

EXCEL ACADEMY PUBLIC CHARTER SCHOOL

WASHINGTON, D.C.

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
Excel Academy Public Charter School
2501 Martin Luther King, Jr., Avenue, SE
Washington, DC 20020

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Excel Academy Public Charter School, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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 Excel Academy Public Charter School, as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. In addition, the accompanying Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Excel Academy Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Excel Academy Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 6, 2015

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 3,403,557	\$ 1,885,974
Accounts and Grants Receivable	279,349	394,791
Promises Receivable	16,178	6,909
Prepaid Expenses	<u>11,783</u>	<u>24,345</u>
Total Current Assets	<u>\$ 3,710,867</u>	<u>\$ 2,312,019</u>
<u>Fixed Assets:</u>		
Furniture, Equipment and Website	\$ 1,193,528	\$ 1,202,007
Leasehold Improvements	353,342	146,213
Less: Accumulated Depreciation and Amortization	<u>(748,826)</u>	<u>(625,747)</u>
Total Fixed Assets	<u>\$ 798,044</u>	<u>\$ 722,473</u>
<u>Other Assets:</u>		
Deposits	\$ 179,444	\$ 115,315
Financing Costs	<u>-</u>	<u>47,581</u>
Total Other Assets	<u>\$ 179,444</u>	<u>\$ 162,896</u>
TOTAL ASSETS	<u>\$ 4,688,355</u>	<u>\$ 3,197,388</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 397,595	\$ 343,349
Payroll Taxes and Related Liabilities	48,718	51,291
Accrued Salaries	547,677	526,655
Accrued Vacation	20,267	30,023
Refundable Advances	-	25,750
Deferred Activity Fees	<u>5,665</u>	<u>-</u>
Total Current Liabilities	<u>\$ 1,019,922</u>	<u>\$ 977,068</u>
Total Liabilities	<u>\$ 1,019,922</u>	<u>\$ 977,068</u>
<u>Net Assets:</u>		
Unrestricted	\$ 3,657,243	\$ 2,214,363
Temporarily Restricted	<u>11,190</u>	<u>5,957</u>
Total Net Assets	<u>\$ 3,668,433</u>	<u>\$ 2,220,320</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,688,355</u>	<u>\$ 3,197,388</u>

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>			<u>June 30, 2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 11,974,763	\$ -	\$ 11,974,763	\$ 9,269,558	\$ -	\$ 9,269,558
Federal Entitlements and Grants	1,373,147	-	1,373,147	1,233,157	-	1,233,157
State Government Grants	89,094	-	89,094	23,093	-	23,093
Philanthropy Grants and Contributions	7,909	56,955	64,864	3,294	8,280	11,574
Donated Federal Commodities	26,717	-	26,717	16,738	-	16,738
Donated Services	650	-	650	-	-	-
Student Program Fees and Other	80,662	-	80,662	63,678	-	63,678
Interest Income	3,556	-	3,556	3,700	-	3,700
Gain on Disposal of Assets	25,754	-	25,754	2,164	-	2,164
<u>Special Event (Gala):</u>						
Sponsorships	\$ -	\$ -	\$ -	\$ 64,500	\$ -	\$ 64,500
Contributions Received	-	-	-	36,647	-	36,647
Gifts-in-Kind	-	-	-	17,946	-	17,946
Entry Fee - Ticket Sales	-	-	-	9,800	-	9,800
Less: Cost of Direct Benefits to Donors	-	-	-	(18,253)	-	(18,253)
Net Revenue from Special Event	\$ -	\$ -	\$ -	\$ 110,640	\$ -	\$ 110,640
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	51,722	(51,722)	-	110,516	(110,516)	-
Total Revenues and Other Support	\$ 13,633,974	\$ 5,233	\$ 13,639,207	\$ 10,836,538	\$ (102,236)	\$ 10,734,302
<u>Expenses and Losses:</u>						
Educational Services	\$ 10,332,371	\$ -	\$ 10,332,371	\$ 9,294,268	\$ -	\$ 9,294,268
General and Administrative	1,497,805	-	1,497,805	1,052,833	-	1,052,833
Fundraising	228,103	-	228,103	269,949	-	269,949
Total Expenses	\$ 12,058,279	\$ -	\$ 12,058,279	\$ 10,617,050	\$ -	\$ 10,617,050
Abandonment of Purchase of Leasehold Interest	132,815	-	132,815	-	-	-
Total Expenses and Losses	\$ 12,191,094	\$ -	\$ 12,191,094	\$ 10,617,050	\$ -	\$ 10,617,050
Changes in Net Assets	\$ 1,442,880	\$ 5,233	\$ 1,448,113	\$ 219,488	\$ (102,236)	\$ 117,252
Net Assets, Beginning of Year	2,214,363	5,957	2,220,320	1,994,875	108,193	2,103,068
Net Assets, End of Year	\$ 3,657,243	\$ 11,190	\$ 3,668,433	\$ 2,214,363	\$ 5,957	\$ 2,220,320

