60 months, commencing on August 1, 2013, and expiring on July 31, 2018. An amount of \$4,262 as of June 30, 2018, of future rent payments has been recorded to adjust the actual rent paid to conform to the straight-line basis. No deferred rent has been recorded as of June 30, 2019.

Accounting principles generally accepted in the United States of America require rent expenses, pursuant to a non-cancelable lease that includes fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease.

9. CAPITAL LEASES PAYABLE:

During the year ended June 30, 2019, the Charter School entered into a capital lease for the purchase of a Toshiba copier. The amount financed on the capital lease was \$7,517, payable over 63 months with a monthly payment of \$145. Maturity is scheduled for January 2024. Interest expense was \$362 for the year ended June 30, 2019, using an implicit rate of 7.582%. The lease is secured by the copier that costs \$7,517 and is presented as part of fixed assets. For the year ended June 30, 2019, depreciation expense in the amount of \$1,440 on the copier has been included in depreciation expense. Accumulated depreciation was \$1,440 at June 30, 2019. The balance of the capital lease was \$6,719 at June 30, 2019.

During the year ended June 30, 2018, the Charter School entered into a capital lease for the purchase of Chromebooks. The amount financed on the capital lease was \$12,969, payable over 36 months with a quarterly payment of \$1,274. Maturity is scheduled for August 31, 2020. Interest expense was \$1,178 and \$1,061 for the years ended June 30, 2019 and 2018, respectively, using an implicit rate of 10.50%. The lease is secured by the laptops that cost \$12,969, and is presented as part of fixed assets. For the years ended June 30, 2019 and 2018, depreciation expense in the amount of \$4,323 and \$3,603, respectively, on the laptops has been included in depreciation expense. Accumulated depreciation was \$7,926 and \$3,603 at June 30, 2019 and 2018 respectively. The balance of the capital lease was \$4,302 and \$9,783 at June 30, 2019 and 2018, respectively.

During the year ended June 30, 2017, the Charter School entered into a capital lease for the purchase of Chromebook laptops. The amount financed on the capital lease was \$40,477, payable over 36 months with a quarterly payment of \$3,789. Maturity is scheduled for June 1, 2019. Interest expense was \$999 and \$1,742 for the years ended June 30, 2019 and 2018, respectively, using an implicit rate of 7.34%. The lease is secured by the laptops that cost \$40,477 and is presented as part of fixed assets. For each of the years ended June 30, 2019 and 2018, depreciation expense in the amount of \$13,492 on the laptops has been included in depreciation expense. Accumulated depreciation was \$37,104 and \$23,611 at June 30, 2019 and 2018, respectively. There was no balance of the capital lease at June 30, 2019, and the balance of the capital lease was \$17,944 at June 30, 2018.

During the year ended June 30, 2016, the Charter School entered into a capital lease for the purchase of Dell Laptop Computers. The amount financed on the capital lease was \$109,468, payable over 36 months with a quarterly payment of \$10,728. This lease matured on March 17, 2018. Interest expense was \$1,596 for the year ended June 30, 2018, using an implicit rate of 10.35%. The lease is secured by the laptops that cost \$109,468 and is presented as part of fixed assets.

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9. CAPITAL LEASES PAYABLE: (Continued)

For the years ended June 30, 2019 and 2018, depreciation expense in the amount of \$3,041 and \$36,489, respectively, on the laptops has been included in depreciation expense. Accumulated depreciation was \$109,468 and \$106,427 at June 30, 2019 and 2018, respectively. There was no balance on this capital lease at June 30, 2019 or 2018.

The Charter School is committed under capital leases to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 5,511	\$ 4,749	\$ 762
2021	2,589	2,201	388
2022	1,740	1,482	258
2023	1,740	1,599	141
2024	<u>1,015</u>	<u>990</u>	<u>25</u>
Total	<u>\$ 12,595</u>	<u>\$ 11,021</u>	<u>\$ 1,574</u>

10. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract dated May 14, 2011, provides for a 15-year charter effective the date of first operation. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 18/19 and 17/18 school years) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2019 and 2018, the Charter School incurred \$62,581 and \$58,664, respectively, in administrative fees.

