

WASHINGTON LATIN PUBLIC CHARTER SCHOOL
AND SUBSIDIARY

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

KENDALL, PREBOLA AND JONES

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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 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, 2018 and 2017, 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 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 financial statements.

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

Opinion

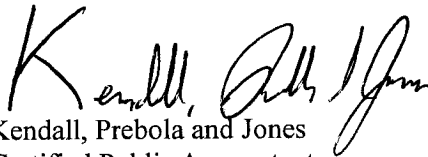
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Washington Latin Public Charter School and Subsidiary as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended 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 supplemental consolidated schedules of functional expenses, supplemental consolidating statements of financial position and supplemental consolidating statements of activities 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 27, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 27, 2018

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 3,314,849	\$ 2,233,364
Certificates of Deposit	4,960,640	4,960,000
Accounts Receivable	106,418	79,598
Grants Receivable	213,980	63,669
Promises Receivable	87,386	185,394
Prepaid Expenses	<u>56,285</u>	<u>68,436</u>
Total Current Assets	<u>\$ 8,739,558</u>	<u>\$ 7,590,461</u>
<u>Fixed Assets: At Cost</u>		
Leasehold Improvements	\$ 20,103,205	\$ 20,088,999
Furniture and Equipment	1,166,028	1,133,020
Less: Accumulated Depreciation and Amortization	<u>(4,362,148)</u>	<u>(3,264,271)</u>
Total Fixed Assets	<u>\$ 16,907,085</u>	<u>\$ 17,957,748</u>
<u>Other Assets:</u>		
Cash - Restricted for Debt Service	\$ 1,538,258	\$ 1,234,796
Deposits	50,000	50,000
Interest Rate Swap	<u>198,490</u>	<u>-</u>
Total Other Assets	<u>\$ 1,786,748</u>	<u>\$ 1,284,796</u>
<u>Non-Current Assets:</u>		
Promises Receivable	<u>\$ 40,900</u>	<u>\$ 52,050</u>
Total Non-Current Assets	<u>\$ 40,900</u>	<u>\$ 52,050</u>
TOTAL ASSETS	<u>\$ 27,474,291</u>	<u>\$ 26,885,055</u>

(See Accompanying Notes and Auditor's Report)

