

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

KENDALL, PREBOLA AND JONES

Certified Public Accountants

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
YouthBuild DC Public Charter School, Inc.
3220 16th Street, NW
Washington, DC 20010

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the YouthBuild DC Public Charter School, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the YouthBuild DC Public Charter School, Inc., as of June 30, 2019 and 2018, 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

We have audited the financial statements of the YouthBuild DC Public Charter School, Inc., as of and for the years ended June 30, 2019 and 2018, and our report thereon dated December 2, 2019, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of the YouthBuild DC Public Charter School, Inc.'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 effectiveness of the YouthBuild DC Public Charter School, Inc.'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 the YouthBuild DC Public Charter School, Inc.'s internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 2, 2019

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,127,117	\$ 369,241
Accounts Receivable	5,952	505
Grants Receivable	138,510	350,468
Prepaid Expenses	<u>23,342</u>	<u>18,465</u>
Total Current Assets	<u>\$ 1,294,921</u>	<u>\$ 738,679</u>
<u>Fixed Assets:</u>		
Fixed Assets	\$ 223,767	\$ 203,325
Less: Accumulated Depreciation	<u>(201,541)</u>	<u>(189,791)</u>
Total Fixed Assets	<u>\$ 22,226</u>	<u>\$ 13,534</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 23,524</u>	<u>\$ 23,524</u>
Total Other Assets	<u>\$ 23,524</u>	<u>\$ 23,524</u>
TOTAL ASSETS	<u>\$ 1,340,671</u>	<u>\$ 775,737</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 72,970	\$ 14,585
Income Taxes Payable	324	452
Accrued Vacation	49,442	31,744
Payroll Withholdings and Related Liabilities	1,430	2,116
Deferred Revenue	-	1,760
Current Portion Deferred Rent	<u>489</u>	<u>3,865</u>
Total Current Liabilities	<u>\$ 124,655</u>	<u>\$ 54,522</u>
<u>Long-Term Liabilities:</u>		
Deferred Rent	\$ 489	\$ 4,098
Less: Current Portion Deferred Rent	<u>(489)</u>	<u>(3,865)</u>
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 233</u>
Total Liabilities	<u>\$ 124,655</u>	<u>\$ 54,755</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 1,214,875	\$ 718,841
With Donor Restrictions	<u>1,141</u>	<u>2,141</u>
Total Net Assets	<u>\$ 1,216,016</u>	<u>\$ 720,982</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,340,671</u>	<u>\$ 775,737</u>

(See Accompanying Notes and Auditor's Report)

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 2,442,474	\$ -	\$ 2,442,474	\$ 2,097,068	\$ -	\$ 2,097,068
Per Pupil Funding - Facilities Allocation	398,086	-	398,086	367,164	-	367,164
Federal Entitlements and Grants	512,128	-	512,128	597,740	-	597,740
State Government Grants	143,724	-	143,724	134,733	-	134,733
Private Grants and Contributions	14,509	-	14,509	11,936	-	11,936
Donated Services	63,817	-	63,817	5,374	-	5,374
Interest and Dividends	1,394	-	1,394	1,251	-	1,251
Loss on Disposal of Fixed Assets	-	-	-	(1,496)	-	(1,496)
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	1,000	(1,000)	-	11,000	(11,000)	-
Total Revenues and Other Support	<u>\$ 3,577,132</u>	<u>\$ (1,000)</u>	<u>\$ 3,576,132</u>	<u>\$ 3,224,770</u>	<u>\$ (11,000)</u>	<u>\$ 3,213,770</u>
<u>Expenses:</u>						
Educational Services	\$ 2,744,844	\$ -	\$ 2,744,844	\$ 2,663,004	\$ -	\$ 2,663,004
Fundraising	-	-	-	6,561	-	6,561
General and Administrative	336,254	-	336,254	248,362	-	248,362
Total Expenses	<u>\$ 3,081,098</u>	<u>\$ -</u>	<u>\$ 3,081,098</u>	<u>\$ 2,917,927</u>	<u>\$ -</u>	<u>\$ 2,917,927</u>
Loss on Lease Exit	\$ -	\$ -	\$ -	\$ 196,473	\$ -	\$ 196,473
Total Expenses and Losses	<u>\$ 3,081,098</u>	<u>\$ -</u>	<u>\$ 3,081,098</u>	<u>\$ 3,114,400</u>	<u>\$ -</u>	<u>\$ 3,114,400</u>
Changes in Net Assets	\$ 496,034	\$ (1,000)	\$ 495,034	\$ 110,370	\$ (11,000)	\$ 99,370
Net Assets, Beginning of Year	718,841	2,141	720,982	608,471	13,141	621,612
Net Assets, End of Year	<u>\$ 1,214,875</u>	<u>\$ 1,141</u>	<u>\$ 1,216,016</u>	<u>\$ 718,841</u>	<u>\$ 2,141</u>	<u>\$ 720,982</u>