The charter contract provides that the Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2019, was not permitted to be greater than 500 students. Audit enrollment for the 2018/2019 year was 299 students and enrollment for the 2017/2018 year was 269 students.

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11. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2019, the per-student rate ranged from \$11,511 to \$13,003 for education allotment and \$3,263 for the facility allotment. For the year ended June 30, 2018, the per-student rate ranged from \$11,708 to \$12,514 for the education allotment and \$3,193 for the facility allotment. Additional allotments were made for Special Education Services and English as a Second Language. Per-pupil funding for the years ended June 30, 2019 and 2018 was as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Grade Level - 8 <sup>th</sup> - 12 <sup>th</sup> Grade	\$ 3,850,522	\$ 3,343,167
Special Education	1,105,534	846,309
English as a Second Language	-	10,052
At-Risk Funding	444,052	390,852
Teachers Collective Bargaining	-	101,527
Facilities Allowance	<u>975,637</u>	<u>858,844</u>
Total	<u>\$ 6,375,745</u>	<u>\$ 5,550,751</u>

12. FEDERAL ENTITLEMENTS AND GRANTS:

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Elementary and Secondary Education Act (Title I)	\$ 220,648	\$ 210,335
National School Lunch and Breakfast Programs	155,761	157,189
Individuals with Disabilities Act	65,952	63,364
Elementary and Secondary Education Act (Title II)	40,768	44,449
Scholarships for Opportunity and Results Act	55,916	71,236
Elementary and Secondary Education Act (Title IV)	<u>24,075</u>	<u>10,000</u>
Total	<u>\$ 563,120</u>	<u>\$ 556,573</u>

Federal formula grants are allocations of money to states or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, Local Education Agencies (LEAs), and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of the State Superintendent of Education.

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12. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

13. COMMITMENTS:

**Building Lease - 770 M Street, SE**

On June 22, 2012, the Charter School entered into a lease agreement with Madison 770 M Street, LLC, for its Charter School location at 770 M Street, SE, Washington, DC. The lease commenced August 1, 2012, and was scheduled to expire during July 2015. The monthly base rent in year 1 was \$48,333, and is based on \$20 per square foot for approximately 29,000 square feet. This lease was amended during June 2013 effective for the period beginning on August 1, 2013. The lease term was extended for five (5) years from August 1, 2013, through July 31, 2018, and includes approximately 41,147 square feet of space. The monthly base rent is \$64,750 in year one (1) and increases each year during the lease to a monthly amount of \$73,653 in the fifth and final year of the lease. As of June 30, 2018, \$4,262 of future rent payments have been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. In addition to the base rent, the Charter School will also be responsible to pay the landlord for monthly operating expenses associated with the leased property. During July 2018, the lease term was extended for one year from August 1, 2018, through July 31, 2019, at a monthly base rent of \$78,008. In April 2019, the lease term was extended for five (5) months for the period of August 1, 2019, through December 31, 2019, continuing at the monthly amount of \$78,008. As a requirement of this lease, a security deposit of \$50,750 was made. Total rent expense for the years ended June 30, 2019 and 2018 was \$1,210,441 and \$1,169,218, respectively. Included in rent expense for the years ended June 30, 2019 and 2018 are credits for real estate tax rebates in the amount of \$195,407 and \$182,230, respectively.

Subsequent to June 30, 2019, during August 2019, the Charter School extended this lease for a period of six months, from January 1, 2020, through June 30, 2020, at a monthly base rent of \$80,348, allowing the lease to expire on June 30, 2020.