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 160,150	\$ 291,294
Accrued Salaries and Taxes Payable	713,211	669,454
Deferred Revenue	5,800	18,205
Current Portion of Capital Lease	15,789	15,038
Current Portion of Long Term Debt	<u>32,375</u>	<u>-</u>
Total Current Liabilities	<u>\$ 927,325</u>	<u>\$ 993,991</u>
<u>Long-Term Liabilities:</u>		
Long-Term Debt	\$ 17,728,324	\$ 17,744,495
Less: Current Portion	(32,375)	-
Capital Lease Payable	15,789	30,827
Less: Current Portion of Capital Lease	(15,789)	(15,038)
Interest Rate Swap	<u>-</u>	<u>14,321</u>
Total Long-Term Liabilities	<u>\$ 17,695,949</u>	<u>\$ 17,774,605</u>
Total Liabilities	<u>\$ 18,623,274</u>	<u>\$ 18,768,596</u>
<u>Net Assets:</u>		
Unrestricted		
Undesignated	\$ 4,425,766	\$ 3,538,637
Board Designated Operating Reserve	2,500,000	2,500,000
Board Designated Capital Replacement Reserve	400,000	400,000
Board Designated Debt Repayment Reserve	1,100,000	1,100,000
Temporarily Restricted	<u>425,251</u>	<u>577,822</u>
Total Net Assets	<u>\$ 8,851,017</u>	<u>\$ 8,116,459</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,474,291</u>	<u>\$ 26,885,055</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, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenues, Gains and Other Support:</u>								
Tuition - Per Pupil Funding Allocation	\$ 9,707,149	\$ -	\$ -	\$ 9,707,149	\$ 8,907,936	\$ -	\$ -	\$ 8,907,936
Tuition - Facilities Allocation	2,228,524	-	-	2,228,524	2,177,428	-	-	2,177,428
Federal Entitlements and Grants	299,669	-	-	299,669	216,480	-	-	216,480
Other Grants and Contributions	344,972	214,743	-	559,715	326,912	311,798	-	638,710
Student Activity Fees	475,571	-	-	475,571	444,385	-	-	444,385
Interest Income	75,615	-	-	75,615	24,993	-	-	24,993
Donated Services	8,662	-	-	8,662	28,725	-	-	28,725
Other Income	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions: (Satisfaction of Program Restrictions)	<u>367,314</u>	<u>(367,314)</u>	<u>-</u>	<u>-</u>	<u>296,829</u>	<u>(296,829)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 13,507,476</u>	<u>\$ (152,571)</u>	<u>\$ -</u>	<u>\$ 13,354,905</u>	<u>\$ 12,423,688</u>	<u>\$ 14,969</u>	<u>\$ -</u>	<u>\$ 12,438,657</u>
<u>Expenses:</u>								
Program Services	\$ 11,778,539	\$ -	\$ -	\$ 11,778,539	\$ 10,534,506	\$ -	\$ -	\$ 10,534,506
General and Administrative	779,318	-	-	779,318	1,111,009	-	-	1,111,009
Fundraising	<u>275,301</u>	<u>-</u>	<u>-</u>	<u>275,301</u>	<u>225,175</u>	<u>-</u>	<u>-</u>	<u>225,175</u>
Total Expenses	<u>\$ 12,833,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,833,158</u>	<u>\$ 11,870,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,870,690</u>
Changes in Net Assets before Change in Fair Value of Interest Rate Swap	\$ 674,318	\$ (152,571)	\$ -	\$ 521,747	\$ 552,998	\$ 14,969	\$ -	\$ 567,967
Change in Fair Value of Interest Rate Swap	<u>212,811</u>	<u>-</u>	<u>-</u>	<u>212,811</u>	<u>372,630</u>	<u>-</u>	<u>-</u>	<u>372,630</u>
Changes in Net Assets	\$ 887,129	\$ (152,571)	\$ -	\$ 734,558	\$ 925,628	\$ 14,969	\$ -	\$ 940,597
Net Assets at Beginning of Year	<u>7,538,637</u>	<u>577,822</u>	<u>-</u>	<u>8,116,459</u>	<u>6,613,009</u>	<u>562,853</u>	<u>-</u>	<u>7,175,862</u>
Net Assets at End of Year	<u>\$ 8,425,766</u>	<u>\$ 425,251</u>	<u>\$ -</u>	<u>\$ 8,851,017</u>	<u>\$ 7,538,637</u>	<u>\$ 577,822</u>	<u>\$ -</u>	<u>\$ 8,116,459</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, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 734,558	\$ 940,597
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	1,097,877	1,043,847
Change in Value of Interest Rate Swap	(212,811)	(372,630)
Accounts and Grants Receivable - (Increase)/Decrease	(177,131)	38,808
Promises Receivable - (Increase)/Decrease	109,158	147,175
Prepaid Expenses - (Increase)/Decrease	12,151	(4,162)
Deposits - (Increase)/Decrease	-	61,002
Accounts Payable and Accrued Expenses - Increase/(Decrease)	(131,144)	(1,201,559)
Accrued Salaries and Taxes Payable - Increase/(Decrease)	43,757	105,005
Deferred Revenue - Increase/(Decrease)	<u>(12,405)</u>	<u>16,407</u>
Net Cash Flows from Operating Activities	<u>\$ 1,464,010</u>	<u>\$ 774,490</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Certificates of Deposit	\$ (4,960,640)	\$ (5,952,000)
Proceeds from Sale of Certificates of Deposit	4,960,000	992,000
(Increase) in Restricted Cash	(303,462)	(288,692)
Acquisition of Fixed Assets	<u>(47,214)</u>	<u>(252,845)</u>
Net Cash Flows from Investing Activities	<u>\$ (351,316)</u>	<u>\$ (5,501,537)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds from Long-Term Debt	\$ -	\$ 1,508,292
Payments on Long-Term Debt	(16,171)	-
Payments on Capital Lease	<u>(15,038)</u>	<u>(16,577)</u>
Net Cash Flows from Financing Activities	<u>\$ (31,209)</u>	<u>\$ 1,491,715</u>
Net Increase in Cash and Cash Equivalents	\$ 1,081,485	\$ (3,235,332)
Cash and Cash Equivalents at Beginning of Year	<u>2,233,364</u>	<u>5,468,696</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,314,849</u>	<u>\$ 2,233,364</u>

Supplemental Disclosures:

- a) Interest in the amount of \$786,035 and \$747,001, respectively, was paid during the years ended June 30, 2018 and 2017.
- b) No income taxes were paid during the years ended June 30, 2018 and 2017.

Non-Cash Disclosure:

- a) Acquisition of fixed assets in the amount of \$47,404 was purchased through a capital lease during the year ended June 30, 2017. Also, acquisition of fixed assets in the amount of \$189,025 was charged to accounts payable and not yet paid as of June 30, 2017.

(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, 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 Charter 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. The Charter School opened its doors to 179 students in 2006. In each of the next five years, the Charter School added a grade until reaching the full complement of grades 5-12 in 2011-12. The Charter 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 Charter School has reached these important milestones:

- Enrollment has grown to 705 students at grade levels 5 - 12 and we have served more than 1,500 students overall. The Charter School is in high demand from students who wish to enroll, and our waitlist regularly numbers over 1,000.
- Every year since it opened, the Charter 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 each year since the Board began using the Performance Management Framework to measure charter school quality.
- Our first class graduated in 2012, and five others have followed for a total of 425 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. Our average graduation rate is 86%.
- Approximately 86% or more of each senior class has been accepted to college. Our 425 alumni have received more than \$27 million in scholarships, including seven Posse Scholars, two Children’s Defense Fund Beat the Odds Scholars, three George Washington University Trachtenberg Scholars, a Herbert H. Denton Jr. Scholar, and a Gates Millennium Scholarship finalist. Three of our graduates have been accepted to military academies, including the U.S. Coast Guard, U.S. Air Force, and West Point.
- In the most recent DC-wide standardized testing (PARCC assessment, administered each spring), Washington Latin PCS students scored at or near the top of both English/Language Arts (ELA) and Mathematics tests. In fact, 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 (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions to the Charter School qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. As of June 30, 2018, the Charter School recognized \$1,764 of income tax expense related to filing of the 2018 990-T tax return. In addition, \$756 of income tax expense due to the District of Columbia has been recorded in the financial statements related to income tax on transportation benefits.

