

WASHINGTON LATIN PUBLIC CHARTER SCHOOL
AND SUBSIDIARY

WASHINGTON, DC

COMPARATIVE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

KENDALL, PREBOLA AND JONES

Certified Public Accountants

PO BOX 259

BEDFORD, PENNSYLVANIA 15522-0259

(814) 623-1880

FAX (814) 623-7548

I N D E X

	<u>Page</u>
Independent Auditor's Report	1-2
Comparative Consolidated Statements of Financial Position, June 30, 2016 and 2015	3
Comparative Consolidated Statements of Activities, For the Years Ended June 30, 2016 and 2015	4
Comparative Consolidated Statements of Cash Flows, For the Years Ended June 30, 2016 and 2015	5
Notes to Consolidated Financial Statements	6-25
Supplemental Information	
Schedule 1 - Comparative Consolidated Schedules of Functional Expenses, For the Years Ended June 30, 2016 and 2015	26-27
Schedule 2 - Comparative Schedules of Average Cost Per Student, For the Years Ended June 30, 2016 and 2015	28
Schedule 3 - Comparative Consolidating Statements of Financial Position, June 30, 2016 and 2015	29-30
Schedule 4 - Comparative Consolidating Statements of Activities, For the Years Ended June 30, 2016 and 2015	31
Notes to Consolidating Financial Statements	32
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 <i>Government Auditing Standards</i>	33-34
Summary Schedule of Prior Audit Findings, For the Year Ended June 30, 2016	35
Schedule of Findings and Questioned Costs, For the Year Ended June 30, 2016	36

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Governors
Washington Latin Public Charter School
and Subsidiary
5200 2nd Street, NW
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Washington Latin Public Charter School and Subsidiary, (a nonprofit organization) which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

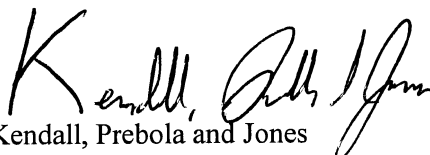
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Washington Latin Public Charter School and Subsidiary as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, on our consideration of the Washington Latin Public Charter School and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Washington Latin Public Charter School and Subsidiary's internal control over financial reporting and compliance.


Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 22, 2016

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 5,468,696	\$ 6,588,667
Accounts Receivable	81,290	23,031
Grants Receivable	100,785	204,331
Promises Receivable	384,619	373,592
Prepaid Expenses	<u>64,274</u>	<u>103,959</u>
Total Current Assets	<u>\$ 6,099,664</u>	<u>\$ 7,293,580</u>
<u>Fixed Assets: At Cost</u>		
Leasehold Improvements	\$ 15,425,090	\$ 15,341,216
Furniture and Equipment	1,011,798	961,733
Construction in Progress	4,484,882	424,360
Less: Accumulated Depreciation and Amortization	<u>(2,220,425)</u>	<u>(1,447,912)</u>
Total Fixed Assets	<u>\$ 18,701,345</u>	<u>\$ 15,279,397</u>
<u>Other Assets:</u>		
Cash - Restricted for Debt Service	\$ 946,104	\$ 698,176
Deposits	111,002	-
Loan Financing Costs	<u>558,875</u>	<u>513,448</u>
Total Other Assets	<u>\$ 1,615,981</u>	<u>\$ 1,211,624</u>
TOTAL ASSETS	<u>\$ 26,416,990</u>	<u>\$ 23,784,601</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 1,492,853	\$ 128,689
Accrued Salaries and Taxes Payable	564,449	548,040
Deferred Revenue	<u>1,798</u>	<u>361,788</u>
Total Current Liabilities	<u>\$ 2,059,100</u>	<u>\$ 1,038,517</u>
<u>Long-Term Liabilities:</u>		
Long-Term Debt	\$ 16,795,077	\$ 16,660,000
Less: Current Portion	-	-
Interest Rate Swap	<u>386,951</u>	<u>32,470</u>
Total Long-Term Liabilities	<u>\$ 17,182,028</u>	<u>\$ 16,692,470</u>
Total Liabilities	<u>\$ 19,241,128</u>	<u>\$ 17,730,987</u>
<u>Net Assets:</u>		
<u>Unrestricted</u>		
Undesignated	\$ 3,013,009	\$ 4,719,249
Board Designated Operating Reserve	2,500,000	-
Board Designated Capital Replacement Reserve	300,000	-
Board Designated Debt Repayment Reserve	800,000	-
Temporarily Restricted	<u>562,853</u>	<u>1,334,365</u>
Total Net Assets	<u>\$ 7,175,862</u>	<u>\$ 6,053,614</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,416,990</u>	<u>\$ 23,784,601</u>

(See Accompanying Notes and Auditor's Report)

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>				<u>June 30, 2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>								
Tuition - Per Pupil Funding Allocation	\$ 8,492,991	\$ -	\$ -	\$ 8,492,991	\$ 8,283,130	\$ -	\$ -	\$ 8,283,130
Tuition - Facilities Allowance	2,130,568	-	-	2,130,568	2,058,240	-	-	2,058,240
Federal Entitlements and Grants	210,368	-	-	210,368	635,693	-	-	635,693
Other Grants and Contributions	326,491	756,960	-	1,083,451	237,628	767,415	-	1,005,043
Student Fees	468,231	-	-	468,231	533,948	-	-	533,948
Interest Income	11,729	-	-	11,729	3,549	-	-	3,549
Donated Services	29,625	-	-	29,625	10,280	-	-	10,280
Other Income	229	-	-	229	8,905	-	-	8,905
Net Assets Released from Restrictions: (Satisfaction of Program Restrictions)	<u>1,528,472</u>	<u>(1,528,472)</u>	<u>-</u>	<u>-</u>	<u>117,215</u>	<u>(117,215)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 13,198,704</u>	<u>\$ (771,512)</u>	<u>\$ -</u>	<u>\$ 12,427,192</u>	<u>\$ 11,888,588</u>	<u>\$ 650,200</u>	<u>\$ -</u>	<u>\$ 12,538,788</u>
<u>Expenses:</u>								
Program Services	\$ 9,634,543	\$ -	\$ -	\$ 9,634,543	\$ 8,982,368	\$ -	\$ -	\$ 8,982,368
General and Administrative	1,114,480	-	-	1,114,480	1,195,740	-	-	1,195,740
Fundraising	<u>201,440</u>	<u>-</u>	<u>-</u>	<u>201,440</u>	<u>183,752</u>	<u>-</u>	<u>-</u>	<u>183,752</u>
Total Expenses	<u>\$ 10,950,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,950,463</u>	<u>\$ 10,361,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,361,860</u>
Changes in Net Assets before Change in Fair Value of Interest Rate Swap	\$ 2,248,241	\$ (771,512)	\$ -	\$ 1,476,729	\$ 1,526,728	\$ 650,200	\$ -	\$ 2,176,928
Change in Fair Value of Interest Rate Swap	<u>(354,481)</u>	<u>-</u>	<u>-</u>	<u>(354,481)</u>	<u>(115,079)</u>	<u>-</u>	<u>-</u>	<u>(115,079)</u>
Changes in Net Assets	\$ 1,893,760	\$ (771,512)	\$ -	\$ 1,122,248	\$ 1,411,649	\$ 650,200	\$ -	\$ 2,061,849
Net Assets at Beginning of Year	<u>4,719,249</u>	<u>1,334,365</u>	<u>-</u>	<u>6,053,614</u>	<u>3,307,600</u>	<u>684,165</u>	<u>-</u>	<u>3,991,765</u>
Net Assets at End of Year	<u>\$ 6,613,009</u>	<u>\$ 562,853</u>	<u>\$ -</u>	<u>\$ 7,175,862</u>	<u>\$ 4,719,249</u>	<u>\$ 1,334,365</u>	<u>\$ -</u>	<u>\$ 6,053,614</u>