(See Accompanying Notes and Auditor's Report)

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019				June 30, 2018			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Principal/Executive Salaries	\$ 261,948	\$ 202,590	\$ 59,358	\$ -	\$ 140,521	\$ 98,364	\$ 38,218	\$ 3,939
Teachers' Salaries	465,958	465,958	-	-	436,302	436,302	-	-
Workforce Training	200,622	200,622	-	-	322,780	322,780	-	-
Support Services	295,202	295,202	-	-	190,819	190,819	-	-
Clerical Services	40,603	30,452	10,151	-	41,614	31,211	10,403	-
Business Operations Salaries	51,835	38,876	12,959	-	51,082	38,312	12,770	-
Employee Benefits	151,966	142,444	9,522	-	140,339	132,590	7,282	467
Payroll Taxes	115,458	108,224	7,234	-	107,218	101,297	5,564	357
Leased Employees and Temporary Help	27,514	25,790	1,724	-	2,110	-	2,110	-
Staff Development Costs	13,170	12,345	825	-	10,819	10,819	-	-
Other Staff Related Expenses	23,436	21,968	1,468	-	9,957	9,407	517	33
Total Personnel, Salaries and Benefits	<u>\$ 1,647,712</u>	<u>\$ 1,544,471</u>	<u>\$ 103,241</u>	<u>\$ -</u>	<u>\$ 1,453,561</u>	<u>\$ 1,371,901</u>	<u>\$ 76,864</u>	<u>\$ 4,796</u>
<u>Direct Student Costs:</u>								
Student Supplies and Food	\$ 16,044	\$ 16,044	\$ -	\$ -	\$ 4,779	\$ 4,779	\$ -	\$ -
Textbooks and Subscriptions	14,498	14,498	-	-	7,454	7,454	-	-
Student Assessment Materials	4,464	4,464	-	-	6,494	6,494	-	-
Student Uniforms	19,678	19,678	-	-	15,837	15,837	-	-
Contracted Instructional/Student Services	36,998	36,998	-	-	22,414	22,414	-	-
Student Travel/Field Trips	13,294	13,294	-	-	10,969	10,969	-	-
Student Stipends	200,420	200,420	-	-	206,451	206,451	-	-
Student Recruiting	3,890	3,890	-	-	3,667	3,667	-	-
Other Student Costs	19,359	19,359	-	-	14,342	14,342	-	-
Total Direct Student Costs	<u>\$ 328,645</u>	<u>\$ 328,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,407</u>	<u>\$ 292,407</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 293,081	\$ 277,167	\$ 15,914	\$ -	\$ 375,150	\$ 354,435	\$ 19,466	\$ 1,249
Storage	3,211	3,037	174	-	2,494	2,356	130	8
Utilities	32,629	30,857	1,772	-	8,173	7,722	424	27
Depreciation - Leasehold Improvement	694	656	38	-	782	739	40	3
Maintenance and Repairs	2,022	1,912	110	-	5,158	4,874	267	17
Janitorial Supplies	1,587	1,501	86	-	-	-	-	-
Contracted Building Services	47,680	45,091	2,589	-	46,949	44,356	2,437	156
Total Occupancy Costs	<u>\$ 380,904</u>	<u>\$ 360,221</u>	<u>\$ 20,683</u>	<u>\$ -</u>	<u>\$ 438,706</u>	<u>\$ 414,482</u>	<u>\$ 22,764</u>	<u>\$ 1,460</u>

(See Accompanying Notes and Auditor's Report)