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 1,448,113	\$ 117,252
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	278,958	243,915
(Gain)/Loss on Disposal of Assets	(25,754)	(2,164)
Abandonment of Purchase of Leasehold Interest	132,815	-
Accounts and Grants Receivable - (Increase)/Decrease	115,442	(68,668)
Promises Receivable - (Increase)/Decrease	(9,269)	(6,909)
Prepaid Expenses - (Increase)/Decrease	12,562	3,106
Deposits - (Increase)/Decrease	(64,129)	(38,515)
Accounts Payable - Increase/(Decrease)	54,246	182,355
Payroll Taxes and Related Liabilities - Increase/(Decrease)	(2,573)	15,024
Accrued Salaries - Increase/(Decrease)	21,022	131,870
Accrued Vacation - Increase/(Decrease)	(9,756)	4,148
Refundable Advances - Increase/(Decrease)	(25,750)	25,750
Deferred Activity Fees - Increase/(Decrease)	<u>5,665</u>	<u>-</u>
Net Cash Flows from Operating Activities	<u>\$ 1,931,592</u>	<u>\$ 607,164</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (383,122)	\$ (560,033)
Proceeds from Theft of Assets	54,347	39,366
Payments Made for Leasehold Interest	<u>(85,234)</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (414,009)</u>	<u>\$ (520,667)</u>
<u>Cash Flows from Financing Activities:</u>		
Payment for Loan Financing Costs	\$ -	\$ (47,581)
Net Cash Flows from Financing Activities	<u>\$ -</u>	<u>\$ (47,581)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 1,517,583	\$ 38,916
Cash and Cash Equivalents at Beginning of Year	<u>1,885,974</u>	<u>1,847,058</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,403,557</u>	<u>\$ 1,885,974</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2015 and 2014.
- b) No interest was paid during the years ended June 30, 2015 and 2014.

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

The Excel Academy Public Charter School (The Charter School), a District of Columbia Not-for-Profit Corporation was incorporated on February 28, 2006, exclusively for educational purposes. The Public Charter School operates as part of the District of Columbia Public School system with its purpose of providing an outstanding academic education to pre-school to eighth grade girls in the District of Columbia. In an effort to impact the inter-generational patterns of poverty, Excel Academy has been organized to provide an excellent academic and complementary social and enrichment program to prepare scholars to succeed and effectively compete in highly competitive high schools, colleges, and universities.

The School's primary sources of support are local appropriations for Charter Schools from the District of Columbia Government and foundation grants. The School also receives federal entitlement funding through the Office of the State Superintendent of Education.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(a) 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:

Contributions

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-605-25 (formerly SFAS No. 116), *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met.

Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history and type of contribution.

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

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Federal and Charter School Funding

The Excel Academy Public 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, at-risk students, and a facilities allotment. The Excel Academy Public Charter School recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue.

Federal entitlements are recognized based on the allowable costs incurred.

Before and After Care Fees

The Excel Academy Public Charter School offers fee-based extended day programming for students in grades pre-school through fifth grade. The hours of operation are structured to coincide with the typical workday of parents of the students. Both the before and after care programs offer food services. Tuition is collected based on a monthly fee. The amount of tuition ranges from full tuition to reduced tuition based on the National School Lunch Program guidelines.

Auctions - Gifts-in-Kind

The Excel Academy Public Charter School held an auction during the year ended June 30, 2014, of donated non-cash assets referred to as gifts-in-kind. The gifts-in-kind are recognized at fair value at the time of donation. The difference between the amount received for these items from the winning bidder and the fair value of the gifts-in-kind when originally contributed to the Excel Academy Public Charter School, is adjusted either upwards or downwards to contribution revenue.

(c) Corporate Taxes:

The Excel Academy Public Charter School is exempt from federal and state income taxes (other than 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 December 31, 2007. Accordingly, no income taxes have been provided for in the accompanying financial statements. The organization has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The Charter School did not have any net unrelated business income for the year ended June 30, 2015.

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

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia Government. These grants are subject to financial and compliance audits by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

(e) Net Assets:

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05 (formerly SFAS No. 117), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the Charter School is required to report information regarding its financial position and activities according to three classes of net assets.

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

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

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets were available at year end for the following purposes:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Parent Engagement Strategy	\$ 4,451	\$ 4,451
Excel Family Literacy	2,000	-
School "Store" Materials	1,800	-
Development of Middle School Program	1,506	1,506
Community Service	1,000	-
School Garden Project	<u>433</u>	<u>-</u>
Total	<u>\$ 11,190</u>	<u>\$ 5,957</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets - (Continued)

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Development of Middle School Program	\$ -	\$ 93,773
Parent Engagement Strategy	42,134	14,629
School Garden Project	66	2,000
Physical Activity and Health Program	-	114
Into the Woods Reception	2,000	-
School "Store" Materials	1,500	-
Cheerleader Trophies	150	-
Music Program	4,034	-
Excel Family Literacy	1,000	-
Software Training	338	-
Graduation Materials	<u>500</u>	<u>-</u>
Total	<u>\$ 51,722</u>	<u>\$ 110,516</u>

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2015 and 2014.

(f) Donated Services and Materials:

Donated services and material are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Trustees is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the Statement of Activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There were donated videographer services in the amount of \$650 recorded in the financial statements for the year ended June 30, 2015.

(g) Basic Programs:

The Board of Trustees, Chief Executive Officer, faculty, and staff at Excel Academy Public Charter School are committed to providing a strong single-sex public education alternative for girls living and learning in Washington, DC. Excel Academy firmly believes that all students can achieve great academic success. We are determined to provide girls in Washington, DC, with the highest quality single-sex education possible.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Excel Academy offers a unique single-sex educational model for female students in the District. Based on an early educational intervention model that offers preschool for three-year-olds to promote school readiness, Excel implements a curriculum proven to build student achievement in reading, writing, math, and to teach ethics, personal responsibility, and healthy choices.

We use early and frequent assessments to gauge students' progress and identify academic needs for classrooms and individual students, and respond to the data such assessments provide with immediacy. We hire highly skilled teachers, participate in ongoing professional development, and create and maintain a community of respect and collaboration with our staff and parents. We embrace students' parents and guardians as essential partners in their student's education, and we reach out to families and the wider community to support Excel Academy's girls.

Founded by Kaye Savage, Excel Academy was authorized and approved by the DC Public Charter School Board in 2007. In August 2008, the school opened in a church basement with 134 preschool, pre-kindergarten and kindergarten girls. In 2009, the school took partial occupancy of the Birney School on Martin Luther King, Jr. Avenue SE, in the heart of the Barry Farm Neighborhood in Anacostia. From 2008-2014, the school grew to serve over 700 preschool through grade 6 scholars. In August 2013, preparing for growth through grade 8, the School expanded to occupy the entire 90,000 square foot building.

