



**WASHINGTON LEADERSHIP ACADEMY,  
PUBLIC CHARTER HIGH SCHOOL**

**Financial Statements**

*For the Year Ended June 30, 2019*

*(With Summarized Financial Information for the Year Ended June 30, 2018)*



**and  
Report Thereon**



**Report Required in Accordance with  
*Government Auditing Standards***

*For the Year Ended June 30, 2019*



WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

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For the Year Ended June 30, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Washington Leadership Academy, Public Charter School

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

We have audited the accompanying financial statements of The Washington Leadership Academy, Public Charter School (WLA), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Continued

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## **Opinion**

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of The Washington Leadership Academy, Public Charter School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Summarized Comparative Information*

WLA's 2018 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP and whose report dated November 12, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the financial statements from which it has been derived.

### *Required Regulatory Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of vendor contacts \$25,000 and above is presented for the purposes for additional analysis and is not a required part of the financial statements. Such information, although not a part of the financial statements, is required by the D.C Public School Charter Board and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of WLA'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 effectiveness of WLA's 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 WLA's internal control over financial reporting and compliance.

*Marcum LLP*

Washington, D.C.  
November 25, 2019

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

STATEMENT OF FINANCIAL POSITION

June 30, 2019

(With Summarized Financial Information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 2,316,598	\$ 2,982,879
Receivables	130,344	74,122
Prepaid expenses	<u>74,352</u>	<u>72,136</u>
Total Current Assets	2,521,294	3,129,137
Deposits	5,000	5,000
Property and equipment, net	<u>205,402</u>	<u>189,116</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 2,731,696</b></u>	<u><b>\$ 3,323,253</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 356,731	\$ 219,263
Deferred revenue	<u>1,633</u>	<u>2,461</u>
Total Current Liabilities	358,364	221,724
Capital lease obligation	<u>6,805</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><b>365,169</b></u>	<u><b>221,724</b></u>
Net Assets		
Without donor restrictions	2,214,234	1,133,082
With donor restrictions	<u>152,293</u>	<u>1,968,447</u>
<b>TOTAL NET ASSETS</b>	<u><b>2,366,527</b></u>	<u><b>3,101,529</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 2,731,696</b></u>	<u><b>\$ 3,323,253</b></u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2019  
 (With Summarized Information for the Year Ended June 30, 2018)

	With Donor Restrictions	Without Donor Restrictions	2019	2018
<b>REVENUE AND SUPPORT</b>				
Per pupil allocation	\$ 6,534,635	\$ -	\$ 6,534,635	\$ 4,095,596
Federal grants and entitlements	472,262	-	472,262	284,145
In-kind contributions	247,212	-	247,212	178,202
Private grants and contributions	1,291	61,343	62,634	2,014,188
Other revenue	20,234	-	20,234	13,287
Net assets released from restrictions:				
Insurance services	1,877,497	(1,877,497)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>9,153,131</b>	<b>(1,816,154)</b>	<b>7,336,977</b>	<b>6,585,418</b>
<b>EXPENSES</b>				
Program Service:				
High school education	6,846,816	-	6,846,816	3,480,508
Total Program Service	6,846,816	-	6,846,816	3,480,508
Supporting Services:				
Management and general	1,205,195	-	1,205,195	842,266
Development and fundraising	19,968	-	19,968	24,324
Total Supporting Services	1,225,163	-	1,225,163	866,590
<b>TOTAL EXPENSES</b>	<b>8,071,979</b>	<b>-</b>	<b>8,071,979</b>	<b>4,347,098</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,081,152</b>	<b>(1,816,154)</b>	<b>(735,002)</b>	<b>2,238,320</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,133,082</b>	<b>1,968,447</b>	<b>3,101,529</b>	<b>863,209</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,214,234</b>	<b>\$ 152,293</b>	<b>\$ 2,366,527</b>	<b>\$ 3,101,529</b>

The accompanying notes are an integral part of these financial statements.

**WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2019**  
**(With Summarized Information for the Year Ended June 30, 2018)**

	<u>Program Service</u>	<u>Supporting Services</u>		2019 Total	2018 Total
	High School Education	Management and General	Development and Fundraising		
Personnel, Salaries and Benefits:					
Salaries	\$ 3,224,681	\$ 423,639	\$ 12,354	\$ 3,660,674	\$ 2,229,879
Payroll taxes	254,405	37,068	1,087	292,560	175,432
Employee benefits	233,922	31,726	931	266,579	161,245
Professional development	75,832	11,049	324	87,205	70,422
Contracted labor	83,599	-	-	83,599	84,020
Other contracted labor-related expense	55,774	8,316	49	64,139	34,392
<b>Total Personnel, Salaries and Benefits</b>	<b>3,928,213</b>	<b>511,798</b>	<b>14,745</b>	<b>4,454,756</b>	<b>2,755,390</b>
Direct Student Costs:					
Student food service	164,772	-	-	164,772	120,232
Supplies, materials and snacks	113,319	-	-	113,319	78,674
Student assessments	83,651	-	-	83,651	16,900
Contracted instruction fees	79,401	-	-	79,401	85,089
Travel	48,807	-	-	48,807	34,913
Textbooks	18,797	-	-	18,797	46,888
Student recruiting	7,128	-	-	7,128	7,986
<b>Total Direct Student Costs</b>	<b>515,875</b>	<b>-</b>	<b>-</b>	<b>515,875</b>	<b>390,682</b>
Occupancy Expenses:					
Rent	868,258	126,509	3,711	998,478	651,317
Contracted building services	29,879	4,481	-	34,360	200
<b>Total Occupancy Expenses</b>	<b>898,137</b>	<b>130,990</b>	<b>3,711</b>	<b>1,032,838</b>	<b>651,517</b>
Office Expenses:					
Office supplies	35,494	60,569	432	96,495	64,156
Telecommunications	43,352	6,317	185	49,854	42,888
Computer support	16,802	2,448	72	19,322	1,419
Postage	1,466	214	6	1,686	1,096
Printing and copying	194	28	1	223	3
<b>Total Office Expenses</b>	<b>97,308</b>	<b>69,576</b>	<b>696</b>	<b>167,580</b>	<b>109,562</b>
General Expenses:					
Professional and consulting fees	1,288,033	27,806	816	1,316,655	20,855
Legal fees	14,242	247,212	-	261,454	168,846
Accounting, auditing and payroll	-	114,969	-	114,969	107,929
Authorizer fees	-	64,127	-	64,127	39,726
Insurance	-	23,139	-	23,139	18,550
Grants	1,058	-	-	1,058	-
Dues, fees, licenses and fines	6,197	982	-	7,179	4,602
<b>Total General Expenses</b>	<b>1,309,530</b>	<b>478,235</b>	<b>816</b>	<b>1,788,581</b>	<b>360,508</b>
Depreciation and amortization	97,753	14,596	-	112,349	79,439
<b>TOTAL EXPENSES</b>	<b>\$ 6,846,816</b>	<b>\$ 1,205,195</b>	<b>\$ 19,968</b>	<b>\$ 8,071,979</b>	<b>\$ 4,347,098</b>

The accompanying notes are an integral part of these financial statements.

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2019  
 (With Summarized Information for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (735,002)	\$ 2,238,320
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	112,349	79,439
Changes in assets and liabilities:		
Receivables	(56,222)	96,863
Prepaid expenses	(2,216)	(10,656)
Deposits	-	29,980
Accounts payable and accrued expenses	137,468	78,410
Deferred revenue	(828)	(16,082)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(544,451)</u>	<u>2,496,274</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(120,027)</u>	<u>(79,830)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(120,027)</u>	<u>(79,830)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(1,803)</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,803)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(666,281)	2,416,444
CASH, BEGINNING OF YEAR	<u>2,982,879</u>	<u>566,435</u>
CASH, END OF YEAR	<u>\$ 2,316,598</u>	<u>\$ 2,982,879</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 261</u>	<u>\$ -</u>
NONCASH TRANSACTIONS		
Noncash investing activities:		
Equipment acquired under capital lease	<u>\$ 8,608</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019

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1. Organization and Summary of Significant Accounting Policies

**Organization**

Washington Leadership Academy Public Charter High School (WLA) is a not-for-profit corporation incorporated in the District of Columbia in February 2014. The school's mission is to prepare students with the knowledge, skills and habits required for success in college and lives of public leadership. Since its inception, WLA's revenue and other support has consisted primarily of local funding (per pupil allocations) from the District of Columbia, federal grants and private grants.