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019				June 30, 2018			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 10,875	\$ 10,284	\$ 591	\$ -	\$ 18,442	\$ 17,424	\$ 957	\$ 61
Equipment Rental and Maintenance	11,548	10,921	627	-	12,094	11,427	628	39
Telecommunications	12,876	12,177	699	-	13,229	12,498	686	45
Printing and Copying	43	41	2	-	1,764	1,667	91	6
Postage and Shipping	745	705	40	-	592	559	31	2
Computer Support	20,786	19,657	1,129	-	22,798	21,539	1,183	76
Memberships and Subscriptions	8,575	8,109	466	-	11,691	11,046	606	39
Total Office Expenses	<u>\$ 65,448</u>	<u>\$ 61,894</u>	<u>\$ 3,554</u>	<u>\$ -</u>	<u>\$ 80,610</u>	<u>\$ 76,160</u>	<u>\$ 4,182</u>	<u>\$ 268</u>
<u>General Expenses:</u>								
Insurance	\$ 11,548	\$ -	\$ 11,548	\$ -	\$ 10,252	\$ 9,718	\$ 534	\$ -
Legal Fees	65,092	-	65,092	-	5,759	-	5,759	-
Accounting Services	78,888	-	78,888	-	78,309	4,130	74,179	-
Consulting	458,356	412,410	45,946	-	506,510	456,410	50,100	-
Authorizer Fee	31,468	26,748	4,720	-	28,770	27,272	1,498	-
Depreciation	11,056	10,455	601	-	11,139	10,524	578	37
Moving Expenses	-	-	-	-	10,447	-	10,447	-
Fees and Licenses	1,657	-	1,657	-	821	-	821	-
Income Taxes	324	-	324	-	452	-	452	-
Bad Debt Expense	-	-	-	-	184	-	184	-
Total General Expenses	<u>\$ 658,389</u>	<u>\$ 449,613</u>	<u>\$ 208,776</u>	<u>\$ -</u>	<u>\$ 652,643</u>	<u>\$ 508,054</u>	<u>\$ 144,552</u>	<u>\$ 37</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,081,098</u>	<u>\$ 2,744,844</u>	<u>\$ 336,254</u>	<u>\$ -</u>	<u>\$ 2,917,927</u>	<u>\$ 2,663,004</u>	<u>\$ 248,362</u>	<u>\$ 6,561</u>

(See Accompanying Notes and Auditor's Report)

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 495,034	\$ 99,370
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	11,750	11,921
Loss on Disposal of Fixed Assets	-	1,496
Accounts Receivable - (Increase)/Decrease	(5,447)	1,254
Grants Receivable - (Increase)/Decrease	211,958	(222,791)
Prepaid Expenses - (Increase)/Decrease	(4,877)	(1,185)
Deposits - (Increase)/Decrease	-	(15,524)
Accounts Payable - Increase/(Decrease)	58,385	(7,124)
Income Taxes Payable - Increase/(Decrease)	(128)	452
Accrued Vacation - Increase/(Decrease)	17,698	(4,738)
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	(686)	1,949
Refundable Advances - Increase/(Decrease)	(1,760)	(3,578)
Deferred Rent - Increase/(Decrease)	<u>(3,609)</u>	<u>4,098</u>
Net Cash Flows from Operating Activities	<u>\$ 778,318</u>	<u>\$ (134,400)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	<u>\$ (20,442)</u>	<u>\$ (8,386)</u>
Net Cash Flows from Investing Activities	<u>\$ (20,442)</u>	<u>\$ (8,386)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 757,876	\$ (142,786)
Cash and Cash Equivalents at Beginning of Year	<u>369,241</u>	<u>512,027</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,127,117</u>	<u>\$ 369,241</u>

Supplemental Disclosures:

- a) Income taxes of \$452 were paid during the year ended June 30, 2019.
- b) No interest was paid during the years ended June 30, 2019 and 2018.

(See Accompanying Notes and Auditor's Report)

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

YouthBuild DC Public Charter School (YouthBuild PCS), a District of Columbia non-profit organization, was incorporated on October 7, 2004, exclusively for educational purposes. YouthBuild PCS operates as part of the District of Columbia's public school system, focusing exclusively on disconnected youth – young men and women between the ages of 16-24 who are neither employed nor enrolled in an academic institution. YouthBuild PCS seeks to transform the lives of disconnected youth by offering a program, in English and Spanish, that combines rigorous academic instruction with vocational training, life and employability skills-building, and community service.