(See Accompanying Notes and Auditor's Report)

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 1,122,248	\$ 2,061,849
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	801,505	778,892
Change in Value of Interest Rate Swap	354,481	115,079
Accounts and Grants Receivable - (Increase)/Decrease	45,287	(165,445)
Promises Receivable - (Increase)/Decrease	(11,027)	(239,592)
Prepaid Expenses - (Increase)/Decrease	39,685	10,092
Deposits – (Increase)/Decrease	(111,002)	-
Accounts Payable and Accrued Expenses - Increase/(Decrease)	1,364,164	(23,761)
Accrued Salaries and Taxes Payable - Increase/(Decrease)	16,409	82,949
Deferred Revenue - Increase/(Decrease)	<u>(359,990)</u>	<u>186,548</u>
Net Cash Flows from Operating Activities	<u>\$ 3,261,760</u>	<u>\$ 2,806,611</u>
<u>Cash Flows from Investing Activities:</u>		
Proceeds from Long-Term Debt	\$ 135,077	\$ -
(Increase) Decrease in Restricted Cash	(247,928)	(247,705)
Acquisition of Fixed Assets	<u>(4,268,880)</u>	<u>(266,108)</u>
Net Cash Flows from Investing Activities	<u>\$ (4,381,731)</u>	<u>\$ (513,813)</u>
Net Increase in Cash and Cash Equivalents	\$ (1,119,971)	\$ 2,292,798
Cash and Cash Equivalents at Beginning of Year	<u>6,588,667</u>	<u>4,295,869</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,468,696</u>	<u>\$ 6,588,667</u>

Supplemental Disclosures:

- a) Interest in the amount of \$657,356 and \$708,153, respectively, was paid during the years ended June 30, 2016 and 2015.
- b) No income taxes were paid during the years ended June 30, 2016 and 2015.

Non-Cash Disclosure:

- a) Acquisition of fixed assets, in the amount of \$89,875, were incurred and charged to accounts payable during the year but not yet paid as of June 30, 2016.
- b) Acquisition of fixed assets, in the amount of \$76,846, were incurred and charged to accounts payable during the year but not yet paid as of June 30, 2015.

(See Accompanying Notes and Auditor's Report)

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION:

The Washington Latin Public Charter School and Subsidiary (the Charter School), a District of Columbia Not-for-Profit Corporation was incorporated on February 23, 2005, exclusively for educational purposes. The Charter School operates as part of the District of Columbia Public School System. The mission of the Charter School is to provide a rigorous, classical education to public school middle and high school students from across the District of Columbia.

The Charter School's primary sources of support are local appropriations for Charter Schools from the District of Columbia Government, and federal entitlement funding through the Office of the State Superintendent of Education, along with student fees and activities. The Charter School also receives grants and contributions from foundations, corporations, and individuals.

In January 2013, the Charter School formed Latin Rudolph QALICB, LLC (Qualified Active Low-Income Community Business- QALICB) a District of Columbia non-profit corporation established to participate in the Internal Revenue Service's New Market Tax Credit Program to finance leasehold improvements of the Charter School's facility. The Charter School is the sole member of the QALICB. All transactions of the QALICB are consolidated with the transactions of the Charter School in the accompanying consolidated financial statements.

Basic Programs

Washington Latin PCS provides a challenging, classical education for the modern world that is accessible to students in grades 5-12 throughout the District of Columbia. The school was founded in 2005 on the belief that all students deserve a quality education that goes beyond preparation and focuses on developing knowledge, understanding and humanity. Our essential characteristics include our classical curriculum, top notch faculty, small classes, and close knit community of diverse students and faculty. Latin opened its doors to 179 students in 2006. In each of the next five years, the school added a grade until reaching the full complement of grades 5-12 in 2011-12. The school presently serves a diverse group of students from all eight Wards of DC.

Washington Latin believes that a high caliber classical education should be available to all public school students and that every young person can learn and deserves great teachers. The classical model of education at Washington Latin brings together the timeless truths of Greece and Rome with the study of contemporary issues. Washington Latin focuses on three classical legacies: education for citizenship in a democracy, the Latin language, and public oratory. These are imparted through both ancient teaching methods such as Socratic seminars and contemporary approaches, such as current technology and innovative learning practices. In addition, each student is required to complete three high school levels of Latin and two of French, Chinese, or Arabic. This requirement is designed to foster the student's understanding of other cultures and to prepare each student for success in the global environment.

The link between the academic and moral realms of education lies at the heart of the classical tradition. Washington Latin holds high expectations for its students in their academic performance, as well as their personal and community behavior. They learn to ask "essential questions," engage in difficult discussions, inform themselves about possible options, act on their decisions, and own the consequences: all critical steps to becoming responsible citizens.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION: (Continued)

Basic Programs (Continued)

A related component of our classical approach is to educate students to become part of the school community. We encourage all to care for and respect one another under the mantra “Words Matter.” To foster this, we gather the school community regularly in assemblies that focus on our values, praise student achievement, and recognize each other’s growth and hard work, essential to creating our culture of community support and shared responsibility. Our top notch faculty is the single most important reason for our school’s success and allows for a personal, supportive and challenging environment. The only way to bring students along on their own path of education is to know them. We insist on small class sizes and an active advisory program to allow teachers to know their students as adolescents and as learners. Accessibility to the school facility, its faculty and staff, and its courses of study is woven into Washington Latin’s culture.

