

**ST COLETTA SPECIAL EDUCATION
PUBLIC CHARTER SCHOOL, INC.**

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

JUNE 30, 2015 AND 2014

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 9
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	10 - 11



Independent Auditor's Report

To the Board of Trustees
St. Coletta Special Education Public Charter School, Inc.
Washington, DC

Report of the Financial Statements

We have audited the accompanying financial statements of St. Coletta Special Education Public Charter School, Inc. (the "School"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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 the 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 of 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 2015 financial statements referred to above present fairly, in all material respects, the financial position of St. Coletta Special Education Public Charter School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of June 30, 2014, were audited by McQuade, Brennan, LLP, who merged with Jones, Maresca & McQuade, P.A. as of February 1, 2015, and whose report dated October 30, 2014, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 on our consideration of the School's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Jane Maresca & McQuade PA

Washington, DC
October 27, 2015

ST. COLETTA SPECIAL EDUCATION PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS		
Accounts receivable	\$ 837,746	\$ 988,784
Total Current Assets	\$ 837,746	\$ 988,784
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Due to related party	\$ 837,746	\$ 135,673
Deferred revenue	-	853,111
Total Current Liabilities	837,746	988,784
NET ASSETS		
Unrestricted	-	-
TOTAL LIABILITIES AND NET ASSETS	\$ 837,746	\$ 988,784

See independent auditor's report and accompanying notes to the financial statements.

ST. COLETTA SPECIAL EDUCATION PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
JUNE 30, 2015 AND 2014

	2015	2014
REVENUE AND OTHER SUPPORT		
Per pupil allocation	\$ 13,612,280	\$ 12,909,509
Per pupil facilities allowance	768,000	750,000
DCPS supplemental funding	2,143,052	2,880,264
Medicaid reimbursement	561,413	223,113
Federal entitlements and grants	176,421	243,189
Total Revenue and Other Support	17,261,166	17,006,075
EXPENSES		
Programs	15,431,482	15,256,150
Support Services	1,353,276	1,224,437
Development	476,408	525,488
Total Expenses	17,261,166	17,006,075
CHANGE IN NET ASSETS	-	-
NET ASSETS, beginning of year	-	-
NET ASSETS, end of year	\$ -	\$ -

See independent auditor's report and accompanying notes to the financial statements.

ST. COLETTA SPECIAL EDUCATION PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grantors	\$ 17,261,166	\$ 16,861,876
Cash paid to suppliers	(17,261,166)	(16,861,876)
CASH PROVIDED BY OPERATING ACTIVITIES	-	-
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (increase) in assets:		
Accounts receivable	151,038	(842,159)
Prepaid expenses	-	144,199
(Decrease) increase in liabilities:		
Due to related party	702,073	135,673
Deferred revenue	(853,111)	562,287
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ -	\$ -
NET CHANGE IN CASH	-	-
CASH, beginning of year	-	-
CASH, end of year	\$ -	\$ -

See independent auditor's report and accompanying notes to the financial statements.

ST COLETTA SPECIAL EDUCATION PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE A – ORGANIZATION AND PURPOSE

St. Coletta Special Education Public Charter School, Inc. (the “School”) was incorporated as a non-stock and not-for-profit organization on July 14, 2004 under the laws of the District of Columbia. The School was chartered by the District of Columbia Board of Education and began operations on July 1, 2006. During the years ended June 30, 2015 and 2014, the School served 250 charter students, in both years.

The mission of the School is to serve children and adults with cognitive disabilities and to support their families. The School believes in the immeasurable value of the individual human spirit and the right of each individual to live as full and independent a life as possible. The School respects the dignity of all persons entrusted to the School’s care and the School’s goal is to serve them in an atmosphere that encourages their talents, celebrates their successes and builds their self-esteem. The School serves children living in the District of Columbia between the ages of 3 and 22.

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.

Basis of Presentation

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

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time. There were no temporarily restricted net assets as of June 30, 2015 and 2014.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. There were no permanently restricted net assets as of June 30, 2015 and 2014.