**Basis of Accounting**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are prepared using the accrual basis of accounting and include receivables and payables.

**Receivables**

WLA uses the allowance method to record potentially uncollectible accounts receivable.

**Property and Equipment**

Property and equipment purchases greater than \$1,000 (\$5,000 if acquired in bulk) are capitalized and carried at cost. Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the assets.

Computer hardware	3 years
Software	3 years
Furniture and fixtures	7 years

Leasehold improvements are amortized over the remaining life of the lease. Significant renewals and betterments are capitalized. At the time assets are retired or otherwise disposed of, the property and related accumulated depreciation and amortization accounts are relieved of the applicable amounts and any gain or loss is credited or charged to revenue and support.

**Classification of Net Assets**

WLA's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for general support of WLA's operations.
- Net assets with donor restrictions represent amounts that are subject to donor-imposed restrictions, to be used for particular purpose or within a specific time period.

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019

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1. Organization and Summary of Significant Accounting Policies (continued)

**Revenue Recognition**

Grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restricted revenue and support. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the accompanying statement of activities as net assets released from restrictions. Unconditional grants and contributions are reported as revenue in the fiscal year in which payments are received and/or unconditional promises to give are made.

Federal grants and contracts treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on grants and contracts for which payments have not been received is reflected as receivables in the accompanying statement of financial position. Payments received before services are provided and costs are incurred are reflected as deferred revenue in the accompanying statement of financial position.

**Federal and Charter School Funding**

Per pupil allocation represents the per pupil student allocation and facility allowance from the District of Columbia, as well as federal entitlement funding, to cover the cost of academic expenses. Revenue is recognized ratably over the academic year. Unearned funding is recognized as deferred revenue in the accompanying statement of financial position until earned.

**In-Kind Contributions**

In-kind contributions represent the value of pro bono legal assistance, donated computers, and donated bicycles. These donations are recorded at their fair value as of the date of the donation, and are included in in-kind contributions and management and general in the accompanying statement of activities or in legal fees in the accompanying statement of functional expenses.

**Estimates**

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

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of WLA are reported as expenses of those functional areas, while shared costs

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

**Functional Allocation of Expenses (continued)**

that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Employee benefits, payroll taxes, professional development, occupancy, depreciation, telecommunication, office supplies and computer support are allocated based direct labor (total salaries by function).

**New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. WLA has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended June 30, 2018.

2. Receivables

Receivables consisted of the following as of June 30, 2019:

Federal grants	\$ 94,433
Other	<u>35,911</u>
Total Receivables	<u>\$ 130,344</u>

As of June 30, 2019, all amounts were considered fully collectible and due within one year.

3. Property and Equipment and Accumulated Depreciation and Amortization

WLA's property and equipment consisted of the following at June 30, 2019:

Computer hardware	\$ 243,302
Furniture and fixtures	130,639
Software	83,400
Leasehold improvements	<u>2,133</u>
Total Property and Equipment	459,474
Less: Accumulated Depreciation and Amortization	<u>(254,072)</u>
Property and Equipment, Net	<u>\$ 205,402</u>

Depreciation and amortization expense was \$112,349 for the year ended June 30, 2019.