Excel Academy continues to grow in student enrollment and staff size every year. In order to ensure that teachers, scholars, and families receive a consistent level of support, Excel Academy houses two distinct campuses at our single location: DREAM for pre-school through third grade, and LEAD for fourth through eighth grade. Each campus is run by its own principal and has slightly different school hours and uniforms. This allows for age specific communities to develop within the wider school. The school's size fosters a close-knit community atmosphere with increased involvement for both parents and staff in the school's activities.

Excel Academy provides scholars with a strong standards-based academic program, gender specific teaching and instruction, and leadership and extracurricular opportunities. Two teaching faculty members are assigned to each preschool, pre-kindergarten, kindergarten, and first grade homeroom. This structure provides a low student to teacher ratio and allows teachers to deliver instruction appropriately suited to individual student needs.

Students advance based on mastery of the curriculum and progress is measured continuously using standardized assessments, rubrics and curriculum checklists. Developing and applying early literacy and numeracy skills in a highly structured setting is a critical component of our academic program in order to ensure strong foundational skills in the core subjects: reading, language, writing, mathematics, science and social studies.

We believe that the sooner girls are enrolled in Excel Academy, the greater the impact on their academic achievement and personal development. Excel Academy begins with the earliest learners, pre-school, pre-kindergarten and kindergarten, to allow for the movement of students who may be ready for more advanced academic work or for those who may need to be grouped with younger students based on academic and/or social-emotional needs.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Much of the student success in the early years of school at Excel Academy is connected to intensive and comprehensive reading and writing teaching and instruction. At Excel Academy, every girl receives between 2 ½ and 3 hours of reading and writing per day. Students receive direct instruction in phonics, decoding, vocabulary, handwriting, writing, and comprehension. Through a variety of learning techniques, small group instruction, center work, read aloud and writer's workshop, students are equipped with the necessary tools to read. Excel Academy is committed to ensuring that every child is ready to read by kindergarten and is a developing reader before entering first grade. Students who do not demonstrate preparedness for reading will not be promoted to kindergarten.

Excel Academy has a very strong set of core values and procedures governing all areas of school life. We are committed to providing:

- **A Rigorous Single Gender Model** - Excel Academy's unique single-sex environment is supported by extensive research and rooted in high academic achievement and learning for every student that permits staff to focus teaching strategies directed on the learning needs and styles of girls.
- **An Early Educational Intervention Program** - Starting with students who are three years old, Excel Academy offers an instructional program that promotes school readiness in literacy, math, and social development.
- **More Time on Task** - Students at Excel Academy are in academically rigorous learning environments for longer school days and for an extended year. A relentless focus on the details allows students and teachers to spend more time on task.
- **A Standards Based Curriculum** - Our academic program is research-proven and has demonstrated significant student achievement in reading, writing, and math.
- **Early and Frequent Assessments** - Excel Academy teachers know the power of assessing student progress and using data to track student performance. We identify students' academic needs early and adjust teaching strategies accordingly. This system of assessment allows us to respond with targeted intervention and immediacy.
- **A Team of Highly Skilled Teachers** - The Excel Team receives ongoing professional development to build skills and create and maintain a community of respect and collaboration with our staff and parents.
- **A School Wide Character Development Program** - Excel Academy continues to focus on our character education program based on the core values: *Integrity, Discipline, Enjoyment, Achievement, Leadership, and Sisterhood (IDEALS)*. The IDEALS are reinforced throughout the day, beginning with the morning meeting and continuing with school-wide behavior expectations. We devote time each day to explicit teaching and modeling of our IDEALS.
- **Co-curricular Education** - Excel Academy provides a wide and inclusive pairing of co-curricular offerings that complement and support the educational, social, and emotional growth of our scholars. These offerings have included Music, Art, Physical Education, and Technology.
- **Support Services** - Excel Academy's special education program is committed to meeting the goals and objectives of every child's individual educational and social-emotional needs. A team of Special Educational Staff, Social Workers, and family engagement support are provided. Additional related services, including speech/language therapy, physical therapy, and occupational therapy, are all provided.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

- **Wellness Initiative** - Weekly Physical Education focused on activities that enhance body awareness, strength and endurance as well as balance and coordination. All scholars participate in the CATCH Nutrition program, learning to identify healthy, whole foods and creating healthy lifestyle habits.
- **Enrichment Opportunities** - Excel Academy After School Clubs and Activities are designed to extend the school day and provide scholars enrichment opportunities. Led by teachers, after school staff, and community professionals, creative programming encourages scholars to explore passions and interests outside of the classroom. Girls who participate in After School Clubs and Activities form bonds and allegiances with like-minded sister scholars in shared experiences that help develop teamwork and sisterhood.
- **Parent Engagement** - We embrace students' parents and guardians as essential partners in the education of their children and we engage families and the wider community to support Excel's scholars.

Excel cultivates rich partnerships with local organizations committed to advancing the mission of girls' education, providing learning opportunities for scholars in and outside of the classroom.

Excel is committed to looking forward by critically assessing our curriculum and teaching methods. We have strengthened aspects of the curriculum that have proven successful while remaining critical of those aspects that did not perform to the standard that Excel requires. We believe that this process has allowed us to create an exceptional program that provides the solid academic foundation that is essential for our scholars.

Following extensive reviews of educational research, we believe that a high quality, single sex school for girls facilitates academic and personal development. Given the proper support, all children can develop a love of learning and meet high academic and personal standards. Minority girls living in high poverty neighborhoods, stand to benefit from a learning environment that fosters courage, respect, integrity, scholarship and perseverance. With a solid academic foundation and essential life skills, Excel Academy's students are poised to break the chains of underachievement and free themselves and their children from poverty-limited lives. Our program is geared to significantly impact the intergenerational patterns of poverty in our students and the larger community we serve.

