

**STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS**

**Financial Statements Together with  
Reports of Independent Public Accountants**

**For the Year Ended June 30, 2019**



**S B & COMPANY, LLC**  
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**JUNE 30, 2019**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Board of Directors  
Statesmen College Preparatory Academy

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

We have audited the accompanying financial statements of Statesmen College Preparatory Academy for Boys PCS (the Academy), which comprise the statement of financial position as of June 30, 2019, the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the auditing standards established pursuant to the District of Columbia School Reform Act, Public Law No. 104-134, 110 Stat. 1321-121, 2204(c)(11)(B)(ix)(1996) and the D.C. Official Code 38-1802.04(ii)(B) (2001, as amended). 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 controls 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 controls. 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.



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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 Academy as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of vendors contracted for services in excess of \$25,000, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, although not a part of the basic financial statements, is required by the District of Columbia Public Charter School Board, and has not been subjected to the auditing procedures applied in the audits of the basic 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 November 25, 2019, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Washington, DC  
November 25, 2019

# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Statement of Financial Position As of June 30, 2019

<b>ASSETS</b>	
Cash	\$ 649,639
Grants and accounts receivable, net	949,244
Prepaid expenses and other assets	8,730
Furniture and equipment, net	13,209
Deposits	149,640
<b>Total Assets</b>	<b><u>\$ 1,770,462</u></b>
 <b>LIABILITIES AND NET ASSETS</b>  	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 60,952
Accrued salaries and related payroll expense	62,973
<b>Total Liabilities</b>	<b><u>123,925</u></b>
<b>Net Assets</b>	
Without donor restrictions	662,934
With donor restrictions	983,603
<b>Total Net Assets</b>	<b><u>1,646,537</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,770,462</u></b>

The accompanying notes are an integral part of this financial statement.

**STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS**

**Statement of Financial Position  
As of June 30, 2019**

**CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

**Revenue and Other Support**

Per pupil allocation	\$ 1,009,242
DC facilities allowance	176,202
Federal grants	297,742
Grants	865,847
State and local revenue	2,328
Contributions	40,272
Other	415
<b>Total Revenue and Other Support Without Donor Restrictions</b>	<u>2,392,048</u>

**Expenses**

Program services	1,638,153
Management and general	362,803
Fundraising	50,969
<b>Total Expenses</b>	<u>2,051,925</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<u>340,123</u>

**CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS**

Grants	<u>983,603</u>
Changes in total net assets	1,323,726
Net assets, beginning of year	322,811
<b>Net Assets, End of Year</b>	<u>\$ 1,646,537</u>

The accompanying notes are an integral part of this financial statement.

# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Statement of Functional Expenses For the Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
<b>SALARIES, TAXES AND BENEFITS</b>				
Salaries	\$ 664,168	\$ 259,892	\$ 38,503	\$ 962,563
Payroll taxes	55,745	21,813	3,232	80,790
Health benefits	59,607	23,324	3,456	86,387
Total salaries, taxes and benefits	<u>779,520</u>	<u>305,029</u>	<u>45,191</u>	<u>1,129,740</u>
<b>DIRECT STUDENT COSTS</b>				
Student supplies, snacks	32,103	-	-	32,103
Student assessment materials	5,344	-	-	5,344
Student textbooks	15,258	-	-	15,258
Contracted instruction	111,366	-	-	111,366
Food service cost	44,108	-	-	44,108
Field trips and other transportation	27,912	-	-	27,912
Other student costs	108,356	-	-	108,356
Total direct student costs	<u>344,447</u>	<u>-</u>	<u>-</u>	<u>344,447</u>
<b>OCCUPANCY EXPENSES</b>				
Occupancy	231,753	26,040	2,604	260,397
Depreciation	975	110	10	1,095
Total occupancy expenses	<u>232,728</u>	<u>26,150</u>	<u>2,614</u>	<u>261,492</u>
<b>OFFICE EXPENSES</b>				
Professional development	27,661	3,108	311	31,080
Other staff expenses	68,182	7,661	766	76,609
Office expenses	43,986	4,942	494	49,422
Accounting, auditing and payroll	50,540	5,678	568	56,786
Professional fees	35,947	4,039	404	40,390
Other expenses	55,142	6,196	621	61,959
Total office expenses	<u>281,458</u>	<u>31,624</u>	<u>3,164</u>	<u>316,246</u>
<b>Total Expenses</b>	<u>\$ 1,638,153</u>	<u>\$ 362,803</u>	<u>\$ 50,969</u>	<u>\$ 2,051,925</u>