One of few alternative schools in the District, YouthBuild PCS' program is designed to provide students with opportunities to succeed, including access to post-secondary education and employment. Students participate in a comprehensive academic program in a non-traditional learning environment while contributing to their community through development of housing for low-income residents of the District of Columbia. Small by design, YouthBuild PCS' nurturing learning community utilizes innovative, evidence-based strategies with demonstrated effectiveness in increasing numeracy and literacy rates among its target demographic.

Per pupil funding from the District of Columbia Government serves as YouthBuild PCS' primary source of support.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(b) Basis of Accounting and Presentation:

The accompanying 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.

(b) Revenue Recognition:

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 allowance, as well as funding for English as a second language. The Charter School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Conditional promises, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

(c) 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. Exemption from District of Columbia income taxes was granted to the Charter School effective November 19, 2004. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). 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 \$202 of income tax expense related to the filing of the 990-T tax return. In addition, \$324 and \$250 of income tax expense due to the District of Columbia has been reflected in the financial statements related to income tax on transportation benefits for the years ended June 30, 2019 and 2018, respectively.

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

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Government Grants:

The Charter School receives grants from federal and state governmental agencies for various purposes in the form of exchange transactions. Grant revenues are recognized based on allowable costs incurred. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue.

(e) Net Assets:

The Charter School reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor.

Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Kendall, Prebola and Jones

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Charter School's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Charter School must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions were available at year end for the following program:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Scholarship Fund - Hines	\$ <u>1,141</u>	\$ <u>2,141</u>
Total Net Assets Available	\$ <u>1,141</u>	\$ <u>2,141</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, the passage of time, or by occurrence of events specified by donors for the following programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Scholarship Fund - Hines	\$ 1,000	\$ 1,000
General Operations - Time Restricted	<u>-</u>	<u>10,000</u>
Total Net Assets Released from Restrictions	\$ <u>1,000</u>	\$ <u>11,000</u>

(f) 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. In-kind contributions for professional services are recorded in the statement of activities at estimated fair value and recognized as revenue and expense in the period they are received.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Legal Services	\$ <u>63,817</u>	\$ <u>5,374</u>
Total	\$ <u>63,817</u>	\$ <u>5,374</u>

The time contributed by the members of the YouthBuild DC Public Charter School's Board of Directors is uncompensated and is not reflected as donated services.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs:

YouthBuild PCS is comprised of four core program areas: academic instruction, workforce development, transition services, and support services. Collectively, these core programs allow YouthBuild PCS to provide comprehensive instruction, intervention and support to students and successfully prepare them for the workforce and/or postsecondary education.

The Academic Instruction Program equips students with the knowledge and skills needed to obtain a high school equivalency credential. Students are instructed in five major content areas, including reading, writing, math, science, and social studies.

The Workforce Training Program is comprised of vocational education classes and on-site training. Together, the two components provide students with the opportunity to develop employability skills and earn industry-recognized certifications.

The Transition Services Program works to ensure that students are successfully prepared to enter a career that will provide a living wage. Students participate in career development opportunities including job fairs, job shadowing, internships and college tours.

The Support Services Program has a singular focus to assist students with overcoming obstacles that impede their ability to be successful in school and, ultimately, in life. Specific services provided include substance abuse counseling, individual/group counseling, and assistance with obtaining housing, daycare, and medical insurance.

Respect, Community, Responsibility, Dignity

YouthBuild PCS helps young people with challenging life circumstances to develop respect for themselves and others, find a sense of belonging and responsibility, and lead productive lives with dignity. The experience at YouthBuild PCS reflects real life and promotes a sense of personal responsibility through a consistently enforced code of conduct that fosters individual accountability and positive group norms. YouthBuild PCS students also receive a stipend to help meet family commitments, defray transportation costs, and to incentivize completion of the program.

A Win-Win Solution

Statistics show that students who drop out of high school are more likely to live in poverty and suffer from unemployment, poor health, substance abuse, and violence. Such students need and deserve a second chance to establish stable, productive adult lives. While YouthBuild PCS encourages students to pursue higher educational goals, the School recognizes that some may choose to enter the workforce upon graduation. YouthBuild PCS ensures that students have the skills and credentials to do so.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Locally Grounded Part of a Nation-Wide Movement

The YouthBuild model has proven to be an effective change agent in the lives of disconnected youth. YouthBuild PCS is part of a 260+-member national network using an effective, tested model developed in 1978. Through YouthBuild, more than 130,000 youth nationwide have transformed their lives through education, rebuilt their communities, and created more than 28,000 units of affordable housing since 1994.