Since its opening, the school has reached these important milestones:

- Enrollment has grown to 683 students at grade levels 5 - 12 and we have served more than 1,500 students overall. The school is in high demand from students who wish to enroll, and our waitlist regularly numbers over 750.
- Every year since it opened, the school has enrolled students from all eight Wards. Our student body is diverse, and our racial demographics match those of the city.
- We have been rated Tier 1 by the Public Charter School Board seven of eight times since the Board began using the Performance Management Framework to measure charter school quality.
- Our first class graduated in 2012, and four others have followed for a total of 255 Washington Latin graduates. In both 2012 and 2013, our first two graduating classes had the highest graduation rates (93% and 96%) of any non-selective public school in the District. The class of 2016 had an 87% graduation rate.
- Nearly 100% of each senior class has been accepted to college. Our 225 alumni received more than \$15.7 million in scholarships, including six Posse Scholars, two Children’s Defense Fund Beat the Odds Scholars, three George Washington University Trachtenberg Scholars, and a Gates Millennium Scholarship finalist. One of our 2015 graduates was accepted to West Point, the first DC charter school student ever to do so.
- In the most recent DC-wide standardized testing (PARCC assessment, administered each spring), Washington Latin students scored at or near the top of both English/Language Arts (ELA) and Mathematics tests. Our ELA scores were the highest of any non-selective DCPS or public charter school in the District.

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 consolidated 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.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Corporation of the Washington Latin School - A Public Charter School and Latin Rudolph QALICB, LLC, collectively referred to as Washington Latin Public Charter School or the Charter School. All significant intercompany transactions have been eliminated in consolidation.

(c) Revenue Recognition:

Contributions

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value.

The Charter School reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Charter School reports expirations of donor restrictions when the donated or acquired assets are placed in service.

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 recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance.

Federal entitlements are recognized based on the allowable costs incurred.

After Care Program

The Charter School offers an after-school program for students in grades 5-8 to provide additional learning opportunities and support the needs of parents and families. This program runs from 3:15 p.m. until 6:00 p.m. four days a week during the regular school year. While the Charter School's school day is free and open to students of the Charter School, participation in the after-school program does require a weekly membership fee, which ranges from full-tuition to reduced tuition based on the National School Lunch Program Guidelines.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Corporate Taxes:

The Charter School is exempt from federal and state income taxes 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 February 23, 2005. Accordingly, no provisions for income taxes have been provided for in the accompanying consolidated financial statements. 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 qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The Charter School did not have any net unrelated business income for the years ended June 30, 2016 and 2015.

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

(e) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia Government. These grants are subject to financial and compliance audits 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 consolidated financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the consolidated financial statements. Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

(f) Net Assets:

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the Charter School is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Net Assets: (Continued)

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets were available at year end for the following purposes:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Teacher's Fund	\$ 467,029	\$ 115,056
Academic Program Support	73,159	-
Science Department	4,508	-
Equal Access	18,157	-
Arabic Program	-	1,420
Capital Campaign- Gymnasium	<u>-</u>	<u>1,217,889</u>
Total	<u>\$ 562,853</u>	<u>\$ 1,334,365</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for the following programs during the years ended June 30, 2016 and 2015:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Capital Campaign- Gymnasium	\$ 1,403,002	\$ -
Science Department	10,042	-
Teacher's Fund	19,669	-
Equal Access	2,293	-
Arabic Program	93,466	97,215
Wrestling Program	-	15,000
Robotic Program	<u>-</u>	<u>5,000</u>
Total	<u>\$ 1,528,472</u>	<u>\$ 117,215</u>

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2016 and 2015.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Donated Services and Materials:

Donated services and material 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 Governors 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.

The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Legal Services	\$ 29,625	\$ 10,280
Total	<u>\$ 29,625</u>	<u>\$ 10,280</u>

(h) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

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

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment material, contract educational services, and field trips) are allocated entirely to program services.

Personnel expenses for salaries, payroll taxes and employee benefit plans are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (executive, teachers, student and family support, etc.) and then a percentage of time spent on program services, general and administrative activities, and fundraising activities is applied.

All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Functional Expense Allocation Policies and Procedures: (Continued)

Other expenses that are not directly identifiable by program are allocated based on management estimates of use of resources. For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for either personnel expenses or occupancy expenses is utilized for cost allocation purposes.

(i) 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.

(j) 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 payable.

(k) 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.

3. CASH AND CASH EQUIVALENTS:

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Non-Interest Bearing Checking Accounts	\$ 1,749,349	\$ 6,340,146
Interest Bearing Checking Accounts	4,665,451	912,787
Money Market - Treasury Obligations	_____ -	_____ 33,910
Total	<u>\$ 6,414,800</u>	<u>\$ 7,286,843</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with original maturities of three months or less. Total cash and cash equivalents does not include cash held for debt services.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. CASH AND CASH EQUIVALENTS: (Continued)

The Charter School maintains its cash in multiple financial institutions, with most of the cash being held by one banking institution. These cash accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. FDIC insures both interest-bearing and non-interest-bearing accounts up to \$250,000 per banking institution.

As of June 30, 2016 and 2015, \$6,166,216 and \$7,068,278, respectively, was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year-end. The Charter School would be at risk for any funds held in excess of the insured amounts. As of June 30, 2016 and 2015, \$-0- and \$33,910, respectively, was held in money market funds that are not federally insured. Management has minimized risk related to these money funds by investing in high quality short term securities that are backed by high quality securities. The money market funds seek to maintain a share price of \$1.00. 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 these accounts.

Cash Restricted for Debt Service

Under the terms of the master agreement executed in connection with loans payable to Bank of America, the Charter School has established both a Sinking Fund and an Interest Reserve Account, each held at Bank of America, as additional collateral for the debt for the purpose of covering any deficiency in loan payment requirements.

The interest reserve fund is used to make the quarterly interest payments to Bank of America for the Type B Loans. The balance of the interest reserve fund at June 30, 2016 and 2015 was \$194,802 and \$247,735, respectively. The sinking fund reserve account is required to be funded quarterly, up to \$1,800,000 on or before June 20, 2020, to secure Type A Loans. On or after February 21, 2020, any amount held in the sinking fund reserve account may be applied to Type A Loans. The balance of the sinking fund reserve account at June 30, 2016 and 2015 was \$751,302 and \$450,441, respectively. The balance of restricted cash at June 30, 2016 and 2015 was \$946,104 and \$698,176, respectively.

4. INTEREST RATE SWAP:

The Charter School entered into an interest rate swap agreement through Bank of America to reduce the impact of market changes in the variable interest rate for the leverage loan portion of notes payable (\$12,400,000). The original loan interest is LIBOR plus 3.5%. The swap agreement interest rate is fixed at 1.71%. This swap agreement effectively limits the original interest rate on this loan amount to 3.5% per annum. Therefore, the Charter School paid original loan interest of 3.5% per annum plus the swap agreement interest of 1.71% per annum on this loan amount. The interest rate swap agreement matures in February 2020, prior to the loan's maturity date.