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

(e) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia. 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

Unrestricted net assets are defined as 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

Temporarily restricted net assets are defined as 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, 2018</u>	<u>June 30, 2017</u>
Faculty Fund	\$ 321,363	\$ 525,664
Academic Program Support	59,612	24,612
Science Department	3,071	3,071
Music Department	955	-
Equal Access	37,272	21,497
Jazz Band	799	799
France - Rome Trip	<u>2,179</u>	<u>2,179</u>
Total	<u>\$ 425,251</u>	<u>\$ 577,822</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, 2018 and 2017:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Capital Campaign - Gymnasium	\$ -	\$ 7,930
Science Department	-	1,437
Music Department	24,914	-
Faculty Fund	342,400	132,157
Arabic Program	-	50,184
Academic Program Support	-	85,130
Robotic Program	-	1,469
Jazz Band	-	701
France - Rome Trip	<u>-</u>	<u>17,821</u>
Total	<u>\$ 367,314</u>	<u>\$ 296,829</u>

Permanently Restricted Net Assets

Permanently restricted net assets are defined as 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, 2018 and 2017.

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 materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School’s Board of 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, 2018</u>	<u>June 30, 2017</u>
Legal Services	\$ 8,662	\$ 25,297
Facility Use	<u>-</u>	<u>3,428</u>
Total	<u>\$ 8,662</u>	<u>\$ 28,725</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 of personnel expenses is utilized to allocate these costs.

(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.

(l) Certificates of Deposit:

Certificates of deposit are other investments with original maturities greater than three months and are carried at cost. The certificates of deposit do not qualify as securities as defined in Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments -Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

(m) Reclassifications:

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

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

3. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT:

Cash and Cash Equivalents

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Non-Interest Bearing Checking Accounts	\$ 2,060,181	\$ 677,359
Interest Bearing Checking Accounts	<u>2,792,926</u>	<u>2,790,801</u>
Total	<u>\$ 4,853,107</u>	<u>\$ 3,468,160</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.

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, 2018 and 2017, \$4,621,323 and \$3,189,639, 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. 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 Sinking Fund requirements are disclosed in Note 9. On or after February 21, 2020, any amount held in the Sinking Fund may be applied to Type A Loans. The balance of the Sinking Fund at June 30, 2018 and 2017 was \$1,356,031 and \$1,053,024, respectively. The Interest Reserve Account is used to make the quarterly interest payments to Bank of America for the Type B Loans. The balance of the Interest Reserve Account at June 30, 2018 and 2017 was \$182,227 and \$181,772, respectively. The balance of restricted cash at June 30, 2018 and 2017 was \$1,538,258 and \$1,234,796, respectively.

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

3. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT: (Continued)

Certificates of Deposit

Certificates of deposit are valued at original cost. The Charter School purchased certificates of deposit through Bank of America, which are held in one account. Balances at year end consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Certificates of Deposit	\$ 4,960,640	\$ 4,960,000
Total	<u>\$ 4,960,640</u>	<u>\$ 4,960,000</u>

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. 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, 2018 and 2017 was \$6,543 and \$101,497, respectively. The swap agreement is valued and reported as an asset of \$198,490 as of June 30, 2018, and a liability of \$14,321 at June 30, 2017.

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).

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

5. FAIR VALUE MEASUREMENTS: (Continued)

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, 2018.

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.

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, 2018 and 2017:

June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets:</u>				
Interest Rate Swap	\$ -	\$ 198,490	\$ -	\$ 198,490
Total	<u>\$ -</u>	<u>\$ 198,490</u>	<u>\$ -</u>	<u>\$ 198,490</u>

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

5. FAIR VALUE MEASUREMENTS: (Continued)

<u>June 30, 2017:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Liabilities:</u>				
Interest Rate Swap	\$ -	\$ 14,321	\$ -	\$ 14,321
Total	<u>\$ -</u>	<u>\$ 14,321</u>	<u>\$ -</u>	<u>\$ 14,321</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, 2018 and 2017, consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 35,057	\$ 31,947
Other	<u>71,361</u>	<u>47,651</u>
Total	<u>\$ 106,418</u>	<u>\$ 79,598</u>
<u>Grants Receivable</u>		
Special Education - IDEA	\$ 117,304	\$ 52,304
National School Lunch Program	7,809	9,763
ESEA Title II	-	215
Healthy Schools Act	990	1,387
Special Education Enhancement Fund	33,161	-
SOAR - DC School Choice	<u>54,716</u>	<u>-</u>
Total	<u>\$ 213,980</u>	<u>\$ 63,669</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.