**Building Lease - 475 School Street, SW**

On April 16, 2019, the Charter School entered into a lease agreement with Tellurium LLC, for its Charter School location at 475 School Street, SW, Washington, DC, that it expects to begin occupying on July 1, 2020. The rent commencement date was originally scheduled to be no later than August 1, 2019, and continue for a period of fifteen (15) years. In May of 2019, the first amendment was made to the lease agreement extending the commencement date from August 1, 2019, to January 2, 2020. The monthly base rent in year one (1) is \$73,927 and is based on \$14.25 per square foot for approximately 62,254 square feet. The monthly base rent is \$73,927 in year one (1) and increases each year during the lease to a monthly amount of \$89,268 in the fifteenth and final year of the lease. Accordingly, the amounts below reflect a deferred rent adjustment to conform the rent expense to the straight-line basis.

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13. COMMITMENTS: (Continued)

**Building Lease - 475 School Street, SW** (Continued)

In addition to the base rent, the Charter School will also be responsible to pay the landlord for real estate taxes associated with the leased property. An estimate of the annual real estate taxes has not been provided for below. As a requirement of this lease, a security deposit of \$200,000 was made in May 2019, which may be reduced to \$80,000 in the 60<sup>th</sup> month of the lease term. There was no rent expense recorded for the year ended June 30, 2019, related to this lease, as the rent commencement date had not yet been reached. Future minimum payments are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2020	\$ 221,780	\$ 234,524	\$ 456,304
2021	445,778	466,829	912,607
2022	825,805	86,802	912,607
2023	909,475	3,132	912,607
2024	918,570	(5,963)	912,607
Thereafter	<u>10,367,697</u>	<u>(785,324)</u>	<u>9,582,373</u>
Total	<u>\$ 13,689,105</u>	<u>\$ -</u>	<u>\$ 13,689,105</u>

**Parking Lease**

As explained above, on April 16, 2019, the Charter School entered into a lease agreement with Tellurium LLC, for its future Charter School location at 475 School Street, SW, Washington, DC. The lease includes the use of the underground building garage and exterior surface parking area. The rent commencement date was originally scheduled to be no later than August 1, 2019, and continue for a period of fifteen (15) years. In May of 2019, the first amendment was made to the lease agreement extending the commencement date from August 1, 2019 to January 2, 2020. As of June 30, 2019, the Charter School had not reached the rent commencement date. The rent for the full and unlimited use of the aforementioned parking areas is \$75,000 per year, to be escalated by five percent (5%) every five (5) years throughout the lease term. Accordingly, the amounts below reflect a deferred rent adjustment to conform to the straight-line basis. There was no rent expense recorded for the year ended June 30, 2019, as the rent commencement date had not yet been reached. Future minimum payments are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2020	\$ 37,500	\$ 1,906	\$ 39,406
2021	75,000	3,813	78,813
2022	75,000	3,813	78,813
2023	75,000	3,813	78,813
2024	75,000	3,813	78,813
Thereafter	<u>844,688</u>	<u>(17,158)</u>	<u>827,530</u>
Total	<u>\$ 1,182,188</u>	<u>\$ -</u>	<u>\$ 1,182,188</u>



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NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

**Photocopier Leases**

The Charter School entered into an operating lease with Wells Fargo on October 9, 2015, for the rental of a Copystar 800iI Photocopier. This lease calls for thirty-six (36) monthly payments of \$490, commencing on November 1, 2015. Rental expense for the years ending June 30, 2019 and 2018 was \$1,486 and \$5,880, respectively. This lease ended during the year ended June 30, 2019.

The Charter School entered into an operating lease with EverBank Commercial Finance on June 29, 2017, for the rental of a CS 5052CI Photocopier. This lease calls for thirty-six (36) monthly payments of \$364, commencing on July 1, 2017. The rental expense related to this lease for each of the years ending June 30, 2019 and 2018 was \$4,842.

The Charter School entered into an operating lease with Lease Direct on August 15, 2018, for the rental of Toshiba 7508A and Toshiba 7506 ACT photocopiers. The operating lease terms are for forty-eight (48) months, with monthly lease amounts of \$960, commencing on September 1, 2018. Equipment rental expense totaled \$9,600 for the year ended June 30, 2019.

Future minimum payments due under the above photocopier operating leases are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 15,888
2021	11,520
2022	11,520
2023	<u>1,920</u>
Total	<u>\$ 40,848</u>

The commitments related to the capital leases are disclosed in Note 9.