The accompanying notes are an integral part of this financial statement.

# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Statement of Cash Flows For the Year Ended June 30, 2019

### Cash Flows from Operating Activities

Changes in net assets	\$ 1,323,726
Adjustments to reconcile changes in net assets to net cash from operating activities:	
Depreciation	1,095
Effects of changes in non-cash operating assets and liabilities:	
Grants and accounts receivable, net	(909,922)
Prepaid expenses and other assets	(4,299)
Deposits	(149,640)
Accounts payable and accrued expenses	44,005
Accrued salaries and related payroll expense	35,817
<b>Net Cash from Operating Activities</b>	<u>340,782</u>

### Cash Flows from Investing Activities

Purchase of equipment	<u>(14,304)</u>
Net change in cash	326,478
Cash, beginning of year	<u>323,161</u>
<b>Cash, End of Year</b>	<u>\$ 649,639</u>

The accompanying notes are an integral part of this financial statement.



# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Notes to the Financial Statements

June 30, 2019

### 1. BACKGROUND OF THE ORGANIZATION

Statesmen College Preparatory Academy for Boys PCS is a not-for-profit public school founded to create a boy-friendly, pedagogy-informed academic environment within which young men are equipped with the academic skills, social competencies, and personal development necessary to navigate life challenges, attend and complete the college of their choice, and return to become the premier agents of social change within and for the communities they serve.

Statesmen was originally founded as North Star College Preparatory Academy for Boys PCS in March of 2017. The name change was conducted and the 15 – year charter was officially signed as Statesmen College Preparatory Academy for Boys PCS in June of 2018. Currently, Statesmen Academy for Boys serves 130 4<sup>th</sup> and 5<sup>th</sup> grade students who are all residents of the District of Columbia. By year five (school year 2022 – 2023), the Academy plans to serve 300 students in grades 4<sup>th</sup> – 8<sup>th</sup>.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The accompanying financial statements of the Academy are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **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 certain reported amounts and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

#### **Fair Value of Financial Instruments**

Financial instruments consist of receivables and payables. The carrying value of the Academy's financial instruments in the accompanying statement of financial position approximated their respective estimated fair values as of June 30, 2019. Fair values are estimated based on current market rates, prices or liquidation value.

# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Notes to the Financial Statements June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Grants and Accounts Receivable**

Grants and accounts receivable represent revenue earned, but not collected as of the end of the fiscal year. The grants receivable that are collectible in greater than one year are discounted at 1.75% as of June 30, 2019. The Academy records an allowance for doubtful accounts equal to estimated losses that will be incurred in the collection of receivables. Management believes that receivables are fully collectible, and thus, no allowance for doubtful accounts was recorded as of June 30, 2019.

#### **Furniture and Equipment**

Furniture and equipment purchased with a cost of greater than \$1,000, and a useful life over one year are capitalized at cost. Donated furniture and equipment are capitalized at the estimated fair market value on the date received. Depreciation is recorded using the straight-line method over the estimated useful lives ranging from three to ten years.

#### **Advertising Costs**

The costs of advertising are expenses when the services are rendered. Advertising expense for the year ended June 30, 2019 was \$13,395.

#### **Net Assets**

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by the Academy has been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

Net assets with donor restrictions are also those that are restricted by donors to be maintained by the Academy in perpetuity. There were no net assets with donor restrictions to be held in perpetuity as of June 30, 2019.

# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Notes to the Financial Statements

June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Support and Revenue

Contributions received are recorded as net assets without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions.

The Academy also receives its funding from the Office of the State Superintendent of Education based on the number of students enrolled in the Academy on September 30 of the fiscal year. The Academy recognizes this revenue during the fiscal year the students are enrolled and attend classes. Funding received in advance of the school term is recorded as deferred revenue in the accompanying statement of financial position.

Revenue from government sources is recognized as earned. In addition, the Academy recognizes revenue for student activities, such as field trips, as the activities take place.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and support services that benefit from those costs. Direct salaries and wages are considered a representative measure of the organizational effort applied to joint objectives and serve as the basis for allocation of shared expenses. Management and general expenses include those expenses not directly identified with any other specific function but provide for the overall support and direction of the Academy.

#### Income Taxes

The Academy is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), as well as applicable District tax laws.

Accounting principles generally accepted in the United States of America provide guidance for the accounting for uncertainty in income taxes recognized in an entity'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 Academy performed an evaluation of

# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Notes to the Financial Statements June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income Taxes (continued)

uncertain tax positions as of June 30, 2019, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. It is the Academy'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 statute of limitations for fiscal years 2018 – 2019 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the Academy files tax returns. It is the Academy's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

#### Liquidity and Availability of Resources

The following reflects the Academy's financial assets as of the statement of financial position date of June 30, 2019, reduced by amounts not available for general use within one year because of donor-imposed restrictions.

Cash	\$ 649,639
Grants and accounts receivable, net	949,244
Deposits	<u>132,630</u>
	1,731,513
Less: those unavailable for general expenditures within one year, due to:	
Donor restrictions	562,700
Financial assets available to meet cash needs within one year	<u>\$ 1,168,813</u>

The Academy manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Academy, along with its board, closely monitors actual and forecasted expenses, ensuring that it maintains days cash on hand above the Public Charter School Board's 45-day requirement. Additionally, Executive Leadership Team (Founder/CEO, Director of Curriculum and Director of Operations) meet weekly to review discretionary expenses and adjust as necessary.

# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Notes to the Financial Statements June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the Academy to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, and ASU No. 2018-11 *Targeted Improvements, to Topic 842, Leases*, which provide further clarity and transition options for adoption of FASB ASU No. 2016-02. These standards will be effective for periods beginning after December 15, 2020.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard is effective for periods beginning after December 15, 2019.

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

#### Subsequent Events

The Academy's management evaluated the accompanying financial statements for subsequent events and transactions through November 25, 2019, the date these financial statements were available for issue, and has determined that except for the disclosure in Note 6 regarding the new sublease, no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Notes to the Financial Statements June 30, 2019

### 3. FURNITURE AND EQUIPMENT

As of June 30, 2019, furniture and equipment consisted of the following:

	<u>2019</u>	<u>Useful Life</u>
Furnitures, fixtures and equipment	\$ 4,172	7 years
Computers	10,132	3 years
	<u>14,304</u>	
Less: accumulated depreciation	1,095	
<b>Furniture and Equipment, Net</b>	<u><u>\$ 13,209</u></u>	

Depreciation expense was \$1,095, for the year ended June 30, 2019.

### 4. GRANTS AND ACCOUNTS RECEIVABLE

Grants receivable as of June 30, 2019, included the following unconditional promises to give:

	<u>Amount</u>
Amounts due in:	
Less than one year	\$ 386,544
One to five years	567,000
<b>Total</b>	<u>953,544</u>
Less: Present value discount at 1.75%	4,300
<b>Grants and accounts receivable</b>	<u><u>\$ 949,244</u></u>

### 5. RESTRICTION OF NET ASSETS

#### Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 consisted of contributions that were restricted based on purpose and time:

	<u>Amount</u>
Time restrictions	\$ 250,000
Purpose restrictions	733,603
<b>Total</b>	<u><u>\$ 983,603</u></u>

# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Notes to the Financial Statements June 30, 2019

### 6. COMMITMENTS AND CONTINGENCIES

#### Grants

Most grants specify the types of expenditures for which the grants may be used. Under certain grants and contracts, expenditures made by the Academy are subject to audit. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits would not have a material effect on the accompanying financial statements.