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, 2018 and 2017.

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

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

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, 2018</u>	<u>June 30, 2017</u>
Capital Campaign	\$ 56,261	\$ 77,211
Faculty Fund	56,575	146,407
Latin Pride	13,950	13,826
Field Trips	<u>1,500</u>	<u>-</u>
Total Promises Receivable	<u>\$ 128,286</u>	<u>\$ 237,444</u>

The above promises receivable are due to be received as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Less Than One Year	\$ 87,386	\$ 185,394
One to Five Years	<u>40,900</u>	<u>52,050</u>
Total	<u>\$ 128,286</u>	<u>\$ 237,444</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, 2018 and 2017 was \$1,097,877 and \$1,043,847, 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, 2018:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	16-25 Years	\$ 20,103,205	\$ 3,462,635	\$ 16,640,570
Furniture and Equipment	3-7 Years	<u>1,166,028</u>	<u>899,513</u>	<u>266,515</u>
Total		<u>\$ 21,269,233</u>	<u>\$ 4,362,148</u>	<u>\$ 16,907,085</u>

June 30, 2017:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	16-25 Years	\$ 20,088,999	\$ 2,569,540	\$ 17,519,459
Furniture and Equipment	3-7 Years	<u>1,133,020</u>	<u>694,731</u>	<u>438,289</u>
Total		<u>\$ 21,222,019</u>	<u>\$ 3,264,271</u>	<u>\$ 17,957,748</u>

8. CAPITAL LEASE PAYABLE:

During the year ended June 30, 2017, the Washington Latin Public Charter School entered into a capital lease for the purchase of laptop computers with Apple, Inc. The original balance was in the amount of \$47,404, and is payable over thirty-six (36) months with an annual payment of \$16,577 and a maturity on November 14, 2018. The capital lease was provided at 4.99% interest to the Charter School. The lease is secured by the laptops, which cost \$47,404, and is presented as part of Furniture and Equipment. For the years ended June 30, 2018 and 2017, amortization expense in the amount of \$15,801 and \$10,534, respectively, on the computers is included in depreciation expense. Accumulated amortization at June 30, 2018 and 2017 was \$26,335 and \$10,534, respectively. The balance of the capital lease at June 30, 2018 and 2017 is \$15,789 and \$30,827, respectively. Total interest expense paid on this lease for the years ended June 30, 2018 and 2017 was \$744 and \$961, respectively. The Washington Latin Public Charter School is committed under this capital lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ <u>16,577</u>	\$ <u>15,789</u>	\$ <u>788</u>
Total Future Minimum Lease Payments	\$ <u>16,577</u>	\$ <u>15,789</u>	\$ <u>788</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, 2018 and 2017 was \$182,227 and \$181,772, respectively. A sinking fund reserve account is required to be funded quarterly, in the amount of at least \$75,000 per quarter, 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, 2018 and 2017 was \$1,356,031 and \$1,053,024, 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, 2018, the unpaid balance on the notes was \$16,660,000. Interest expense for the loans for the years ended June 30, 2018 and 2017 was \$701,465 and \$606,764, respectively. There are several 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 \$1,557,541 and \$1,608,541 was outstanding as of June 30, 2018 and 2017, respectively. 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% (5.344% at June 30, 2018) and shall be paid quarterly in arrears. The principal balance began 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. Interest expense for the years ended June 30, 2018 and 2017 was \$77,081 and \$44,439, respectively. Future minimum required payments of principal on all loans for the next five years and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2019	\$ 32,375
2020	631,555
2021	755,283
2022	779,604
2023	804,831
Thereafter	<u>15,213,893</u>
Total	<u>\$ 18,217,541</u>

These payments may be made, in part, from the interest reserve and sinking fund accounts discussed above. This payment schedule does not reflect the possible acceleration of debt payments for the Type A loans as explained above that could occur on or before February 21, 2020.

Debt Issuance Costs

The Charter School adopted the requirements in FASB ASC 935-30 to present debt issuance costs as a reduction of the carrying amount of the related debt. Amortization of the debt issuance costs is reported as interest expense in the schedules of functional expenses. Long-term debt at June 30, 2018 and 2017 consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Notes Payable	\$ 18,217,541	\$ 18,268,541
Less: Unamortized Debt Issuance Costs	<u>(489,217)</u>	<u>(524,046)</u>
Total	<u>\$ 17,728,324</u>	<u>\$ 17,744,495</u>

Debt issuance cost amortization was \$34,829 for the years ended June 30, 2018 and 2017. Since this amount is higher than the current portion of principal due as of June 30, 2018, no current portion of debt issuance costs are reflected in the financial statements.

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

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 (.9% for the 17/18 school year) 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, 2018 and 2017, the Charter School incurred \$114,900 and \$123,057, respectively, in administrative fees.