The Charter School reports an asset or liability for the interest rate swap agreement representing the estimated fair value of the swap agreement, which is determined quarterly using a Level 2 input. The related asset or liability is reported at fair value in the consolidated statement of financial position, and any changes in value are included in the consolidated statement of activities. Interest expense related to the interest rate swap for the years ended June 30, 2016 and 2015 was \$157,506 and \$183,640, respectively. The swap agreement is valued and reported as a liability of \$386,951 and \$32,470 at June 30, 2016 and 2015, respectively.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. INTEREST RATE SWAP: (Continued)

The Interest rate swap agreement is exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with interest rate swaps, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could affect the amounts reported in the consolidated statement of financial position.

5. FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board ASC Topic No. 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820-10 are described as follows:

Level 1 - Valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Charter School has the ability to access.

Level 2 - Valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (such as interest note and yield curves);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable (Supported by little or no market activity) and not corroborated by market data. Unobservable inputs reflect the organizations estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The asset's or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

Interest Rate Swaps: Valued based on several market inputs such as interest rates, swap spreads and yield curves.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Charter School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS: (Continued)

The following table sets forth by level, within the fair value hierarchy, the Charter School's liabilities measured at fair value as of June 30, 2016 and 2015:

<u>June 30, 2016:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Liabilities:</u>				
Interest Rate Swap	\$ -	\$ 386,951	\$ -	\$ 386,951
Total	<u>\$ -</u>	<u>\$ 386,951</u>	<u>\$ -</u>	<u>\$ 386,951</u>
 <u>June 30, 2015:</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Liabilities:</u>				
Interest Rate Swap	\$ -	\$ 32,470	\$ -	\$ 32,470
Total	<u>\$ -</u>	<u>\$ 32,470</u>	<u>\$ -</u>	<u>\$ 32,470</u>

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 as of June 30, 2016 and 2015, consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 25,982	\$ 15,644
Other	<u>55,308</u>	<u>7,387</u>
Total	<u>\$ 81,290</u>	<u>\$ 23,031</u>
 <u>Grants Receivable</u>		
Special Education - IDEA 611	\$ 94,845	\$ 100,020
National School Lunch Program	5,246	6,002
Healthy Schools Act	694	743
Scholarship for Opportunity and Results Act (SOAR)	-	66,097
School Technology Fund	<u>-</u>	<u>31,469</u>
Total	<u>\$ 100,785</u>	<u>\$ 204,331</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 due to the type of organization for the balance of the accounts and grants receivable at year end.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounts and Grants Receivable: (Continued)

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, 2016 and 2015.

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 once management determines that available collection efforts have been exhausted.

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, as necessary using the specific identification method, to determine uncollectible promises to give. Balances at year end consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Capital Campaign- New Gymnasium	\$ 132,932	\$ 373,592
Teacher's Fund	236,982	-
Latin Pride	<u>14,705</u>	<u>-</u>
Total Promises Receivable	<u>\$ 384,619</u>	<u>\$ 373,592</u>

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 lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and other 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, 2016 and 2015 was \$772,513 and \$761,573, respectively. Maintenance and repairs are charged to expenses as incurred.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. FIXED ASSETS: (Continued)

Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2016:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	25 Years	\$ 15,425,090	\$ 1,704,259	\$ 13,720,831
Furniture and Equipment	3-7 Years	1,011,798	516,166	495,632
Construction in Progress	N/A	<u>4,484,882</u>	<u>-</u>	<u>4,484,882</u>
Total		<u>\$ 20,921,770</u>	<u>\$ 2,220,425</u>	<u>\$ 18,701,345</u>

June 30, 2015:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	25 Years	\$ 15,341,216	\$ 1,089,687	\$ 14,251,529
Furniture and Equipment	3-7 Years	961,733	358,225	603,508
Construction in Progress	N/A	<u>424,360</u>	<u>-</u>	<u>424,360</u>
Total		<u>\$ 16,727,309</u>	<u>\$ 1,447,912</u>	<u>\$ 15,279,397</u>

8. LOAN FINANCING COSTS:

Loan origination fees and other expenses incurred to acquire loans are capitalized and amortized on a straight-line basis over the life of the loan of twenty-five (25) years. Amortization expense related to these loan fees for the years ended June 30, 2016 and 2015 was \$28,992 and \$17,319, respectively.

June 30, 2016:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Book Value</u>
Bank of America	<u>\$ 628,614</u>	<u>\$ 69,739</u>	<u>\$ 558,875</u>
Totals	<u>\$ 628,614</u>	<u>\$ 69,739</u>	<u>\$ 558,875</u>

June 30, 2015:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Book Value</u>
Bank of America	<u>\$ 554,194</u>	<u>\$ 40,746</u>	<u>\$ 513,448</u>
Totals	<u>\$ 554,194</u>	<u>\$ 40,746</u>	<u>\$ 513,448</u>

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. LOANS PAYABLE:

The New Market Tax Credit (NMTC) program encourages investment in real estate projects in low-income communities by allowing investors to receive tax credits against their federal income tax return in exchange for making qualified investments in Community Development Entities (CDEs). The CDE's purpose is to make loans and investments in low-income communities to QALICBs. During February 2013, a CDE utilized qualified funding to loan \$16,660,000 to the QALICB (the "borrower") to finance leasehold improvements for the Charter School. The loan agreement consists of four promissory note agreements with financial institutions (the "Lender"). One institution lent \$4,850,588 (Type A) and \$1,666,412 (Type B) while the other lent \$7,549,412 (Type A) and \$2,593,588 (Type B). The proceeds from the loans of \$16,660,000 were used to build out and renovate the Charter School. The Type A loans aggregated represent the leverage loan portion. The annual interest rate on these Type A loans is LIBOR plus 3.5%.

The QALICB entered into an interest rate swap agreement with the Lender to hedge the interest on the loans. The annual fixed interest rate payable on this swap agreement is 1.71%, as explained in Note 4 to these consolidated financial statements. The Type B loans have a fixed interest rate of \$1.23% per annum. The loans are secured by interest in the Charter School's property at 5200 2nd Street NW, Washington DC and assignment of sublease income.

An interest reserve fund is required for the purpose of paying interest on the Type B loans. The balance of the interest reserve fund as of June 30, 2016 and 2015 was \$194,802 and \$247,735, respectively. A sinking fund reserve account is required to be funded quarterly, up to \$1,800,000 on or before June 30, 2020, to secure Type A loans. The sinking fund reserve account balance at June 30, 2016 and 2015 was \$751,302 and \$450,441, respectively.

The Charter School pays each lender an annual asset management fee of \$5,000. The Charter School also pays the lenders an annual CDE administration fee on the Type A loans totaling \$42,500. All fees are paid through the Charter School's debt service payments on such loans.