(h) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Charter School's mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

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

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. The Charter School has established a method to specifically identify and record those costs that are considered to be direct student expenses. Such program expenses consist of contracted student instruction, student stipends, student events, supplies, and textbooks.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on estimated amounts of time spent on particular activities.
- Costs of professional fees, legal and accounting, insurance, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Certain staff expenses including staff development, staff recruiting, and staff events are generally allocated between administrative and program functions based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Shared costs (office supplies, telephone, copier rental, postage and office equipment) are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

(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.

(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 and grants receivable, prepaid expenses, accounts payable, and accrued expenses.

(l) Reclassifications:

Certain accounts in the 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.

(m) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(m) Change in Accounting Principles: (Continued)

- The format of the statements of activities has been changed to present columns for both activities with donor restrictions and activities without donor restrictions as management believes this better reports changes in the Charter School's changes in financial position arising from its activities.
- The schedule of functional expenses is included as a component of the financial statements.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes had no effect on net assets at July 1, 2018.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Charter School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>June 30, 2019</u>
Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 1,127,117
Accounts Receivable	5,952
Grants Receivable	<u>138,510</u>
Total Financial Assets	<u>\$ 1,271,579</u>
Less Amounts Not Available for General Expenditure Within One Year:	<u>\$ -</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,271,579</u>

As part of the Charter School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

3. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The YouthBuild DC Public Charter School performed an evaluation of uncertain tax positions 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. As of June 30, 2019, the statute of limitations for tax years 2015 through 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2019, the Charter School had no accruals for interest and/or penalties.

4. CASH AND CASH EQUIVALENTS:

The carrying amount of cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Interest Bearing Checking Accounts	\$ <u>1,127,117</u>	\$ <u>369,241</u>
Total	\$ <u>1,127,117</u>	\$ <u>369,241</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

The Charter School maintains its operating funds in one financial institution. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per banking institution, as well as account category. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total insured up to \$250,000.

As of June 30, 2019 and 2018, \$901,163 and \$136,490, respectively, of the bank balance 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 was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to this account and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS AND GRANTS RECEIVABLE:

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 5,952	\$ -
Reimbursable Expenses	<u>-</u>	<u>505</u>
Total	<u>\$ 5,952</u>	<u>\$ 505</u>
<u>Grants Receivable</u>		
AmeriCorps	\$ 134,782	\$ 63,751
McKinney Homeless Assistance Act	2,728	2,034
Adult Education and Family Literacy	1,000	249,899
U.S. Department of Labor - YouthBuild Program	-	18,534
SOAR - Increasing Academic Quality	<u>-</u>	<u>16,250</u>
Total	<u>\$ 138,510</u>	<u>\$ 350,468</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 for the amounts owed to it throughout the year and 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, 2019 and 2018.

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.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

6. 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 any 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, 2019 and 2018 was \$11,750 and \$11,921, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2019

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	3 Years	\$ 2,499	\$ 694	\$ 1,805
Computer Equipment	3 Years	87,141	72,732	14,409
Office Equipment	5 Years	129,377	124,751	4,626
Website	3 Years	<u>4,750</u>	<u>3,364</u>	<u>1,386</u>
Total		<u>\$ 223,767</u>	<u>\$ 201,541</u>	<u>\$ 22,226</u>

June 30, 2018

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computer Equipment	3 Years	\$ 74,179	\$ 65,532	\$ 8,647
Office Equipment	5 Years	124,396	122,478	1,918
Website	3 Years	<u>4,750</u>	<u>1,781</u>	<u>2,969</u>
Total		<u>\$ 203,325</u>	<u>\$ 189,791</u>	<u>\$ 13,534</u>

The federal or state government retains a reversionary interest in equipment funded by federal or state monies, respectively, for individual items greater than \$5,000. Sale, trade-in or other disposition of such equipment generally requires notification of the appropriate federal or state authorities.