The charter contract provides that the Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2018, was not permitted to be greater than 784 students. Audit enrollment for the 2017/2018 year was 698 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, 2018, the per-student rate ranged from \$10,257 to \$12,514 for the education allotment and \$3,193 for the facility allotment. For the year ended June 30, 2017, the per-student rate ranged from \$9,682 to \$11,812 for the educational allotment and \$3,124 for the facility allotment. Additional allotments were made for Special Education Services. Per-pupil funding for the years ended June 30, 2018 and 2017, was as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
General Education	\$ 8,129,855	\$ 7,672,598
Facilities Allowance	2,228,524	2,177,428
English Language Learners	65,337	23,721
At Risk Students	175,209	150,296
Special Education	1,156,132	1,038,390
Teachers Collective Bargaining	173,157	-
Summer School	<u>7,459</u>	<u>22,931</u>
Total	<u>\$ 11,935,673</u>	<u>\$ 11,085,364</u>

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

12. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2018 and 2017, the Charter School participated in the following federal award programs:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Special Education - IDEA 611	\$ 117,304	\$ 130,928
DC School Choice Incentive Programs - SOAR	101,072	-
National School Lunch Program	42,359	39,053
No Child Left Behind (Title II, Part A)	30,367	41,246
Donated Federal Commodities	<u>8,567</u>	<u>5,253</u>
Total	<u>\$ 299,669</u>	<u>\$ 216,480</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. 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:

The commitments related to loans are described in Note 9. The commitments related to the capital lease are described in Note 8. 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 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, 2018 and 2017 was \$166,140.

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

13. COMMITMENTS: (Continued)

Future minimum lease payments to the District of Columbia are as follows:

<u>Year Ended June 30,</u>	
2019	\$ 166,140
2020	166,140
2021	166,140
2022	166,140
2023	166,140
Thereafter	<u>2,519,790</u>
Total	<u>\$ 3,350,490</u>

The above lease payments are expected to be adjusted down in the future based on capital improvements the Charter School has made to the building.

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 was renegotiated on August 24, 2017, for the rental of three photocopiers. This lease calls for sixty (60) monthly payments of \$2,517, commencing on September 24, 2017. Rental expense for the years ending June 30, 2018 and 2017 was \$32,483 and \$27,540, respectively. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2019	\$ 30,204
2020	30,204
2021	30,204
2022	30,204
2023	<u>5,034</u>
Total	<u>\$ 125,280</u>

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 Charter School. Such contributions of \$51,825 and \$30,374 were made during the years ended June 30, 2018 and 2017, respectively.

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

15. CONCENTRATIONS:

The Charter School receives public funds from the District of Columbia based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2018 and 2017, eighty-nine percent (89%) 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 (DCPCSB).

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. While the Charter School's Board of Governors 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. Any future change in dynamics could adversely affect the operations of public charter schools.

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

17. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 27, 2018, 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.

18. FUNDRAISING:

During the years ended June 30, 2018 and 2017, expenses incurred for the purpose of fundraising were \$275,301 and \$225,175, 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 \$5,860 and \$18,317 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017, was \$167,616 and \$159,122, respectively.

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

21. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2018 and 2017, consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Social Security/Medicare	\$ 505,995	\$ 461,188
Health Insurance	502,303	460,485
Retirement	167,616	159,122
Unemployment	22,616	21,558
Life and Disability	27,028	27,040
Mass Transit	16,543	11,925
Workers Compensation	<u>20,733</u>	<u>20,212</u>
Total	<u>\$ 1,262,834</u>	<u>\$ 1,161,530</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.

22. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2018 and 2017, consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Rent	\$ 166,140	\$ 166,140
Depreciation - Leasehold Improvements	1,040,542	1,010,027
Interest Expense	820,663	788,490
Contracted Building Services	210,900	161,387
Maintenance and Custodial Salaries	104,151	101,961
Utilities	222,542	219,972
Maintenance and Repairs	<u>121,258</u>	<u>103,261</u>
Total	<u>\$ 2,686,196</u>	<u>\$ 2,551,238</u>