ST COLETTA SPECIAL EDUCATION PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accounts Receivable

Accounts receivable related to program service fees and public funding sources are recognized on the accrual basis of accounting, therefore at the time the service was provided. Accounts receivable are reported net of allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of the outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due accounts receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. Due to the nature of funding from government agencies, management believes that all accounts receivable will be collected. Therefore, no allowance for doubtful accounts has been provided as of June 30, 2015 and 2014.

Deferred Revenue

Deferred revenue results from grant income received in the current fiscal year and deferred until the fiscal year in which the service is provided.

Revenue Recognition

Revenues are received primarily from the District of Columbia Public School System authorized under the District of Columbia Public Charter School Board (per pupil funding) and Board of Education, Medicaid, and other federal grants. These revenues are subject to audit by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Reimbursement revenues payable by Medicaid are reported net of discounts and denials. The School bills Medicaid directly for services provided.

District of Columbia Public School (DCPS) supplement funding is paid in accordance with a memorandum of understanding between the School, St. Coletta of Greater Washington, Inc. (SCGW), and the Board of Education of the District of Columbia. Under this memorandum of understanding, the Board of Education of the District of Columbia is to fund the School to cover operating costs of the School in excess of the per pupil allocation and allowance funding. This memorandum of understanding was entered into as a result of the intensive special education services offered at the School and the additional costs for eligible students. The memorandum of understanding is effective through the expiration of the School's Charter and renewable for two successive terms coinciding with renewal of the School's Charter.

ST COLETTA SPECIAL EDUCATION PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

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

NOTE C – INCOME TAXES

The School a 501(c)(3) organization, is recognized as exempt from federal income tax, under Section 501(a) 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 believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The School's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The School's Form 990 returns for the years 2012 through 2014 are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – RELATED PARTY TRANSACTIONS

The School was established by St. Coletta of Greater Washington, Inc. (SCGW), a nonprofit organization. Pursuant to a management agreement, between the School and SCGW, SCGW manages the program and provides operational assistance to the School. This includes SCGW having exclusive authority over the management responsibilities, accounting, bank accounts, financial reporting, and record keeping of the School.

ST COLETTA SPECIAL EDUCATION PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)

NOTE D – RELATED PARTY TRANSACTIONS – continued

Under the management agreement, SCGW provides facilities, equipment, personnel, financial management, operating services and supplies to the School for a monthly fee equal to the revenue and support of the School. The initial term of the agreement was from May 22, 2006 until June 30, 2008, and renews automatically for successive terms of one year unless either party provides notice of at least ninety days prior to the next anniversary date. The School anticipates the agreement to be continued for the upcoming term. During the years ended June 30, 2015 and 2014 the School incurred \$17,261,166 and \$17,006,075 in management fees, respectively, of which \$837,746 and \$135,673 was due from the School at June 30, 2015 and 2014, respectively.

NOTE E – AVERAGE COST PER STUDENT

For the years ended June 30, 2015 and 2014, the average cost per student was approximately \$69,000 and \$68,000, respectively. This is calculated by dividing total noncapital expenditures by the school's full-time student enrollment.

NOTE F – CONCENTRATION

The School places its cash and cash equivalents with financial institutions which at times, may exceed the Federal Deposit Insurance Corporation's insurance limit of \$250,000. As of June 30, 2015 and 2014, the School had no bank balances that exceeded the federal insured limit. At times, the accounts may exceed the amount guaranteed by the Federal Deposit Insurance Corporation, however the School has not experienced, nor does it anticipate, any loss of funds.

The School is supported primarily through local and federal appropriations and grants. For the years ended June 30, 2015 and 2014, 83% and 80%, respectively, of total revenue was provided by per pupil funding.

At June 30, 2015 and 2014, 100% of the School expenses are paid to SCGW as management fees.

NOTE G – SUBSEQUENT EVENTS

In preparing these financial statements, the School's management has evaluated events and transactions for potential recognition or disclosure through October 27, 2015, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure or recognition.



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

To the Board of Trustees
St Coletta Special Education Public Charter School, Inc.
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St Coletta Special Education Public Charter School, Inc. (School), which comprise the statements of financial position as of June 30, 2015 and the related statements of activities, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2015.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on 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 over financial reporting 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Jane Warner & McQuade PA

Washington, DC
October 27, 2015