(h) Functional Expense Allocation Policies and Procedures:

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

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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

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

Personnel expenses for salaries, payroll taxes and employee benefit plans are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (executive, teachers, other educational staff, etc.) and then a percentage of time spent on program services, general and administrative activities, and fundraising activities is applied. All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

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

(i) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Fundraising:

During the years ended June 30, 2015 and 2014, expenses incurred for the purpose of fundraising were \$228,103 and \$269,949, respectively.

(k) 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.

(l) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(m) Advertising Costs:

Advertising was conducted for the purpose of promoting open enrollment and student recruiting to the school and to provide outreach to the community. In addition, advertising costs were incurred for the purpose of teacher recruiting. Advertising costs and recruiting are expensed when incurred. Direct advertising expenses were \$36,931 and \$69,984 for the years ended June 30, 2015 and 2014, respectively.

(n) 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.

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC No. 740-10 [formerly Interpretation No. 48 (FIN 48)], *Accounting for Uncertainty in Income Taxes*, which is an interpretation of ASC 740's (formerly SFAS No. 109), *Accounting for Income Taxes*. FASB ASC No. 740-10 clarifies the accounting for uncertainty in income taxes recognized in Excel Academy Public Charter School's financial statements in accordance with ASC 740's and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC No. 740-10 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Excel Academy Public Charter School's tax return to determine whether the tax positions have a "more-likely-than-not" probability of being sustained by the applicable tax authority.

Excel Academy Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2015, 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, 2015, the statute of limitations for tax years 2011 through 2013 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the organization 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, 2015, the Charter School had no accruals for interest and/or penalties.

3. CASH AND CASH EQUIVALENTS:

Cash at June 30, 2015 and 2014 totaled \$3,403,557 and \$1,885,974, respectively, and consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Non-Interest Bearing Checking Accounts	\$ 201,939	\$ 188,143
Money Market Accounts	3,201,618	1,691,921
Checks on Hand	<u>-</u>	<u>5,910</u>
Total	<u>\$ 3,403,557</u>	<u>\$ 1,885,974</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

3. CASH AND CASH EQUIVALENTS: (Continued)

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 Excel Academy Public Charter School maintains its operating funds in three separate financial institutions. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per 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, 2015 and 2014, \$2,961,164 and \$1,381,404 of the bank balances, respectively, were 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 Excel Academy Public 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 these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

4. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable:

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Accounts Receivable:</u>		
Per Pupil Funding	\$ 35,049	\$ 67,181
Reimbursable Expenses	<u>36,045</u>	<u>29,079</u>
Total Accounts Receivable	<u>\$ 71,094</u>	<u>\$ 96,260</u>
<u>Grants Receivable:</u>		
National Food Program Cluster	\$ 72,148	\$ 64,455
Elementary and Secondary Education Act - Title I	66,151	149,214
Elementary and Secondary Education Act - Title II	16,845	21,627
Child and Adult Care Food Programs	13,818	13,206
E-Rate Discount Programs	10,544	-
Fresh Fruits and Vegetables	10,289	4,516
DC School Choice Incentive Program	9,597	20,388
Healthy School Act	8,863	18,931
Individuals with Disabilities Education Act (IDEA 611)	-	4,511
Stabilization Fund (Race to the Top)	-	1,622
Medicaid - School Based Services	<u>-</u>	<u>61</u>
Total Grants Receivable	<u>\$ 208,255</u>	<u>\$ 298,531</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

Accounts and Grants Receivable: (Continued)

The Charter School's accounts and grants receivable consists of unsecured amounts due from public funding sources whose ability to pay are 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 uncollectible 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 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, 2015 and 2014.

Trade receivables related to program service fees (activity fees, before and after care, etc.) 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 uncollectible when payment has not been received after 180 days.

Promises Receivable:

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Parent Engagement Strategy	\$ 16,178	\$ -
Gala Sponsorship	-	5,000
Gifts in Kind	<u>-</u>	<u>1,909</u>
Total Promises Receivable	<u>\$ 16,178</u>	<u>\$ 6,909</u>

The above unconditional promises receivable are all due in less than one year.

5. FIXED ASSETS:

The furniture, equipment, computers, and the website are recorded at cost and contributed property is recorded at the fair market value at the date of the contribution. If an expenditure in excess of \$500 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 other resulting gain or loss is reflected as income for the period.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. FIXED ASSETS: (Continued)

Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expenses as incurred. Depreciation and amortization expense for the years ended June 30, 2015 and 2014 was \$278,958 and \$243,915, respectively. Major classifications of fixed assets and their estimated useful lives are as summarized below:

<u>June 30, 2015</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	7 Years	\$ 609,331	\$ 291,925	\$ 317,406
Computer Equipment	3 Years	577,222	435,534	141,688
Website	5 Years	6,975	4,933	2,042
Leasehold Improvements	20 Years	<u>353,342</u>	<u>16,434</u>	<u>336,908</u>
Total		<u>\$ 1,546,870</u>	<u>\$ 748,826</u>	<u>\$ 798,044</u>
 <u>June 30, 2014</u>	 <u>Depreciable Life</u>	 <u>Cost</u>	 <u>Accumulated Depreciation</u>	 <u>Net Book Value</u>
Furniture and Equipment	7 Years	\$ 540,385	\$ 208,421	\$ 331,964
Computer Equipment	3 Years	646,647	399,730	246,917
Website	5 Years	14,975	11,538	3,437
Leasehold Improvements	20 Years	<u>146,213</u>	<u>6,058</u>	<u>140,155</u>
Total		<u>\$ 1,348,220</u>	<u>\$ 625,747</u>	<u>\$ 722,473</u>