Interest only payments are made quarterly for each of the loans, which commenced on March 15, 2013, with the last scheduled payment being made on February 21, 2038. Loan principal will begin to be repaid with quarterly payments commencing March 15, 2020, with the last scheduled payment being made on February 21, 2038. However, the Lenders are entitled to accelerate the repayment of the Type A loans on or at any time after February 21, 2020, provided that they simultaneously accelerate repayment of the respective Type B loans for \$1,000 in full satisfaction of amounts due under those loans. As of June 30, 2016, the unpaid balance on the notes was \$16,660,000. Interest expense for the loans for the years ended June 30, 2016 and 2015 was \$657,356 and \$669,789, respectively.

There are various loan covenants related to these loans. These covenants include the debt service coverage ratio, minimum tangible net worth and unencumbered liquid asset covenants that are evaluated June 30th of each year. The Charter School met these covenants during the current year.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. LOANS PAYABLE: (Continued)

Promissory Note - Gym Loan

On November 10, 2015, the Charter School obtained a promissory note from Bank of America in the total amount of \$1,700,000, of which \$135,077 was outstanding as of June 30, 2016. This promissory note was obtained to assist in the financing for the construction of a new Gym at the school. Interest payments on this loan commenced on December 15, 2015, and will continue each quarter thereafter. The annual interest rate on this loan shall be calculated at the LIBOR Daily Floating Rate plus 3.25% (3.715% at June 30, 2016) and shall be paid quarterly in arrears. The principal balance will begin to amortize as of November 10, 2017. This loan is secured by a leasehold interest in property at 5200 2nd Street NW, Washington, DC, and all assets and personal property of the Charter School.

Future minimum required payments of principal and interest on all loans for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 704,289	\$ -	\$ 704,289
2018	743,956	39,667	704,289
2019	770,815	68,000	702,815
2020	1,064,026	365,106	698,920
2021	1,242,191	695,593	546,598
Thereafter	<u>20,564,577</u>	<u>15,626,711</u>	<u>4,937,866</u>
Total	<u>\$ 25,089,854</u>	<u>\$ 16,795,077</u>	<u>\$ 8,294,777</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 June 19, 2006, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about June 19, 2021. 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, with the next review scheduled for the 2020/2021 year. 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 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, 2016 and 2015, the Charter School incurred \$124,324 and \$120,990, respectively, in administrative fees.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

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, 2016, was not permitted to be greater than 784 students. Audit enrollment for the 2015/2016 year was 682 students.

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, 2016, the per-student rate ranged from \$9,492 to \$11,580 for the education allotment and \$3,124 for the facility allotment. For the year ended June 30, 2015, the per-student rate ranged from \$9,492 to \$11,580 for the educational allotment and \$3,072 for the facility allotment. Additional allotments were made for Special Education Services. Per-pupil funding for the years ended June 30, 2016 and 2015, was as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
General Education	\$ 7,348,326	\$ 7,204,049
Facilities Allowance	2,130,568	2,058,240
English Language Learners	65,116	41,860
At Risk Students	164,241	126,819
Special Education	915,308	781,865
Summer School	<u>-</u>	<u>128,537</u>
Total	<u>\$ 10,623,559</u>	<u>\$ 10,341,370</u>

12. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2016 and 2015, the Charter School participated in the following federal award programs:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
SOAR, Increasing Academic Quality	\$ 17,177	\$ 194,508
Special Education - IDEA 611	101,052	100,020
No Child Left Behind (Title II, Part A)	45,873	49,294
National School Lunch Program	46,266	47,518
SOAR, Investing in Public Facilities	<u>-</u>	<u>244,353</u>
Total	<u>\$ 210,368</u>	<u>\$ 635,693</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, 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 State Superintendent of Education. 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.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

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:

In February 2013, the QALICB, an affiliate of the Charter School, entered into a lease agreement with the District of Columbia for use of its current school facility, commencing on September 1, 2013, and expiring on August 1, 2038. Under the agreement, the QALICB is required to pay monthly lease payments in the amount of \$13,845 net of rent credit for tenant improvements over the term of the lease. This facility is secured by financing, as described in Note 9. The commitments related to these loans are also described in Note 9. The QALICB entered into a sublease agreement with the Charter School for the same facility. The term of the sublease is for 20 years, with a commencement date of September 1, 2013, and expiring on August 1, 2033. Under the terms of the sublease, the Charter School is required to make monthly lease payments to the QALICB, which escalate over the term of the sublease and are eliminated in consolidation.

Rent expense for the years ended June 30, 2016 and 2015 was \$166,140, respectively. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	
2017	\$ 166,140
2018	166,140
2019	166,140
2020	166,140
2021	166,140
Thereafter	<u>2,852,070</u>
Total	<u>\$ 3,682,770</u>

Photocopier Lease:

The Charter School entered into an operating lease with Nauticon in April 2015 for the rental of five (5) Toshiba Photocopiers. This lease calls for sixty (60) monthly payments of \$2,295, commencing on May 15, 2015. Rental expense for the years ending June 30, 2016 and 2015, was \$27,540 and \$21,418, respectively, which includes prior copier leases that ended in the current year. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2017	\$ 27,540
2018	27,540
2019	27,540
2020	<u>25,245</u>
Total	<u>\$ 107,865</u>

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

Organization Credit Card:

The Charter School utilizes a credit card issued by Bank of America for purchases related to the Charter School's activity. The credit card is issued in the name of the Charter School with a combined credit limit of \$13,000 and is considered to be unsecured.

14. RELATED PARTY TRANSACTIONS:

Contributions

Various board members of the Charter School and organizations for which they are affiliated made contributions to the School. Such contributions of \$144,720 and \$30,331 were made during the years ended June 30, 2016 and 2015, respectively.

15. CONCENTRATIONS:

The Charter School receives public funds from the DC government 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, 2016 and 2015, eighty-six percent (86%) and eighty-three percent (83%), 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). 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 (DC PCSB).

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.

16. 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 the 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.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. CONTINGENCIES: (Continued)

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.

Laws and regulations governing charter schools are complex and subject to interpretation. For instance, the Charter School receives funding from various federal and state grant reimbursement programs, which are governed by various rules and regulations of the respective grantor agencies. To the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. 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. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The viability of public charter schools and funding for these schools is dependent upon the consensus of current and future administrations of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

17. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 22, 2016, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts represented in the accompanying financial statements.

Enrollment:

Enrollment for the 2016/2017 school year is projected to be approximately six hundred ninety-eight (698) students. These enrollment numbers are up from the current enrollment number of six hundred eighty-two (682) students during the 2015/2016 school year.

18. FUNDRAISING:

During the years ended June 30, 2016 and 2015, expenses incurred for the purpose of fundraising were \$201,440 and \$183,752, respectively.

19. ADVERTISING:

Advertising was conducted for the purpose of promoting open enrollment and student recruiting to the school and to provide outreach to the community. Advertising costs are expensed when incurred. Direct advertising expenses were \$48,716 and \$17,994 for the years ended June 30, 2016 and 2015, respectively.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. RETIREMENT PLAN:

The Charter School provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by TIAA-CREF. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to the statutory limits set by the Internal Revenue Code. The Charter School makes a contribution to the 403(b) plan of all employees with at least six months of service in an amount up to four percent (4%) of base salary. Employees are permitted to contribute to their 403(b) plans immediately after being hired.