14. CONCENTRATIONS:

**Revenues**

The Charter School receives public funds from the District of Columbia based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2019 and 2018, ninety-one percent (91%) and ninety percent (90%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition).

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

14. CONCENTRATIONS: (Continued)

**Revenues** (Continued)

The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB). The DCPCSB may revoke the charter for material violations of laws and the terms of its charter agreement or if the Charter School fails to meet established goals and student achievement expectations.

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

15. CONTINGENCIES:

The Charter School was granted its charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding funds) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of Trustees and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors. The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administrations of the District of Columbia. Any future change in dynamics could adversely affect the operations of public charter schools.

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

16. SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 16, 2019, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

Subsequent to year end, the Charter School was in the process of securing financing of approximately \$11,600,000 for the renovation of the building for their upcoming lease at 475 School Street, SW, Washington, DC. The Charter School was also in the process of obtaining another Charter School to sublease a portion of this space once occupied.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
NOTES TO FINANCIAL STATEMENTS

17. FUNDRAISING:

During the years ended June 30, 2019 and 2018, expenses incurred for the purpose of fundraising were \$35,968 and \$39,686, respectively.

18. ADVERTISING:

Advertising and marketing costs are expensed when incurred. Advertising expenses were incurred for the purpose of promoting student enrollment and recruiting to the Charter School and to provide outreach to the community. Marketing expenses in the amount of \$17,370 and \$33,090 were incurred during the years ended June 30, 2019 and 2018, respectively.

19. EMPLOYEE BENEFITS:

The cost of payroll taxes and fringe benefits incurred for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Social Security/Medicare	\$ 201,685	\$ 204,434
Health Insurance	205,699	210,489
Life and Disability Insurance	14,438	15,955
Unemployment	31,688	29,745
Retirement	23,981	24,952
Workers Compensation	16,744	21,703
Paid Leave Tax	<u>4,423</u>	<u>-</u>
Total	<u>\$ 498,658</u>	<u>\$ 507,278</u>

**403(b) Retirement Plan**

The Charter School provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by Lincoln Financial. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code. Plan provisions call for a dollar for dollar match up to three percent (3%) of eligible wages.

Participants become sixty percent (60%) vested after their first year and increase by ten percent (10%) each year thereafter until becoming fully vested after year five. There is no unfunded past service liability. The Charter School's contributions for the years ended June 30, 2019 and 2018 were \$23,981 and \$24,952, respectively.

**Flexible Benefits Plan**

The Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health insurance premiums.

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

Board of Trustees  
Richard Wright Public Charter School  
for Journalism and Media Arts  
770 M Street, SE  
Washington, DC 20003

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Richard Wright Public Charter School for Journalism and Media Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Richard Wright Public Charter School for Journalism and Media Arts' 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 Richard Wright Public Charter School for Journalism and Media Arts' internal control. Accordingly, we do not express an opinion on the effectiveness of Richard Wright Public Charter School for Journalism and Media Arts' 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2019-001, that we consider to be a material weakness.

***Compliance and Other Matters***

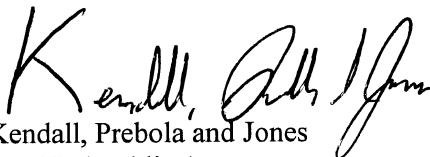
As part of obtaining reasonable assurance about whether Richard Wright Public Charter School for Journalism and Media Arts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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*.

***Richard Wright Public Charter School for Journalism and Media Arts' Response to Findings***

Richard Wright Public Charter School for Journalism and Media Arts' response to the findings identified in our audit is described in the accompanying schedule of findings. Richard Wright Public Charter School for Journalism and Media Arts' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
December 16, 2019

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

There were no findings reported in the prior year.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Richard Wright Public Charter School for Journalism and Media Arts were prepared in accordance with generally accepted accounting principles.
- b. One significant deficiency also considered to be a material weakness relating to the audit of the financial statements has been reported, Item 2019-001.
- c. No instances of noncompliance material to the financial statements of the Richard Wright Public Charter School for Journalism and Media Arts were disclosed during the audit.

II. Findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards

2019-001 Condition: The Charter School had several issues relating to the review and approval of the cash disbursement process. The Charter School utilizes a credit card, PayPal and electronic fund transfers to pay for many of its expenses. The invoices and receipts for these types of purchases do not have written documented approval of the charges. Furthermore, the invoices for purchases with the credit card are not always saved and maintained to support the charges. There were also checks written that had incorrect dates that did not match the date entered into the accounting system. We also noted a number of invoices were paid late during the year. Adjustments were necessary to balance the bank and several other balance sheet accounts such as accounts payable, accounts receivable and the credit card liability accounts.

Criteria: All credit card, PayPal and electronic fund transfer payments for expenses should have supporting documentation such as an invoice or receipt, which also indicate charge approval. This documentation notating approval could be initials on the invoices/charge slips or a separate listing of the charges that is signed off on by management. Credit Card receipts should be maintained for all purchases. All checks written should have a date on the check that matches the date in QuickBooks and all invoices should be paid in a timely manner. This date should be the date the check was written. A review process should ensure the balances in the statement of financial position accounts are properly stated during the year.

Cause: Management changed from an external electronic bill paying service to processing payments through the accounting system, which led to errors in the dating of checks. A lack of a review process led to not having all credit card receipts to support the charges, which required adjustments to certain account balances.

RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards* (Continued)

2019-001 (Continued)

Effect: By not having a written, documented approval of Pay Pal, electronic funds transfer and credit card charges, and by not having all credit card receipts, the accounting controls are lacking over these charges. It is difficult to substantiate the validity of the charge when the receipt is not approved or available. If the cash, accounts receivable, accounts payable and related liability balances in the accounting records are not reviewed, the Charter School's financial statements could be misstated.

Recommendation: We recommend that management establish a process where all PayPal charges, electronic fund transfers and credit card charges are reviewed and approved. We recommend that approval for payment be documented by either initialing the hard copy of the invoice to indicate review, or the electronic approval be saved with the individual receipts. We also recommend that the Charter School require all receipts to be obtained and/or printed immediately for credit card charges. When these charges are reviewed, care should be taken to ensure that all of the credit card charge receipts are available. A process needs to be established to ensure that all invoices are paid in a timely manner. A review of the cash account balances, accounts receivable, accounts payable and credit card liability accounts should be performed to ensure accuracy of these accounts.

Views of Responsible Officials: The Charter School's management team takes this issue seriously and will strive to improve in this area. The Chief Operating Officer (or designated Charter School employee) will ensure that all credit card, PayPal and electronic fund transfer payments are accompanied by a receipt or other documentation. The outsourced accountant will provide a monthly listing of the credit card expenses, which the COO or designated Charter School employee will use to match to the receipts. The Executive Director will review the credit card package each month. The COO will also ensure that dates on written and printed checks align with the dates in QuickBooks, and that invoices are paid when they are due to avoid late fees. Finally, the outsourced accountant will perform monthly reconciliations of the cash accounts and other various balance sheet accounts in order to keep these updated and accurate throughout the year.



RICHARD WRIGHT PUBLIC CHARTER SCHOOL  
FOR JOURNALISM AND MEDIA ARTS  
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000  
UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
770 M Street, LLC	Rent, CAM, Real Estate Taxes	1,576,254	no
Brustein and Manasevit, PLLC	Special Education Legal Service	78,700	no
Dc Life Parking	Staff Parking	32,300	no
Dynamic Network Solutions	IT Support, Software and Hardware	57,245	no
EdOps	Finance, Accounting, Human Resources, Student Data	156,784	no
Kaiser Permanente	Health Insurance	264,245	no
Selective Insurance Company of America	Business Liability and Workers Compensation Insurance	27,512	no
Studio 27 Architecture/MCN Build	Design Build for New Location	869,458	no
Telesphere	Phone Service	48,154	no
Top Spanish Cafe & Catering, Inc.	Food Service	155,662	no