6. OTHER ASSETS - FINANCING COSTS:

A provision exists in the current building lease, whereby Excel Academy had the option to purchase the leasehold interest in the Birney Elementary School provided they notify the Charter School Incubator Initiative within three years of the date of the lease agreement, which was September 14, 2011. Excel Academy notified the Charter School Incubator Initiative of their desire to exercise the option to purchase its leasehold interest. According to the lease agreement, the purchase price is to consist of the entire outstanding principal and unpaid accrued interest owed on all financing against the Birney Elementary School as well as a cancellation fee of \$467,352. Excel Academy incurred costs of \$47,581 in the process of obtaining financing from a local institution for the purpose of buying out the lease. These costs were recorded as an Other Asset in the Statement of Financial Position as of June 30, 2014. During the year ended June 30, 2015, the option to purchase the leasehold interest was not exercised and the related financing costs in the amount of \$47,581, as well as additional expenses incurred for the purchase of the leasehold interest in the amount of \$85,234, were expensed.

7. 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 Schools fiscal management and academic acceptability. The contract dated May 18, 2008, 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, 2023.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that Excel Academy 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 Excel Academy's charter every five years, with the first such review having occurred in the spring of 2013. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2015 and 2014, the Charter School incurred \$134,373 and \$54,779, respectively, in administrative fees.

The charter contract provides that Excel Academy may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2015, was not permitted to be greater than 750 students. Audit enrollment for the 2014/2015 year was 724 students and enrollment for the 2013/2014 year was 617 students.

8. PER PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2015, the per student rate ranged from \$9,492 to \$12,719 for the educational allotment and \$3,072 for the facility allotment. For the year ended June 30, 2014, the per student rate ranged from \$9,306 to \$12,471 for the educational allotment and \$3,000 for the facility allotment. Additional allotments were made for special education services.

Per-pupil funding for the years ended June 30, 2015 and 2014 was as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
General Education	\$ 7,856,529	\$ 6,582,029
Special Education	872,814	744,549
Summer School	137,718	91,980
Facilities Allowance	2,224,127	1,851,000
At-Risk Students	<u>883,575</u>	<u>-</u>
Total	<u>\$ 11,974,763</u>	<u>\$ 9,269,558</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2015 and 2014, the Excel Academy Public Charter School participated in the following federal award programs:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Elementary and Secondary Education Act - Title I	\$ 280,193	\$ 376,461
Elementary and Secondary Education Act - Title II	71,123	65,587
Stabilization Funds (Race to the Top)	2,418	26,737
DC School Choice Incentive Program	401,648	276,318
Individuals with Disabilities Education Act IDEA (611)	80,387	78,373
Individuals with Disabilities Education Act IDEA (619)	344	1,338
National Food Program Cluster	424,187	314,464
Donated Commodities	26,717	16,738
Child and Adult Care Food Programs	66,648	61,027
Fresh Fruits and Vegetables	41,251	27,580
Medicaid - School Based Services	<u>4,948</u>	<u>5,272</u>
Total	<u>\$ 1,399,864</u>	<u>\$ 1,249,895</u>

Federal formula grants are allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

10. COMMITMENTS:

Building Lease:

The Excel Academy Public Charter School entered into an agreement with the Charter School Incubator Initiative for the use of Birney Elementary School in response to a successful submission to a request for offer (RFO) from the Office of Property Management of the government of the District of Columbia. A part of the renovations of the existing school was supported by a grant from the Office of the State Superintendent for Education through the federally funded Charter School Incubator Initiative. The Birney Elementary School is located at 2501 Martin Luther King, Jr. Avenue, SE, Washington, DC. The use lease (as amended) was effective for a two-year period commencing on August 17, 2009 and expiring on June 30, 2011.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS: (Continued)

Building Lease: (Continued)

The total annual Usage Fee was payable in quarterly installments equal to ¼ of the annual Usage Fee for the period from July 1 to June 30 on August 1, November 1, February 1 and May 1. The August 1 and November 1 Usage Fee payments were calculated based on an estimate of enrollment as provided by the Grantee to the District of Columbia and a “true up” of the enrollment based on the actual census count was calculated for the February 1 and May 1 payments.

The Usage Fee covered rent, utilities (gas, water, electricity, and trash removal), building engineering and maintenance, nightly cleaning, landscape maintenance, snow removal, monthly security system monitoring and pest control. In addition, Lessor provided for telephone, security equipment, general maintenance and necessary capital improvements.

On September 14, 2011, the lease agreement with the Charter School Incubator Initiative was amended with an effective date of July 1, 2011, and an expiration date of June 30, 2016. As a requirement of this lease, a total rental security deposit of \$75,000 was to be made. This lease calls for continued quarterly lease payments calculated annually based on the number of students enrolled on each census date (October) multiplied by the per-pupil facilities allowance less a ten percent (10%) withholding. The annual usage fee is full service and includes all utilities, janitorial, maintenance, phone equipment and property management. Provided Excel Academy had a student enrollment of at least 600 students by July 1, 2015, this lease may be extended for three additional and consecutive five-year lease terms through June 30, 2031.

During the year ended June 30, 2015, the usage fee was based on an enrollment of seven hundred and twenty-four (724) students. During the year ended June 30, 2014, the usage fee was based on an enrollment of six hundred and seventeen (617) students.