7. DEFERRED RENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position. As more fully discussed in Note 12, the Charter School entered into a lease agreement for the rental of a school building located in Washington, DC, for two years, commencing on July 21, 2017, and expiring on July 20, 2019. Accordingly, future rent payments have been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of unamortized deferred rent at June 30, 2019, was \$489.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

8. DEFERRED REVENUE:

The Charter School records cash receipts on grants in excess of costs incurred on grants as deferred revenue until they are expended for the purposes of the grant, at which time they are recognized as unrestricted support. The balance of deferred revenue as of June 30, 2018, was \$1,760.

9. 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 May 24, 2005, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about January 1, 2020. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the YouthBuild DC Public 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 YouthBuild DC Public Charter School's charter every five years, with the first such review having occurred in the spring of 2015. 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 18/19 and 17/18 school years) 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, 2019 and 2018, the Charter School incurred \$31,468 and \$28,770, respectively, in administrative fees.

The charter contract provides that the YouthBuild DC Public 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 years ended June 30, 2019 and 2018, was not permitted to be greater than 122 and 115 students, respectively. Audit enrollment for the 2018/2019 year was 122 students and enrollment for the 2017/2018 year was 115 students.

10. 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 allowances. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2019, the per-student rate was \$15,348 for the educational allotment and \$3,263 for the facility allowance. For the year ended June 30, 2018, the per-student rate was \$14,770 for the educational allotment and \$3,193 for the facility allowance. Additional allotments were made for Special Education Services and English as a Second Language.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

10. PER-PUPIL FUNDING ALLOCATION: (Continued)

Per-pupil funding for the years ended June 30, 2019 and 2018 were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Grade Level - Alternative	\$ 1,872,397	\$ 1,698,559
Special Education	496,963	272,672
English as a Second Language	73,114	85,441
Facilities Allowance	398,086	367,164
Teachers Collective Bargaining	<u>-</u>	<u>40,396</u>
Total	<u>\$ 2,840,560</u>	<u>\$ 2,464,232</u>

11. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2019 and 2018, the Charter School participated in the following federal award programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Adult Education and Family Literacy	\$ 307,722	\$ 305,750
SOAR - Increasing Academic Quality	100,431	117,161
AmeriCorps	71,944	69,901
Individuals with Disabilities Education Act	17,227	13,212
McKinney Homeless Assistance Act	14,804	2,034
Department of Labor - YouthBuild Program	<u>-</u>	<u>89,682</u>
Total	<u>\$ 512,128</u>	<u>\$ 597,740</u>

YouthBuild is a youth and community development program that simultaneously addresses several core issues facing low-income communities: housing, education, employment, crime prevention, and leadership development.

The YouthBuild model balances in-school learning, geared toward a high school diploma or passing the General Education Development (GED) test, and construction skills training, geared toward a career placement for the youth. The in-school component is an alternative education program that assists youth who are often significantly behind in basic skills to obtain a high school diploma or GED credential. The primary target populations for YouthBuild are high school dropouts that may also be adjudicated youth, youth aging out of foster care, and other at-risk youth populations. The YouthBuild model enables these youth to access the education they need to move on to post-secondary and high-growth, high demand jobs which will enable them to prosper in the 21st century economy. The funding for this grant is authorized by Subtitle D of Title I of the Workforce Investment Act (WIA).

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

12. COMMITMENTS:

Building Lease - 3014 14th Street, NW

The YouthBuild DC Public Charter School originally entered into a sublease agreement with the Latin American Youth Center effective for a one-year period commencing on July 1, 2006, and ending on June 30, 2007, for the rental of a building located at 3014 14th Street, NW, Washington, DC. This lease was renewed on July 1, 2007, for an additional two-year period through June 30, 2009.

During July 2008, the YouthBuild DC Public Charter School executed an amendment to the lease agreement which was to expire on June 30, 2009, by extending the lease term until June 30, 2023. The lease amendment increased the rented square footage from 6,962 square feet to 12,006 square feet and increased the monthly rental payment to \$22,000 per month effective July 1, 2008, with yearly increases of 3%. On April 8, 2016, the Latin American Youth Center provided a rent reduction of \$6,000 per month for the period of July 1, 2016, through June 30, 2017. As of June 30, 2017, the Charter School was paying a reduced monthly lease payment of \$20,269, however this lease payment was scheduled to escalate to a monthly payment of \$27,869 effective July 1, 2017.