Teachers Retirement Plan:

As authorized by the Title 38 of the Code of the District of Columbia, teachers of the DC Public School System may participate in a defined benefit plan named the "Teacher's Retirement Plan." The District of Columbia Retirement Board (DCRB) is responsible for paying benefits attributable to teacher service. An employee may elect to remain in the Teacher's Retirement Plan if that individual leaves employment with the District of Columbia Public School system and becomes an employee of a DC Public Charter School provided the election is made within 60 days of departure. To remain in the plan, the teacher must make the required employee retirement contributions and the school must make the match contributions that the District Government would have made to the plan. Employee contributions of 7% of annual salary are required to be made on a pre-tax basis to the plan.

The combined amount of employer contributions for the years ended June 30, 2016 and 2015, was \$165,306 and \$138,779, respectively.

21. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2016 and 2015, consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Social Security/Medicare	\$ 421,488	\$ 397,643
Health Insurance	441,630	415,868
Retirement	165,306	138,779
Unemployment	19,623	27,879
Life and Disability	22,316	25,534
Mass Transit	13,937	14,743
Workers Compensation	<u>24,257</u>	<u>18,968</u>
Total	<u>\$ 1,108,557</u>	<u>\$ 1,039,414</u>

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 and dependent care benefits.

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2016 and 2015, consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Rent	\$ 166,140	\$ 166,560
Depreciation -Leasehold Improvements	756,344	751,931
Interest Expense	657,356	669,789
Amortization - Loan Financing Cost	28,992	17,319
Contracted Building Services	147,395	95,000
Maintenance and Custodial Salaries	98,180	95,321
Utilities	174,277	182,592
Maintenance and Improvements	<u>108,501</u>	<u>52,255</u>
Total	<u>\$ 2,137,185</u>	<u>\$ 2,030,767</u>

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>				<u>June 30, 2015</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Executive Leadership Salaries	\$ 1,477,643	\$ 901,160	\$ 472,983	\$ 103,500	\$ 549,490	\$ 467,067	\$ 71,434	\$ 10,989
Teaching Staff Salaries	3,806,934	3,729,741	77,193	-	4,254,692	3,616,488	553,110	85,094
Student and Family Support Salaries	378,800	378,800	-	-	615,184	522,906	79,974	12,304
Business and Operations Salaries	119,804	-	119,804	-	122,600	104,210	15,938	2,452
Employee Benefits	667,446	581,953	74,267	11,226	613,892	521,808	79,806	12,278
Payroll Taxes	441,111	381,994	51,354	7,763	425,522	361,694	55,318	8,510
Travel, Meetings and Other Staff Costs	41,314	35,777	4,810	727	21,418	18,206	2,784	428
Staff Development Expense	92,377	92,377	-	-	55,539	47,208	7,220	1,111
Total Personnel, Salaries and Benefits	\$ 7,025,429	\$ 6,101,802	\$ 800,411	\$ 123,216	\$ 6,658,337	\$ 5,659,587	\$ 865,584	\$ 133,166
<u>Direct Student Costs:</u>								
Textbooks and Library	\$ 82,156	\$ 82,156	\$ -	\$ -	\$ 110,504	\$ 110,504	\$ -	\$ -
Student Supplies and Materials	159,021	159,021	-	-	112,244	112,244	-	-
Student Assessment Materials	57,186	57,186	-	-	28,603	28,603	-	-
Contracted Instruction	200,861	200,861	-	-	126,058	126,058	-	-
Transportation Fees	259,518	259,518	-	-	245,737	245,737	-	-
Food Service	141,287	141,287	-	-	170,118	170,118	-	-
Other Student Costs	322,624	322,624	-	-	379,564	379,564	-	-
Total Direct Student Costs	\$ 1,222,653	\$ 1,222,653	\$ -	\$ -	\$ 1,172,828	\$ 1,172,828	\$ -	\$ -
<u>Occupancy Costs:</u>								
Rent	\$ 166,140	\$ 143,874	\$ 19,342	\$ 2,924	\$ 166,560	\$ 141,576	\$ 21,653	\$ 3,331
Depreciation- Leasehold Improvements	756,344	655,186	87,622	13,536	751,931	639,144	97,751	15,036
Interest Expense	657,356	569,259	76,529	11,568	669,789	569,320	87,073	13,396
Amortization - Loan Financing Cost	28,992	25,114	3,359	519	17,319	14,721	2,252	346
Maintenance and Custodial Salaries	98,180	83,453	14,727	-	95,321	81,023	12,392	1,906
Maintenance and Repairs	108,501	93,960	12,632	1,909	52,255	44,417	6,793	1,045
Utilities	174,277	150,921	20,289	3,067	182,592	155,203	23,737	3,652
Contracted Building Services	147,395	127,641	17,160	2,594	95,000	80,750	12,350	1,900
Total Occupancy Costs	\$ 2,137,185	\$ 1,849,408	\$ 251,660	\$ 36,117	\$ 2,030,767	\$ 1,726,154	\$ 264,001	\$ 40,612

(See Accompanying Notes and Auditor's Report)

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>				<u>June 30, 2015</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 51,408	\$ 44,518	\$ 5,985	\$ 905	\$ 41,179	\$ 35,002	\$ 5,353	\$ 824
Office Equipment Rental and Maintenance	56,930	49,300	6,628	1,002	35,538	30,207	4,620	711
Telephone/Telecommunications	18,365	15,904	2,138	323	16,729	14,219	2,175	335
Professional Fees	123,465	106,918	14,374	2,173	155,938	132,547	20,272	3,119
Printing and Publications	933	808	109	16	21,417	18,205	2,784	428
Postage and Shipping	8,227	7,124	958	145	6,662	5,663	866	133
Other Office Expense	<u>26,459</u>	<u>22,915</u>	<u>3,079</u>	<u>465</u>	<u>19,622</u>	<u>16,679</u>	<u>2,551</u>	<u>392</u>
Total Office Expenses	<u>\$ 285,787</u>	<u>\$ 247,487</u>	<u>\$ 33,271</u>	<u>\$ 5,029</u>	<u>\$ 297,085</u>	<u>\$ 252,522</u>	<u>\$ 38,621</u>	<u>\$ 5,942</u>
<u>General Expenses:</u>								
Insurance	\$ 36,683	\$ 31,766	\$ 4,271	\$ 646	\$ 36,171	\$ 30,746	\$ 4,702	\$ 723
Authorizer Fee	124,324	107,662	14,474	2,188	120,990	102,841	15,729	2,420
Depreciation Expense	16,169	13,789	2,330	50	9,642	8,194	1,253	195
Fees and Licenses	41,884	36,271	4,876	737	20,325	16,139	3,806	380
Other General Expenses	<u>60,349</u>	<u>23,705</u>	<u>3,187</u>	<u>33,457</u>	<u>15,715</u>	<u>13,357</u>	<u>2,044</u>	<u>314</u>
Total General Expenses	<u>\$ 279,409</u>	<u>\$ 213,193</u>	<u>\$ 29,138</u>	<u>\$ 37,078</u>	<u>\$ 202,843</u>	<u>\$ 171,277</u>	<u>\$ 27,534</u>	<u>\$ 4,032</u>
Total Functional Expenses	<u>\$ 10,950,463</u>	<u>\$ 9,634,543</u>	<u>\$ 1,114,480</u>	<u>\$ 201,440</u>	<u>\$ 10,361,860</u>	<u>\$ 8,982,368</u>	<u>\$ 1,195,740</u>	<u>\$ 183,752</u>