Total rent expense for the years ended June 30, 2015 and 2014 was \$2,001,715 and \$1,665,900, respectively. The estimated future minimum payments required are as follows:

Year Ended June 30,

2016	\$ 2,019,600
Total	\$ 2,019,600

Photocopier Leases:

The Excel Academy Public Charter School entered into an operating lease with LEAF Funding, Inc. on December 31, 2010, for the rental of a Xerox WorkCentre 7545 Photocopier System. This lease calls for fifty-five (55) monthly payments of \$212 commencing on January 5, 2011. Rental expense for the years ending June 30, 2015 and 2014 was \$2,188 and \$2,274, respectively. Future minimum payments due under this lease are as follows:

Year Ended June 30,

2016	\$ 212
Total	\$ 212

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS: (Continued)

Photocopier Leases: (Continued)

The Excel Academy Public Charter School entered into an operating lease with LEAF Funding, Inc. on August 16, 2010, for the rental of a Xerox WorkCentre 7665 Photocopier and two Xerox WorkCentre 5665 Photocopiers. This lease calls for sixty (60) monthly payments of \$724 commencing on September 10, 2010. Rental expense for the years ending June 30, 2015 and 2014 was \$8,497 and \$7,686, respectively. Future minimum payments due under this lease are as follows:

Year Ended June 30,

2016	\$ 1,448
Total	\$ 1,448

The Excel Academy Public Charter School entered into an operating lease with LEAF Funding, Inc. on July 18, 2012, for the rental of a Xerox WorkCentre 7428 Photocopier. This lease calls for thirty-six (36) monthly payments of \$175 commencing on September 5, 2012. Rental expense for the years ending June 30, 2015 and 2014 was \$1,798 and \$1,891, respectively. Future minimum payments due under this lease are as follows:

Year Ended June 30,

2016	\$ 349
Total	\$ 349

The Excel Academy Public Charter School entered into an operating lease with Xerox Financial Services on June 13, 2014, for the rental of a Xerox Color XC570 Photocopier. This lease calls for forty-eight (48) monthly payments of \$442 commencing on June 13, 2014. Rental expense for the years ending June 30, 2015 and 2014 was \$5,924 and \$ -0-, respectively. Future minimum payments due under this lease are as follows:

Year Ended June 30,

2016	\$ 5,305
2017	5,305
2018	5,305
Total	\$ 15,915

11. RELATED PARTY TRANSACTIONS:

Contributions:

During the years ended June 30, 2015 and 2014, various board members and employees of the Excel Academy Public Charter School gave contributions to the organization in the amount of \$2,650 and \$36,722, respectively.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. RELATED PARTY TRANSACTIONS: (Continued)

Board of Trustees:

Two of the trustees appointed to serve on the board of trustees are parents of students attending the Excel Academy Public Charter School. Parent trustees are elected by a majority vote of the board members from a list of qualified individuals submitted to the board by an advisory committee.

12. CONCENTRATIONS:

Revenues:

The Excel Academy Public 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, 2015 and 2014, eighty-eight percent (88%) and eighty-six percent (86%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Excel Academy Public Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The Excel Academy Public Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DC PCSB).

The Excel Academy Public 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.

13. CONTINGENCIES:

Excel Academy was granted its charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The 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 withhold funding) could adversely affect the School's ability to finance ongoing operations.

The 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 School. While the School's board of trustees and management believes the 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 Excel Academy Public 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.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. CONTINGENCIES: (Continued)

The viability of public charter schools and funding for these schools is dependent upon 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.

14. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 6, 2015, 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.

Enrollment:

Enrollment for the 2014/2015 school year is seven hundred and thirty (730) students. These enrollment numbers are up from the current audit enrollment number of seven hundred twenty four (724) students during the 2014/2015 school year.

15. RETIREMENT PLAN:

403(b) Plan:

Excel Academy Public Charter School provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by Aspire Financial Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to the statutory limits set by the Internal Revenue Code. The School contributes a dollar for dollar match up to three percent (3%) of an employee's gross monthly salary to the plan for the purchase of individual annuity contracts. Employees are eligible to participate upon commencement of their employment. Founding employees enrolled in the plan receive full and immediate vesting. Remaining employees become vested upon their anniversary date of employment after three full years of service. The employer expense for the years ended June 30, 2015 and 2014 was \$97,492 and \$92,492, respectively.

16. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Social Security/Medicare	\$ 456,665	\$ 402,912
Health Insurance	246,148	218,866
Retirement	97,492	92,492
Unemployment	41,747	30,690
Life and Disability	11,204	9,402
Workers Compensation	33,060	21,066
Plan Administration Fees	<u>1,767</u>	<u>4,660</u>
Total	<u>\$ 888,083</u>	<u>\$ 780,088</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

16. EMPLOYEE BENEFITS: (Continued)

Flexible Benefits Plan

The Excel Academy Public 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.

17. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Rent of Facilities	\$ 2,001,715	\$ 1,665,900
Outsourced Security Services	42,670	90,926
Maintenance and Repairs	2,043	5,849
Rental - Other	11,236	1,356
Depreciation	10,377	3,153
Janitorial Supplies and Services	<u>133</u>	<u>21</u>
Total	<u>\$ 2,068,174</u>	<u>\$ 1,767,205</u>