The Charter School was obligated to pay a proportion of the annual increase in operating cost of the leased property in the event the landlord bills for such costs. Rental expense for the year ended June 30, 2018, was \$74,383. During the month of July 2017, the Charter School terminated their lease agreement for the rental of a building located at 3014 14th Street, NW, Washington, DC. This lease was originally scheduled to expire on June 30, 2023. The Charter School paid the Latin American Youth Center \$196,473 as a result of the early lease termination during the year ended June 30, 2018.

Building Lease - 3220 16th Street, NW

The YouthBuild DC Public Charter School entered into a lease agreement with the Holy Spirit Association for the Unification of World Christianity for the rental of 11,000 square feet of a building located at 3220 16th Street, NW, Washington, DC. This lease commenced on July 21, 2017, for a two-year term ended July 20, 2019. This lease requires monthly lease payments of \$24,063 in year one and increases to \$24,784 in year two. The Charter School is obligated to pay a proportion of the annual increase in operating cost of the leased property. Rental expense related to this lease for the years ended June 30, 2019 and 2018 was \$293,081 and \$300,767, respectively. Future minimum rental lease payment requirements for the next year net of deferred rent are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Rent Abatement</u>	<u>Net Obligation</u>
2020	\$ <u>16,246</u>	\$ <u>489</u>	\$ <u>15,757</u>
Total	\$ <u>16,246</u>	\$ <u>489</u>	\$ <u>15,757</u>

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

12. COMMITMENTS: (Continued)

Building Lease - 3220 16th Street, NW (Continued)

The Charter School entered into a lease agreement with the Holy Spirit Association for the Unification of World Christianity for the rental of 11,000 square feet of a building located at 3220 16th Street, NW, Washington, DC. This lease commenced on July 21, 2019, for a three-year term ended July 20, 2022. Required monthly lease payments of \$25,575 will begin in July 2019 and will increase annually by three percent (3%). This lease has an option to extend the lease term for one additional period of three years. The Charter School is obligated to pay a proportion of the annual increase in operating cost of the leased property.

Future minimum rental lease payment requirements for the next four years net of deferred rent are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Rent Abatement</u>	<u>Net Obligation</u>
2020	\$ 299,199	\$ (8,799)	\$ 290,400
2021	316,199	(587)	315,612
2022	316,199	8,881	325,080
2023	<u>17,000</u>	<u>505</u>	<u>17,505</u>
Total	<u>\$ 948,597</u>	<u>\$ -</u>	<u>\$ 948,597</u>

Copier Leases

The Charter School entered into an operating lease with Wells Fargo Financial Leasing, Inc., on September 8, 2015, for the rental of a Copystar 4551CI photocopier. This lease calls for thirty-six (36) monthly payments of \$399 commencing on September 10, 2015. Rental expense for the years ending June 30, 2019 and 2018 was \$1,886 and \$5,363, respectively.

The Charter School entered into an operating lease with Wells Fargo Financial Leasing, Inc., in October 2018 for the rental of a Copystar 4012I photocopier and a Copystar 5052ci photocopier. This lease calls for thirty-six (36) monthly payments of \$532 commencing on October 25, 2018. Rental expense for the year ending June 30, 2019, was \$4,092. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 6,384
2021	6,384
2022	<u>4,256</u>
Total	<u>\$ 17,024</u>

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

13. RELATED PARTY TRANSACTIONS:

Latin American Youth Center

The YouthBuild DC Public Charter School was formed as a not-for-profit corporation on October 7, 2004, by the Latin American Youth Center, a separate 501(c)(3) organization. Prior to its formation, the YouthBuild DC Public Charter School operated as a separate program of the Latin American Youth Center.

The Latin American Youth Center received a grant from the U.S. Department of Housing and Urban Development to assist in the operations of the YouthBuild Program. Various transactions occurred during the year between the two organizations including the following:

- a) Office space was subleased by the Charter School from the Latin American Youth Center. During the year ended June 30, 2018, the Charter School paid monthly payments in the amount of \$27,057. Rent expense to the Latin American Youth Center for the year ended June 30, 2018, was \$74,383.
- b) The Charter School terminated their lease for the rental of a building located at 3014 14th Street, NW, Washington, DC. During the year ended June 30, 2018, the Charter School paid the Latin American Youth Center \$196,473 as a result of the early lease termination.

Contributions

The National Chapter of YouthBuild USA gave various grants to the YouthBuild DC Public Charter School during the years ended June 30, 2019 and 2018.