(See Accompanying Notes and Auditor's Report)

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 7,785,135	\$ 11,414
Occupancy Cost	2,137,185	3,134
Management and General	862,820	1,265
Fundraising	<u>165,323</u>	<u>242</u>
Total	<u>\$ 10,950,463</u>	<u>\$ 16,055</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 682 students.

June 30, 2015

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 7,256,214	\$ 10,830
Occupancy Cost	2,030,767	3,031
Management and General	931,739	1,391
Fundraising	<u>143,140</u>	<u>214</u>
Total	<u>\$ 10,361,860</u>	<u>\$ 15,466</u>

The above is the average per student cost for the year ended June 30, 2015, and is based on a full time equivalent (FTE) enrollment of 670 students.

(See Accompanying Notes and Auditor's Report)

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016				June 30, 2015			
	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2016	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2015
ASSETS								
<u>Current Assets:</u>								
Cash and Cash Equivalents	\$ 5,373,983	\$ 94,713	\$ -	\$ 5,468,696	\$ 6,429,201	\$ 159,466	\$ -	\$ 6,588,667
Accounts Receivable	81,290	-	-	81,290	23,031	-	-	23,031
Grants Receivable	100,785	-	-	100,785	204,331	-	-	204,331
Promises Receivable	384,619	-	-	384,619	373,592	-	-	373,592
Prepaid Expenses	<u>64,274</u>	<u>-</u>	<u>-</u>	<u>64,274</u>	<u>90,114</u>	<u>13,845</u>	<u>-</u>	<u>103,959</u>
Total Current Assets	<u>\$ 6,004,951</u>	<u>\$ 94,713</u>	<u>\$ -</u>	<u>\$ 6,099,664</u>	<u>\$ 7,120,269</u>	<u>\$ 173,311</u>	<u>\$ -</u>	<u>\$ 7,293,580</u>
<u>Fixed Assets: At Cost</u>								
Leasehold Improvements	\$ -	\$ 15,425,090	\$ -	\$ 15,425,090	\$ -	\$ 15,341,216	\$ -	\$ 15,341,216
Furniture and Equipment	188,685	823,113	-	1,011,798	138,620	823,113	-	961,733
Construction in Progress	-	4,484,882	-	4,484,882	424,360	-	-	424,360
Less: Accumulated Depreciation and Amortization	<u>(125,788)</u>	<u>(2,094,637)</u>	<u>-</u>	<u>(2,220,425)</u>	<u>(109,618)</u>	<u>(1,338,294)</u>	<u>-</u>	<u>(1,447,912)</u>
Total Fixed Assets	<u>\$ 62,897</u>	<u>\$ 18,638,448</u>	<u>\$ -</u>	<u>\$ 18,701,345</u>	<u>\$ 453,362</u>	<u>\$ 14,826,035</u>	<u>\$ -</u>	<u>\$ 15,279,397</u>
<u>Other Assets:</u>								
Cash - Restricted for Debt Service	\$ 751,302	\$ 194,802	\$ -	\$ 946,104	\$ 450,441	\$ 247,735	\$ -	\$ 698,176
Investment in Affiliate	3,513,253	-	(3,513,253)	-	973,366	-	(973,366)	-
Deposits	111,002	-	-	111,002	-	-	-	-
Loan Initiation Costs, Net	<u>-</u>	<u>558,875</u>	<u>-</u>	<u>558,875</u>	<u>-</u>	<u>513,448</u>	<u>-</u>	<u>513,448</u>
Total Other Assets	<u>\$ 4,375,557</u>	<u>\$ 753,677</u>	<u>\$ (3,513,253)</u>	<u>\$ 1,615,981</u>	<u>\$ 1,423,807</u>	<u>\$ 761,183</u>	<u>\$ (973,366)</u>	<u>\$ 1,211,624</u>
TOTAL ASSETS	<u>\$ 10,443,405</u>	<u>\$ 19,486,838</u>	<u>\$ (3,513,253)</u>	<u>\$ 26,416,990</u>	<u>\$ 8,997,438</u>	<u>\$ 15,760,529</u>	<u>\$ (973,366)</u>	<u>\$ 23,784,601</u>

(See Accompanying Notes and Auditor's Report)