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
COMPARATIVE CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Salaries	\$ 6,767,896	\$ 6,211,440	\$ 403,272	\$ 153,184	\$ 6,221,656	\$ 5,453,674	\$ 647,725	\$ 120,257
Employee Benefits	734,223	675,389	42,638	16,196	678,784	597,906	68,213	12,665
Payroll Taxes	528,611	485,148	31,498	11,965	482,746	423,157	50,258	9,331
Travel, Meetings and Other Staff Costs	63,584	58,356	3,789	1,439	54,069	47,395	5,629	1,045
Staff Development Expense	114,774	108,993	5,781	-	73,024	73,024	-	-
Total Personnel, Salaries and Benefits	<u>\$ 8,209,088</u>	<u>\$ 7,539,326</u>	<u>\$ 486,978</u>	<u>\$ 182,784</u>	<u>\$ 7,510,279</u>	<u>\$ 6,595,156</u>	<u>\$ 771,825</u>	<u>\$ 143,298</u>
<u>Direct Student Costs:</u>								
Textbooks and Library	\$ 119,232	\$ 119,232	\$ -	\$ -	\$ 92,306	\$ 92,306	\$ -	\$ -
Student Supplies and Materials	97,060	97,060	-	-	73,773	73,773	-	-
Student Assessment Materials	78,715	78,715	-	-	44,838	44,838	-	-
Contracted Instruction	125,463	125,463	-	-	167,082	167,082	-	-
Transportation Fees	264,737	264,737	-	-	256,861	256,861	-	-
Food Service	138,003	138,003	-	-	146,521	146,521	-	-
Other Student Costs	334,275	334,275	-	-	343,255	343,255	-	-
Total Direct Student Costs	<u>\$ 1,157,485</u>	<u>\$ 1,157,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,124,636</u>	<u>\$ 1,124,636</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 166,140	\$ 152,480	\$ 9,900	\$ 3,760	\$ 166,140	\$ 145,632	\$ 17,297	\$ 3,211
Depreciation - Leasehold Improvements	1,040,542	954,988	62,002	23,552	1,010,027	885,352	105,152	19,523
Interest Expense	820,663	753,188	48,900	18,575	788,490	691,280	81,988	15,222
Maintenance and Custodial Salaries	104,151	20,830	83,321	-	101,961	86,667	15,294	-
Maintenance and Repairs	121,258	111,288	7,225	2,745	103,261	90,515	10,750	1,996
Utilities	222,542	204,245	13,260	5,037	219,972	192,819	22,901	4,252
Contracted Building Services	210,900	193,559	12,567	4,774	161,387	141,466	16,802	3,119
Total Occupancy Costs	<u>\$ 2,686,196</u>	<u>\$ 2,390,578</u>	<u>\$ 237,175</u>	<u>\$ 58,443</u>	<u>\$ 2,551,238</u>	<u>\$ 2,233,731</u>	<u>\$ 270,184</u>	<u>\$ 47,323</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 58,734	\$ 53,905	\$ 3,500	\$ 1,329	\$ 54,522	\$ 47,792	\$ 5,676	\$ 1,054
Office Equipment Rental and Maintenance	77,285	70,931	4,605	1,749	57,912	50,764	6,029	1,119
Telephone/Telecommunications	18,728	17,188	1,116	424	17,792	15,596	1,852	344
Professional Fees	266,825	246,694	14,589	5,542	220,698	193,456	22,976	4,266
Postage and Shipping	4,445	4,079	265	101	3,286	2,880	342	64
Computer and Other Office Expense	46,906	37,525	9,381	-	34,271	30,041	3,568	662
Total Office Expenses	<u>\$ 472,923</u>	<u>\$ 430,322</u>	<u>\$ 33,456</u>	<u>\$ 9,145</u>	<u>\$ 388,481</u>	<u>\$ 340,529</u>	<u>\$ 40,443</u>	<u>\$ 7,509</u>
<u>General Expenses:</u>								
Insurance	\$ 42,630	\$ 39,125	\$ 2,540	\$ 965	\$ 38,833	\$ 34,039	\$ 4,043	\$ 751
Authorizer Fee	114,900	103,410	11,490	-	123,057	107,868	12,811	2,378
Depreciation Expense	57,335	52,621	3,416	1,298	33,820	29,645	3,521	654
Fees and Licenses	62,891	57,721	3,747	1,423	49,880	43,723	5,193	964
Other General Expenses	29,710	7,951	516	21,243	50,466	25,179	2,989	22,298
Total General Expenses	<u>\$ 307,466</u>	<u>\$ 260,828</u>	<u>\$ 21,709</u>	<u>\$ 24,929</u>	<u>\$ 296,056</u>	<u>\$ 240,454</u>	<u>\$ 28,557</u>	<u>\$ 27,045</u>
Total Functional Expenses	<u>\$ 12,833,158</u>	<u>\$ 11,778,539</u>	<u>\$ 779,318</u>	<u>\$ 275,301</u>	<u>\$ 11,870,690</u>	<u>\$ 10,534,506</u>	<u>\$ 1,111,009</u>	<u>\$ 225,175</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, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2018	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2017
ASSETS								
<u>Current Assets:</u>								
Cash and Cash Equivalents	\$ 3,255,420	\$ 59,429	\$ -	\$ 3,314,849	\$ 1,856,355	\$ 377,009	\$ -	\$ 2,233,364