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019

4. Net Assets With Donor Restriction

As of June 30, 2019, net assets with donor restriction were available for the following purposes:

XQ Super School project	\$ 98,787
Computers	50,000
Civil rights road trip	1,500
Virtual reality equipment	<u>2,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 152,287</u>

5. Charter School Funding – Per Pupil Allocation

Per pupil allocation funding for the year ended June 30, 2019, was composed of the following:

General education	\$ 3,978,846
Facility allowance	998,478
Special education	962,939
At-risk students	403,467
Special education compliance	128,237
English language learners	<u>62,669</u>
Total Per Pupil Allocation	<u>\$ 6,534,635</u>

6. Risks and Commitments

**Concentration of Credit Risk**

WLA maintains its cash with various commercial financial institutions with which its aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2019, WLA had approximately \$2,285,000 composed of demand deposits, exceeding the maximum limit insured by the FDIC by approximately \$1,785,000. WLA monitors the creditworthiness of this institution and has not experienced any historical credit losses on its cash.

**Use Agreement**

WLA entered into a use agreement to lease building space for its office and schools which is scheduled to expire on June 30, 2021. This use agreement includes four five-year renewal terms at the option of WLA. The agreement also provides WLA with an option to purchase the premises at any time after the fifth year but prior to the 10th year of the lease effective date. The purchase price will be equal to the total all-in actual costs, prorated where necessary, of acquiring, financing, repairing and renovating the premises. The rent payment is determined as a usage fee, which is in amount equal to the number of students enrolled as of the census date of each usage year multiplied by the greater of the per pupil facilities allowance received by WLA from the District of Columbia or \$3,124. The total annual usage fee for each 12-month period

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019

6. Risks and Commitments (continued)

**Use Agreement (continued)**

throughout the term commences on July 1 and is payable in quarterly installments on August 1, November 1, February 1 and May 1. Future annual payments are based on the same usage fee formula, and there are no cancellation penalties.

Rent expense totaled \$998,478 for the year ended June 30, 2019.

**Major Contributor**

WLA receives a substantial portion of its revenue from D.C. If a significant reduction in this revenue should occur, it could have a material effect on WLA's programs. During the year ended June 30, 2019, WLA earned per pupil funding revenue of \$6,534,635 from the District of Columbia, which was approximately 89% of WLA's total revenue and support for the year. This revenue is reflected as per pupil allocation in the accompanying statement of activities.

7. Availability and Liquidity

WLA regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. WLA's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2019, were as follows:

Cash	\$ 2,316,598
Receivables	<u>130,344</u>
Total Financial Assets Available	2,446,942
Less: Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	<u>(152,287)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 2,294,655</u>

WLA has various sources of liquidity at its disposal, including cash, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of WLA throughout the year. This is done through monitoring and reviewing WLA's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of WLA's cash flow related to WLA's various funding sources and is, therefore, able to ensure that there is cash available to meet current liquidity needs.

8. XQ Super School Project

In 2016, the Washington Leadership Academy Super School Team (the Team), composed of individual team members, was awarded a Winner's Grant of up to \$10,000,000 (the Winner's Grant) to design, build and operate a Super School. Though WLA was identified as the site and

**WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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8. XQ Super School Project (continued)

school where the Team would develop and implement the Super School, WLA was not the entrant or winner of the XQ Super School Project Contest. In accordance with the terms of the Contest Winner Agreement, the Team identified Education Forward DC (Ed Forward) as the entity approved to receive and administer the Winner's Grant. Ed Forward had the ability to award grant funds through an intermediary entity, provided that such intermediary entity enter into a Super School Agreement with XQ. XQ was to pay the Winner's Grant to Ed Forward in semi-annual installments, contingent upon compliance with certain milestones and requirements, payable in two tranches of \$1,000,000 for purposes of a Virtual Reality Pilot Program at WLA.

In December 2017, XQ, Ed Forward and WLA entered into a grant agreement. Given WLA's need for funding to advance implementation of the XQ Super School as planned, XQ granted \$2,000,000 directly to WLA, which was deducted from the Winner's Grant. This grant was subject to WLA completing and complying with the milestones specified in the XQ agreement with Ed Forward, including the design and development of the Team's XQ Super School.

Due to unforeseen circumstances and without any fault of Ed Forward, Ed Forward did not disburse any funds of Winner's Grant to WLA. On August 26, 2019, a termination of approved entity agreement was entered into between the XQ, WLA and Ed Forward and, as a result, Ed Forward returned to XQ the installment payment of the Winner's Grant totaling \$1,792,400, net a fiscal sponsor fee of \$17,924.