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016				June 30, 2015			
	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2016	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2015
LIABILITIES AND NET ASSETS								
<u>Current Liabilities:</u>								
Accounts Payable and Accrued Expenses	\$ 672,678	\$ 820,175	\$ -	\$ 1,492,853	\$ 51,842	\$ 76,847	\$ -	\$ 128,689
Accrued Salaries and Taxes Payable	564,449	-	-	564,449	548,040	-	-	548,040
Deferred Revenue	<u>1,798</u>	<u>-</u>	<u>-</u>	<u>1,798</u>	<u>361,788</u>	<u>-</u>	<u>-</u>	<u>361,788</u>
Total Current Liabilities	<u>\$ 1,238,925</u>	<u>\$ 820,175</u>	<u>\$ -</u>	<u>\$ 2,059,100</u>	<u>\$ 961,670</u>	<u>\$ 76,847</u>	<u>\$ -</u>	<u>\$ 1,038,517</u>
<u>Long-Term Liabilities:</u>								
Long-Term Debt	\$ -	\$ 16,795,077	\$ -	\$ 16,795,077	\$ -	\$ 16,660,000	\$ -	\$ 16,660,000
Less: Current Portion	-	-	-	-	-	-	-	-
Interest Rate Swap	<u>-</u>	<u>386,951</u>	<u>-</u>	<u>386,951</u>	<u>-</u>	<u>32,470</u>	<u>-</u>	<u>32,470</u>
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 17,182,028</u>	<u>\$ -</u>	<u>\$ 17,182,028</u>	<u>\$ -</u>	<u>\$ 16,692,470</u>	<u>\$ -</u>	<u>\$ 16,692,470</u>
Total Liabilities	<u>\$ 1,238,925</u>	<u>\$ 18,002,203</u>	<u>\$ -</u>	<u>\$ 19,241,128</u>	<u>\$ 961,670</u>	<u>\$ 16,769,317</u>	<u>\$ -</u>	<u>\$ 17,730,987</u>
<u>Net Assets:</u>								
Unrestricted								
Undesignated	\$ 5,041,627	\$ 1,484,635	\$ (3,513,253)	\$ 3,013,009	\$ 6,701,403	\$ (1,008,788)	\$ (973,366)	\$ 4,719,249
Board Designated Operating Revenue	2,500,000	-	-	2,500,000	-	-	-	-
Board Designated Capital Replacement Reserve	300,000	-	-	300,000	-	-	-	-
Board Designated Debt Repayment Reserve	800,000	-	-	800,000	-	-	-	-
Temporarily Restricted	<u>562,853</u>	<u>-</u>	<u>-</u>	<u>562,853</u>	<u>1,334,365</u>	<u>-</u>	<u>-</u>	<u>1,334,365</u>
Total Net Assets	<u>\$ 9,204,480</u>	<u>\$ 1,484,635</u>	<u>\$ (3,513,253)</u>	<u>\$ 7,175,862</u>	<u>\$ 8,035,768</u>	<u>\$ (1,008,788)</u>	<u>\$ (973,366)</u>	<u>\$ 6,053,614</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,443,405</u>	<u>\$ 19,486,838</u>	<u>\$ (3,513,253)</u>	<u>\$ 26,416,990</u>	<u>\$ 8,997,438</u>	<u>\$ 15,760,529</u>	<u>\$ (973,366)</u>	<u>\$ 23,784,601</u>

(See Accompanying Notes and Auditor's Report)

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016				June 30, 2015			
	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2016	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2015
<u>Revenues, Gains and Other Support:</u>								
Tuition - Per Pupil Funding Allocation	\$ 8,492,991	\$ -	\$ -	\$ 8,492,991	\$ 8,283,130	\$ -	\$ -	\$ 8,283,130
Tuition – Facilities Allowance	2,130,568	-	-	2,130,568	2,058,240	-	-	2,058,240
Federal Entitlements and Grants	210,368	-	-	210,368	635,693	-	-	635,693
Other Grants and Contributions	1,083,451	-	-	1,083,451	1,005,043	-	-	1,005,043
Student Activity Fees	468,231	-	-	468,231	533,948	-	-	533,948
Interest Income	11,375	354	-	11,729	2,904	645	-	3,549
Donated Services	29,625	-	-	29,625	10,280	-	-	10,280
Other Income	-	229	-	229	8,905	-	-	8,905
Rental Income	-	863,004	(863,004)	-	-	166,140	(166,140)	-
Total Revenues, Gains and Other Support	\$ 12,426,609	\$ 863,587	\$ (863,004)	\$ 12,427,192	\$ 12,538,143	\$ 166,785	\$ (166,140)	\$ 12,538,788
<u>Expenses:</u>								
Program Services	\$ 8,389,340	\$ 1,245,203	\$ -	\$ 9,634,543	\$ 7,617,092	\$ 1,365,276	\$ -	\$ 8,982,368
General and Administrative	1,640,497	336,987	(863,004)	1,114,480	1,153,073	208,807	(166,140)	1,195,740
Fundraising	174,152	27,288	-	201,440	151,628	32,124	-	183,752
Total Expenses	\$ 10,203,989	\$ 1,609,478	\$ (863,004)	\$ 10,950,463	\$ 8,921,793	\$ 1,606,207	\$ (166,140)	\$ 10,361,860
Changes in Net Assets before Change in Fair Value of Interest Rate Swap	\$ 2,222,620	\$ (745,891)	\$ -	\$ 1,476,729	\$ 3,616,350	\$ (1,439,422)	\$ -	\$ 2,176,928
Change in Fair Value of Interest Rate Swap	-	(354,481)	-	(354,481)	-	(115,079)	-	(115,079)
Changes in Net Assets	\$ 2,222,620	\$ (1,100,372)	\$ -	\$ 1,122,248	\$ 3,616,350	\$ (1,554,501)	\$ -	\$ 2,061,849
Net Assets at Beginning of Year, as Previously Reported	\$ 8,035,768	\$ (1,982,154)	\$ -	\$ 6,053,614	\$ 4,419,418	\$ (427,653)	\$ -	\$ 3,991,765
Member Contributions	-	2,539,887	(2,539,887)	-	-	-	-	-
Adjustment for Restatement of Net Assets Beginning Balance	(1,053,908)	2,027,274	(973,366)	-	-	-	-	-
Net Assets at Beginning of Year	\$ 6,981,860	\$ 2,585,007	\$ (3,513,253)	\$ 6,053,614	\$ 4,419,418	\$ (427,653)	\$ -	\$ 3,991,765
Net Assets at End of Year	\$ 9,204,480	\$ 1,484,635	\$ (3,513,253)	\$ 7,175,862	\$ 8,035,768	\$ (1,982,154)	\$ -	\$ 6,053,614

(See Accompanying Notes and Auditor's Report)

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

PRIOR PERIOD ADJUSTMENT:

As described in Note 13, the QALICB entered into a sublease agreement with the Charter School for use of its current school facility. The term of the sublease is for 20 years, with a commencement date of September 1, 2013, and expiring on August 1, 2033. Under the terms of the sublease, the Charter School is required to make monthly lease payments which escalate over the term of the sublease. The original recording of rent matched the amount of the ground lease between the QALICB and the District of Columbia (i.e., \$13,845 per month, \$166,140 per annum). As a result, rent expense for the Charter School and rent income for the QALICB were both understated by \$1,053,908. Accordingly, an adjustment was made to decrease previously reported net assets of the Charter School and a respective increase was made to the net assets of the QALICB. The consolidated financial statements are not affected by this adjustment.

Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Governors
Washington Latin Public Charter School
and Subsidiary
5200 2nd Street, NW
Washington, DC 20011

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 consolidated financial statements of the Washington Latin Public Charter School and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Washington Latin Public Charter School and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Washington Latin Public Charter School and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

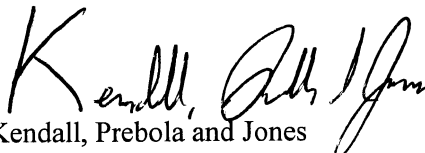
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Washington Latin Public Charter School and Subsidiary's consolidated 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 consolidated 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 22, 2016

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

None

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on the consolidated financial statements of the Washington Latin Public Charter School.
- b. No significant deficiencies relating to the audit of the consolidated financial statements have been reported.
- c. No instances of noncompliance material to the consolidated financial statements of the Washington Latin Public Charter School were disclosed during the audit.

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

There were no findings in the current year.