Certificates of Deposit	4,960,640	-	-	4,960,640	4,960,000	-	-	4,960,000
Accounts Receivable	106,418	-	-	106,418	71,341	8,257	-	79,598
Due from Affiliate	-	1,394,547	(1,394,547)	-	-	696,864	(696,864)	-
Grants Receivable	213,980	-	-	213,980	63,669	-	-	63,669
Promises Receivable	87,386	-	-	87,386	185,394	-	-	185,394
Prepaid Expenses	<u>56,285</u>	<u>-</u>	<u>-</u>	<u>56,285</u>	<u>68,436</u>	<u>-</u>	<u>-</u>	<u>68,436</u>
Total Current Assets	<u>\$ 8,680,129</u>	<u>\$ 1,453,976</u>	<u>\$ (1,394,547)</u>	<u>\$ 8,739,558</u>	<u>\$ 7,205,195</u>	<u>\$ 1,082,130</u>	<u>\$ (696,864)</u>	<u>\$ 7,590,461</u>
<u>Fixed Assets: At Cost</u>								
Leasehold Improvements	\$ -	\$ 20,103,205	\$ -	\$ 20,103,205	\$ -	\$ 20,088,999	\$ -	\$ 20,088,999
Furniture and Equipment	314,547	851,481	-	1,166,028	281,539	851,481	-	1,133,020
Less: Accumulated Depreciation and Amortization	<u>(216,942)</u>	<u>(4,145,206)</u>	<u>-</u>	<u>(4,362,148)</u>	<u>(159,607)</u>	<u>(3,104,664)</u>	<u>-</u>	<u>(3,264,271)</u>
Total Fixed Assets	<u>\$ 97,605</u>	<u>\$ 16,809,480</u>	<u>\$ -</u>	<u>\$ 16,907,085</u>	<u>\$ 121,932</u>	<u>\$ 17,835,816</u>	<u>\$ -</u>	<u>\$ 17,957,748</u>
<u>Other Assets:</u>								
Cash - Restricted for Debt Service	\$ 1,356,031	\$ 182,227	\$ -	\$ 1,538,258	\$ 1,053,024	\$ 181,772	\$ -	\$ 1,234,796
Investment in Affiliate	4,617,821	-	(4,617,821)	-	3,903,863	-	(3,903,863)	-
Deposits	50,000	-	-	50,000	50,000	-	-	50,000
Interest Rate Swap	<u>-</u>	<u>198,490</u>	<u>-</u>	<u>198,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Assets	<u>\$ 6,023,852</u>	<u>\$ 380,717</u>	<u>\$ (4,617,821)</u>	<u>\$ 1,786,748</u>	<u>\$ 5,006,887</u>	<u>\$ 181,772</u>	<u>\$ (3,903,863)</u>	<u>\$ 1,284,796</u>
<u>Non-Current Assets:</u>								
Promises Receivable	<u>\$ 40,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,900</u>	<u>\$ 52,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,050</u>
Total Non-Current Assets	<u>\$ 40,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,900</u>	<u>\$ 52,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,050</u>
TOTAL ASSETS	<u>\$ 14,842,486</u>	<u>\$ 18,644,173</u>	<u>\$ (6,012,368)</u>	<u>\$ 27,474,291</u>	<u>\$ 12,386,064</u>	<u>\$ 19,099,718</u>	<u>\$ (4,600,727)</u>	<u>\$ 26,885,055</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, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2018	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2017
LIABILITIES AND NET ASSETS								
<u>Current Liabilities:</u>								
Accounts Payable and Accrued Expenses	\$ 153,691	\$ 6,459	\$ -	\$ 160,150	\$ 96,570	\$ 194,724	\$ -	\$ 291,294
Accrued Salaries and Taxes Payable	713,211	-	-	713,211	669,454	-	-	669,454
Due to Affiliate	1,394,547	-	(1,394,547)	-	696,864	-	(696,864)	-
Deferred Revenue	5,800	-	-	5,800	18,205	-	-	18,205
Current Portion of Capital Lease	15,789	-	-	15,789	15,038	-	-	15,038
Current Portion of Long Term Debt	-	32,375	-	32,375	-	-	-	-
Total Current Liabilities	<u>\$ 2,283,038</u>	<u>\$ 38,834</u>	<u>\$ (1,394,547)</u>	<u>\$ 927,325</u>	<u>\$ 1,496,131</u>	<u>\$ 194,724</u>	<u>\$ (696,864)</u>	<u>\$ 993,991</u>
<u>Long-Term Liabilities:</u>								
Long-Term Debt	\$ -	\$ 17,728,324	\$ -	\$ 17,728,324	\$ -	\$ 17,744,495	\$ -	\$ 17,744,495
Less: Current Portion	-	(32,375)	-	(32,375)	-	-	-	-
Capital Lease Payable	15,789	-	-	15,789	30,827	-	-	30,827
Less: Current Portion of Capital Lease	(15,789)	-	-	(15,789)	(15,038)	-	-	(15,038)
Interest Rate Swap	-	-	-	-	-	14,321	-	14,321
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 17,695,949</u>	<u>\$ -</u>	<u>\$ 17,695,949</u>	<u>\$ 15,789</u>	<u>\$ 17,758,816</u>	<u>\$ -</u>	<u>\$ 17,774,605</u>
Total Liabilities	<u>\$ 2,283,038</u>	<u>\$ 17,734,783</u>	<u>\$ (1,394,547)</u>	<u>\$ 18,623,274</u>	<u>\$ 1,511,920</u>	<u>\$ 17,953,540</u>	<u>\$ (696,864)</u>	<u>\$ 18,768,596</u>