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	June 30, 2015				June 30, 2014			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
Personnel, Salaries and Benefits:								
Principal/Executive Salaries	\$ 738,770	\$ 557,231	\$ 170,079	\$ 11,460	\$ 761,834	\$ 606,286	\$ 147,091	\$ 8,457
Teachers Salaries	2,583,116	2,583,116	-	-	2,371,836	2,371,836	-	-
Teacher's Aides/Assistants	991,187	944,770	46,417	-	699,343	667,117	32,226	-
Other Educational Professional Salaries	1,078,156	1,064,157	13,999	-	940,035	917,435	22,600	-
Business Operations and Clerical	754,850	113,046	514,691	127,113	681,315	255,451	294,077	131,787
Payroll Taxes	498,412	426,745	60,430	11,237	433,602	383,023	39,430	11,149
Other Employee Benefits	389,671	333,639	47,246	8,786	346,486	306,069	31,508	8,909
Temporary Contract Staffing	36,455	8,825	27,630	-	38,807	13,975	-	24,832
Staff Recruiting Costs	11,194	9,585	1,357	252	36,860	27,020	7,671	2,169
Staff Development - Placement Fees	79,100	54,600	24,500	-	47,500	47,500	-	-
Staff Development Costs	103,628	90,774	12,854	-	112,023	101,567	10,456	-
Other Staff Costs	62,576	54,814	7,762	-	98,882	89,653	9,229	-
Total Personnel, Salaries and Benefits	\$ 7,327,115	\$ 6,241,302	\$ 926,965	\$ 158,848	\$ 6,568,523	\$ 5,786,932	\$ 594,288	\$ 187,303
Direct Student Costs:								
Food Service	\$ 593,573	\$ 593,573	\$ -	\$ -	\$ 684,500	\$ 684,500	\$ -	\$ -
Textbooks and Assessment Materials	162,379	162,379	-	-	166,185	166,185	-	-
Student Supplies, Snacks, etc.	115,647	115,647	-	-	132,479	132,479	-	-
Contracted Instructional/Student Services	345,462	345,462	-	-	307,116	307,116	-	-
Student Recruiting	23,567	23,567	-	-	32,193	32,193	-	-
Other Student Costs	55,226	55,226	-	-	41,533	41,533	-	-
Total Direct Student Costs	\$ 1,295,854	\$ 1,295,854	\$ -	\$ -	\$ 1,364,006	\$ 1,364,006	\$ -	\$ -
Occupancy Costs:								
Rent	\$ 2,001,715	\$ 1,713,884	\$ 242,699	\$ 45,132	\$ 1,665,900	\$ 1,471,577	\$ 151,489	\$ 42,834
Security Services	42,670	36,534	5,174	962	90,926	80,320	8,268	2,338
Maintenance and Repairs	2,043	1,749	248	46	5,849	5,167	532	150
Rent - Other	11,236	9,621	1,362	253	1,356	1,198	123	35
Depreciation	10,377	8,885	1,258	234	3,153	2,785	287	81
Janitorial, Etc.	133	114	16	3	21	18	2	1
Total Occupancy Costs	\$ 2,068,174	\$ 1,770,787	\$ 250,757	\$ 46,630	\$ 1,767,205	\$ 1,561,065	\$ 160,701	\$ 45,439
Office Expenses:								
Office Supplies and Materials	\$ 35,081	\$ 30,037	\$ 4,253	\$ 791	\$ 36,290	\$ 32,057	\$ 3,300	\$ 933
Equipment Rental and Maintenance	107,783	87,164	12,343	8,276	91,148	76,830	7,909	6,409
Telephone and Telecommunications	23,482	20,106	2,847	529	28,069	24,795	2,552	722
Postage, Shipping and Delivery	1,050	899	127	24	4,204	3,714	382	108
Printing and Duplication	8,977	7,686	1,088	203	18,075	15,966	1,644	465
Marketing and Advertising	2,170	2,170	-	-	931	931	-	-
Total Office Expenses	\$ 178,543	\$ 148,062	\$ 20,658	\$ 9,823	\$ 178,717	\$ 154,293	\$ 15,787	\$ 8,637
General Expenses:								
Authorizer Fees	\$ 134,373	\$ 115,051	\$ 16,292	\$ 3,030	\$ 54,779	\$ 48,390	\$ 4,981	\$ 1,408
Insurance	26,874	23,009	3,259	606	23,253	20,540	2,115	598
Accounting, Auditing and Payroll	126,336	-	126,336	-	116,662	-	116,662	-
Legal Fees	116,327	13,470	102,857	-	61,155	33,820	27,335	-
Other Professional Fees	378,161	376,770	1,391	-	125,401	24,099	101,052	250
Computer Support Fees	124,531	106,624	15,099	2,808	78,056	70,183	6,138	1,735
Business Fees and Dues	13,410	11,482	1,626	302	20,675	18,263	1,880	532
Special Events	-	-	-	-	17,856	-	-	17,856
Depreciation	268,581	229,960	32,565	6,056	240,762	212,677	21,894	6,191
Total General Expenses	\$ 1,188,593	\$ 876,366	\$ 299,425	\$ 12,802	\$ 738,599	\$ 427,972	\$ 282,057	\$ 28,570
TOTAL FUNCTIONAL EXPENSES	\$ 12,058,279	\$ 10,332,371	\$ 1,497,805	\$ 228,103	\$ 10,617,050	\$ 9,294,268	\$ 1,052,833	\$ 269,949

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

June 30, 2015

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 8,561,584	\$ 11,825
Occupancy	2,068,174	2,857
General and Administrative	1,247,048	1,722
Fundraising	<u>181,473</u>	<u>251</u>
Total	<u>\$ 12,058,279</u>	<u>\$ 16,655</u>

The above is the average per student cost for the year ended June 30, 2015, and is based on a full time equivalent (FTE) enrollment of 724 students.

June 30, 2014

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 7,733,203	\$ 12,534
Occupancy	1,767,205	2,864
General and Administrative	892,132	1,446
Fundraising	<u>224,510</u>	<u>364</u>
Total	<u>\$ 10,617,050</u>	<u>\$ 17,208</u>

The above is the average per student cost for the year ended June 30, 2014, and is based on a full time equivalent (FTE) enrollment of 617 students.