Total grants were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
National and Community Service - Passed Through AmeriCorps	\$ 71,944	\$ 69,901
Total	<u>\$ 71,944</u>	<u>\$ 69,901</u>

14. CONCENTRATIONS:

Revenues

Based on the nature and purpose of the YouthBuild DC Public Charter School, significant revenues are received through parties interested in helping out-of-school youth. The Charter School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2019 and 2018, eighty-one percent (81%) and seventy-seven percent (77%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

15. CONTINGENCIES:

Revenues

The YouthBuild DC Public Charter School was granted its charter by the District of Columbia Public Charter School Board and the District of Columbia Board of Education, 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 this charter authorization or withholding funds) could adversely affect 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 directors and management believe 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. 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 on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

Litigation

From time to time, the Charter School is involved in routine litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the Charter School is a party for which management believes the ultimate outcome would have a material adverse effect on the Charter School's financial position.

16. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 2, 2019, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

17. FUNDRAISING:

During the years ended June 30, 2019 and 2018, expenses incurred for the purpose of fundraising were \$-0- and \$6,561, respectively.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

18. ADVERTISING:

Advertising was conducted for the purpose of promoting open enrollment and student recruiting to the Charter School and to provide outreach to the community. In addition, advertising costs were incurred for the purpose of teacher recruiting. Advertising costs and recruiting costs are expensed when incurred. Direct advertising expenses were \$3,890 and \$3,667 for the years ended June 30, 2019 and 2018, respectively.

19. RETIREMENT PLAN:

401(k) Plan

The YouthBuild DC Public Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan which is currently administered by John Hancock. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code.

Through the calendar year ended December 31, 2015, the Charter School was required to make employer non-elective safe harbor contributions of 3% of annual employee compensation for employees with one or more years of employment. Authorized entry dates into the plan were the next calendar month following the date that the eligibility requirements are met.

Effective January 1, 2016, the Charter School elected to discontinue the employer non-elective safe harbor contribution and adopt a discretionary matching allocation formula for all employees that meet one full month of service. Whether a match is to be made and the percentage limitation for such match is determined on an annual calendar year basis.

Participants are 100% vested in their contributions and the 3% employer safe harbor contribution. There is no unfunded past service liability. The Charter School's contributions for the years ended June 30, 2019 and 2018 were \$14,478 and \$15,656, respectively.

20. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Social Security/Medicare	\$ 97,758	\$ 89,426
Health Insurance	112,484	100,226
Life and Disability Insurance	6,767	6,481
Retirement	14,478	15,656
Unemployment	15,573	17,792
Workers Compensation	18,237	17,976
Paid Leave Tax	<u>2,127</u>	<u>-</u>
Total	<u>\$ 267,424</u>	<u>\$ 247,557</u>

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

20. EMPLOYEE BENEFITS: (Continued)

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 and dental insurance premiums, and dependent care expenses.

Educational Assistance Program

The Charter School adopted a Section 127 Employee's Educational Assistance Program. Under this plan, payments up to an amount of \$5,250 paid on behalf of an employee for tuition, fees, books and supplies are considered to be a tax free benefit. The Charter School offers tuition reimbursement up to \$3,000 for eligible education expenses for employees after their first year of service.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
YouthBuild DC Public Charter School, Inc.
3220 16th Street, NW
Washington, DC 20010

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 financial statements of the YouthBuild DC Public Charter School, Inc., (a nonprofit organization), 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 December 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the YouthBuild DC Public Charter School, Inc.'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 the YouthBuild DC Public Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the YouthBuild DC Public Charter School, Inc.'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 YouthBuild DC Public Charter School, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 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
December 2, 2019

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no findings reported in the prior year.

YOUTHBUILD DC PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the YouthBuild DC Public Charter School, Inc., were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the YouthBuild DC Public Charter School, Inc., 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.

YOUTH BUILD DC PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000
UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2019

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
DC Health Link	Health Insurance	88,230.25	no
DC Public Charter School Board	Authorizer Fee	30,340.69	no
EdOps - FY 19	Accounting Services	49,796.00	no
Holy Spirit Association for Unification of World Christianity	Rent	322,400.88	no
Service Industries	Janitorial Services	44,510.76	no
TenSquare, LLC	School Improvement Consultant	450,000.00	no
EdOps - FY 20	Finance and Accounting Services	51,900.00	no