For the year ended June 30, 2019, WLA did not recognize any grant revenue, as the terms of a new grant agreement were not finalized until subsequent to year end.

9. Pension Plan

WLA sponsors a 403(b) plan that covers all employees who work 20 hours or more per week. Employees are eligible to participate in the plan immediately upon hire. WLA makes discretionary contributions to match employee contributions, the amount of which match is determined on an annual basis. Employees are eligible for discretionary employer match contributions after one month of service. Pension expense was \$85,010 for the year ended June 30, 2019, and is included in employee benefits in the accompanying statement of functional expenses.

10. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, WLA is exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2019, no provision for income taxes was made, as WLA had no net unrelated business income.

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019

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10. Income Taxes (continued)

WLA has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. WLA performed an evaluation of uncertainty in income taxes for the year ended June 30, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. It is WLA's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

11. Reclassification

Certain 2018 amounts have been reclassified for comparative purposes to conform to the 2019 presentation.

12. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with WLA's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

13. Legal Matters

WLA from time to time has claims that are brought against it and consults with its legal counsel regarding these matters. As of June 30, 2019, WLA does not expect an unfavorable outcome from any such claims but, should one occur, WLA's insurance would cover the expenses and WLA would be liable for only its deductible under its insurance policy.

14. Subsequent Events

WLA management has evaluated subsequent events through November 25, 2019, the date the financial statements were available to be issued. Except for the termination of approved entity agreement described in Note 6, there were no subsequent events that require recognition or disclosure in these financial statements.

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

To the Board of Directors of  
The Washington Leadership Academy, Public Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Washington Leadership Academy, Public Charter School (WLA), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WLA'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of WLA's internal control. Accordingly, we do not express an opinion on the effectiveness of WLA'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.

Continued  
- 14 -



## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

*Marcum LLP*

Washington, D.C.  
November 25, 2019

WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL

SCHEDULE OF VENDOR CONTRACTS \$25,000 AND ABOVE  
For the Year Ended June 30, 2019

Vendor	Type of Service		Contract Value	Amount Paid	Conflict of Interest
St. Paul on Fourth Street, Inc	Landlord	**	N/A	\$ 998,478	No
CommonLit Inc.	Curriculum development	**	\$ 800,000	\$ 800,000	No
Capitol Interactive	Curriculum development	**	\$ 294,701	\$ 294,701	No
Bellwether	Strategy consulting	**	\$ 163,000	\$ 163,000	No
Top Spanish Cafe and Catering Inc.	Food services	**	N/A	\$ 161,451	No
DC Health Link	Health insurance	**	N/A	\$ 142,719	No
EdOps	Contracted monthly financial services	*	\$ 62,275	\$ 90,182	No
Amazon	Miscellaneous items	**	N/A	\$ 69,264	No
Transcend	Strategy consulting	**	\$ 53,000	\$ 53,000	No
School Leader Lab	Professional development	**	N/A	\$ 39,550	No
The MECCA Group, LLC	Contracted special education services	**	N/A	\$ 26,014	No
Therapy Source, Inc	Contracted special education services	**	N/A	\$ 25,225	No
The Hanover Insurance Group	Insurance services	**	N/A	\$ 32,151	No
Derrick Newton	Building security	**	N/A	\$ 28,180	No
Swing Education	Contracted substitute staff	**	N/A	\$ 25,266	No

\* Contract includes both fixed contract value and payments based usage of goods and services.

\*\* No contract value as payments are based on usage of goods and services.

See auditors' report on required regulatory information.

**WASHINGTON LEADERSHIP ACADEMY, PUBLIC CHARTER HIGH SCHOOL**

**NOTE TO SCHEDULE OF VENDOR CONTRACTS \$25,000 AND ABOVE  
For the Year Ended June 30, 2019**

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1. Basis of Presentation

This Schedule of Vendor Contracts \$25,000 and Above is required regulatory information and is reported in accordance with The DC Public Charter School Board (DC PCSB) fiscal year 2019 Audit Guidelines, Section Audit Reports – *Audit Package*.