<u>Net Assets:</u>								
Unrestricted								
Undesignated	\$ 8,134,197	\$ 909,390	\$ (4,617,821)	\$ 4,425,766	\$ 6,296,322	\$ 1,146,178	\$ (3,903,863)	\$ 3,538,637
Board Designated Operating Revenue	2,500,000	-	-	2,500,000	2,500,000	-	-	2,500,000
Board Designated Capital Replacement Reserve	400,000	-	-	400,000	400,000	-	-	400,000
Board Designated Debt Repayment Reserve	1,100,000	-	-	1,100,000	1,100,000	-	-	1,100,000
Temporarily Restricted	425,251	-	-	425,251	577,822	-	-	577,822
Total Net Assets	<u>\$ 12,559,448</u>	<u>\$ 909,390</u>	<u>\$ (4,617,821)</u>	<u>\$ 8,851,017</u>	<u>\$ 10,874,144</u>	<u>\$ 1,146,178</u>	<u>\$ (3,903,863)</u>	<u>\$ 8,116,459</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,842,486</u>	<u>\$ 18,644,173</u>	<u>\$ (6,012,368)</u>	<u>\$ 27,474,291</u>	<u>\$ 12,386,064</u>	<u>\$ 19,099,718</u>	<u>\$ (4,600,727)</u>	<u>\$ 26,885,055</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, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2018	Washington Latin Public Charter School	QALICB LLC	Eliminations	Consolidated Total 2017
<u>Revenues, Gains and Other Support:</u>								
Tuition - Per Pupil Funding Allocation	\$ 9,707,149	\$ -	\$ -	\$ 9,707,149	\$ 8,907,936	\$ -	\$ -	\$ 8,907,936
Tuition - Facilities Allowance	2,228,524	-	-	2,228,524	2,177,428	-	-	2,177,428
Federal Entitlements and Grants	299,669	-	-	299,669	216,480	-	-	216,480
Other Grants and Contributions	559,715	-	-	559,715	638,710	-	-	638,710
Student Activity Fees	475,571	-	-	475,571	444,385	-	-	444,385
Interest Income	75,085	530	-	75,615	24,578	415	-	24,993
Donated Services	8,662	-	-	8,662	28,725	-	-	28,725
Other Income	-	-	-	-	-	-	-	-
Rental Income	-	863,004	(863,004)	-	-	863,004	(863,004)	-
Total Revenues, Gains and Other Support	\$ 13,354,375	\$ 863,534	\$ (863,004)	\$ 13,354,905	\$ 12,438,242	\$ 863,419	\$ (863,004)	\$ 12,438,657
<u>Expenses:</u>								
Program Services	\$ 10,710,164	\$ 1,860,423	\$ (792,048)	\$ 11,778,539	\$ 8,808,838	\$ 1,725,668	\$ -	\$ 10,534,506
General and Administrative	709,954	120,787	(51,423)	779,318	1,772,060	201,953	(863,004)	1,111,009
Fundraising	248,953	45,881	(19,533)	275,301	187,680	37,495	-	225,175
Total Expenses	\$ 11,669,071	\$ 2,027,091	\$ (863,004)	\$ 12,833,158	\$ 10,768,578	\$ 1,965,116	\$ (863,004)	\$ 11,870,690
Changes in Net Assets before Change in Fair Value of Interest Rate Swap	\$ 1,685,304	\$ (1,163,557)	\$ -	\$ 521,747	\$ 1,669,664	\$ (1,101,697)	\$ -	\$ 567,967
Change in Fair Value of Interest Rate Swap	-	212,811	-	212,811	-	372,630	-	372,630
Changes in Net Assets	\$ 1,685,304	\$ (950,746)	\$ -	\$ 734,558	\$ 1,669,664	\$ (729,067)	\$ -	\$ 940,597
Net Assets at Beginning of Year	\$ 10,874,144	\$ 1,146,178	\$ (3,903,863)	\$ 8,116,459	\$ 9,204,480	\$ 1,484,635	\$ (3,513,253)	\$ 7,175,862
Member Contributions	-	713,958	(713,958)	-	-	390,610	(390,610)	-
Net Assets at End of Year	\$ 12,559,448	\$ 909,390	\$ (4,617,821)	\$ 8,851,017	\$ 10,874,144	\$ 1,146,178	\$ (3,903,863)	\$ 8,116,459

(See Accompanying Notes and Auditor's Report)

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, 2018 and 2017, 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 27, 2018.

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 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.

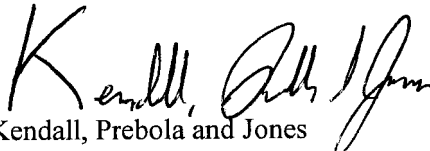
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 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 27, 2018

WASHINGTON LATIN PUBLIC CHARTER SCHOOL AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of the Washington Latin Public Charter School and Subsidiary were prepared in accordance with generally accepted accounting principles.
- 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 and Subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, 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.