The Academy receives financial assistance from Federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the Academy. The Academy's administration believes such disallowance, if any, would be immaterial.

The Academy receives a substantial portion of its revenue from the District of Columbia. If a significant reduction in this revenue should occur, it may have a material effect on the Academy's programs.

During the year ended June 30, 2019, the Academy earned revenue of \$1,483,186 from the District of Columbia, which was 62% of the total revenue and other support. This amount is reflected as per pupil allocation, DC facilities allowance, and Federal grants in the accompanying statement of activities and changes in net assets.

#### Litigation

The Academy may be subject to various claims and legal proceedings covering a wide range of matters that may arise in the ordinary course of its activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Academy.

#### Operating Leases

The Academy had a lease agreement for use of the building at 4250 Massachusetts Avenue, SE, Washington, D.C. with Rocketship Education D.C., Public Charter School, Inc. The security deposit for this lease was \$132,630, which will be returned within one year from the lease expiration date or when the Academy vacated the premises. The lease expired on June 30, 2019, and included assessments for common area expenses. Total rent expense, including shared expenses during the year ended June 30, 2019, was \$195,780.

On July 1, 2019, the Academy entered into a new sublease for use of the building at 4600 Livingston Road, SE, Washington, D.C. which expires on June 30, 2021. The security deposit for this lease was \$5,000, which will be returned upon the expiration date of the lease agreement. The Academy will pay a total full-service usage fee in the amount of 100% of the

# STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS

## Notes to the Financial Statements June 30, 2019

### 6. COMMITMENTS AND CONTINGENCIES (continued)

#### Operating Leases (continued)

funded per pupil facilities allotment amount for 120 students for year one of the sublease for July 1, 2019 through June 30, 2020 and 100% of the funded per pupil facilities allotment amount for 180 students or the Academy's audited enrollment, whichever is greater for the remainder of the sublease term from July 1, 2020 through June 30, 2021.

In August 2018, the Academy entered into a 60-month lease for office equipment. Future minimum rental payments under the agreement as of June 30, 2019, were as follows:

<u>For the Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 8,510
2021	8,510
2022	8,510
2023	8,510
2024	709
<b>Total</b>	<b><u>\$ 34,749</u></b>

### 7. RETIREMENT PLAN

The Academy maintains a qualified defined contribution 401(k) plan, for the benefit of its eligible employees. Under the terms of the plan, participants are able to reduce their taxable compensation for the amounts they contribute to the plan. The Academy's contributions under the plan are discretionary. There was \$38,499 of employer contributions made to the plan for the year ended June 30, 2019.



**SUPPLEMENTARY INFORMATION**

**STATESMEN COLLEGE PREPARATORY ACADEMY FOR BOYS PCS**

**Schedule of Vendors Contracted for Services in Excess of \$25,000  
For the Year Ended June 30, 2019**

**(UNAUDITED)**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Contract Value or Payments</u>	<u>Related Party</u>
Rocketship Education DC PSC Inc	Rental Payments	\$ 299,331	No
END TO END Solutions for Special Education LLC	Special Education Services	70,378	No
DC Health Link	Health Insurance Coverage	54,512	No
EdOps	Accounting and Finance Services	48,640	No
Enriched Schools	Substitute Teaching Company	45,161	No
Fairgreen Consulting	Special Education (Coordinator)	36,960	No
Amazon	Purchases for school operations	29,732	No



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

Board of Directors  
Statesmen College Preparatory Academy For Boys PCS

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 Statesmen College Preparatory Academy for Boys PCS (the Academy), which comprise the statement of financial position as of June 30, 2019, the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2019.

***Internal Controls over Financial Reporting***

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

*A deficiency in internal controls* 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Washington, DC  
November 25, 2019

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.