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA	Pass-Through	Program	Period of Award	Grant	Refundable	Current Year Activity		Grant	Refundable
	Number	Grantors	or Award		Receivable	Advance at	Receipts	Disbursements	Receivable	Advance at
		Number	Amount		at 7/1/14	7/1/14		Expenditures	at 6/30/15	6/30/15
U.S. Department of Education:										
Passed Through the District of Columbia:										
Title I, Part A, Grants to Local Educational Agencies	84.010A	52010A	\$ 319,129	07/01/14 to 09/30/16	\$ -	\$ -	\$ 194,516	\$ 260,667	\$ 66,151	\$ -
Title I, Part A, Grants to Local Educational Agencies	84.010A	42010A	\$ 281,968	07/01/13 to 09/30/15	88,979	-	108,505	19,526	-	-
Title I, Part A, Grants to Local Educational Agencies	84.010A	32010A	\$ 341,331	07/01/12 to 09/30/14	60,235	-	60,235	-	-	-
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	52027A	\$ 80,387	07/01/14 to 09/30/15	-	-	80,387	80,387	-	-
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	42027A	\$ 78,373	07/01/13 to 09/30/15	4,511	-	4,511	-	-	-
Special Education - IDEA 619, Preschool Grants to Local Education Agencies	84.173A	52173A	\$ 344	07/01/14 to 09/30/15	-	-	344	344	-	-
DC School Choice Incentive Program	84.370	U37OC130001	\$ 223,819	02/21/14 to 02/20/16	19,390	-	184,513	174,720	9,597	-
DC School Choice Incentive Program	84.370	N/A	\$ 413,643	05/10/13 to 05/10/15	-	-	201,741	201,741	-	-
DC School Choice Incentive Program	84.370	N/A	\$ 100,000	05/21/13 to 05/21/15	998	-	26,185	25,187	-	-
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	52367A	\$ 81,264	07/01/14 to 09/30/16	-	-	49,533	66,378	16,845	-
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	42367	\$ 68,533	07/01/13 to 09/30/15	21,627	-	26,372	4,745	-	-
State Fiscal Stabilization Fund - Race to the Top	84.395A	SG367A	\$ 123,686	09/24/10 to 09/23/14	1,622	-	4,040	2,418	-	-
Total U.S. Department of Education					\$ 197,362	\$ -	\$ 940,882	\$ 836,113	\$ 92,593	\$ -
U.S. Department of Agriculture:										
Passed Through the District of Columbia:										
Donated Commodities	10.550	N/A	\$ 26,717	07/01/14 to 06/30/15	\$ -	\$ -	\$ 26,717	\$ 26,717	\$ -	\$ -
Fresh Fruits and Vegetables	10.582	N/A	\$ 41,251	07/01/14 to 06/30/15	-	-	27,433	41,251	13,818	-
Fresh Fruits and Vegetables	10.582	N/A	\$ 28,050	07/01/13 to 06/30/14	13,206	-	13,206	-	-	-
School Breakfast Program	10.553	N/A	Unknown	07/01/14 to 06/30/15	-	-	99,565	120,059	20,494	-
School Breakfast Program	10.553	N/A	Unknown	07/01/13 to 06/30/14	20,078	-	20,078	-	-	-
National School Lunch Program	10.555	N/A	Unknown	07/01/14 to 06/30/15	-	-	252,474	304,128	51,654	-
National School Lunch Program	10.555	N/A	Unknown	07/01/13 to 06/30/14	44,377	-	44,377	-	-	-
Child and Adult Care Food Program	10.558	N/A	Unknown	07/01/14 to 06/30/15	-	-	56,359	66,648	10,289	-
Child and Adult Care Food Program	10.558	N/A	Unknown	07/01/13 to 06/30/14	4,516	-	4,516	-	-	-
Total U.S. Department of Agriculture					\$ 82,177	\$ -	\$ 544,725	\$ 558,803	96,255	-
U.S. Department of Health and Human Services:										
Passed Through the District of Columbia:										
Medicaid - School Based Services	93.xxx	N/A	Unknown	07/01/14 to 06/30/15	\$ -	\$ -	\$ 4,948	\$ 4,948	\$ -	\$ -
Medicaid - School Based Services	93.xxx	N/A	Unknown	07/01/13 to 06/30/14	61	-	61	-	-	-
Total U.S. Department of Health and Human Services					\$ 61	\$ -	\$ 5,009	\$ 4,948	\$ -	\$ -
Total Federal Awards					\$ 279,600	\$ -	\$ 1,490,616	\$ 1,399,864	\$ 188,848	\$ -

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Reconciliation of Total Federal Entitlements
and Grants per the Statement of Activities to
the Schedule of Expenditures of Federal Awards

Federal Entitlements and Grants	\$ 1,373,147
Donated Federal Commodities	<u>26,717</u>
Balance per Schedule of Expenditures of Federal Awards	<u>\$ 1,399,864</u>

(See Accompanying Notes and Auditor's Report)

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1 - Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

Note 2 - Major Program Selection:

The major Federal Award Program selected for testing is as follows:

U.S. Department of Agriculture

- School Breakfast and National School Lunch Program

U.S. Department of Education

- Title I, Part A, Grants to Local Educational Agencies

The requirements of Office of Management and Budget Circular A-133 requires all major programs as determined by the auditor on a risk-based approach and/or at least 50% (25% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For the Excel Academy Public Charter School, the programs subject to these requirements are as listed above. The total expenditures of these programs represent 50.32% of the total federal expenditures.

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 280,193*
Special Education - IDEA 611, Grants to Local Education Agencies	84.027A	80,387
Special Education - IDEA 619, Preschool Grants to Local Education Agencies	84.173A	344
Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	71,123
DC School Choice Incentive Program	84.370	401,648
State Fiscal Stabilization Fund - Race to the Top	84.395A	2,418
Donated Commodities	10.550	26,717
School Breakfast Program	10.553	120,059*
National School Lunch Program	10.555	304,128*
Child and Adult Care Food Programs	10.558	66,648
Fresh Fruits and Vegetables	10.582	41,251
Medicaid - School Based Services	93.xxx	<u>4,948</u>
Total Federal Awards		<u>\$ 1,399,864</u>

* Denotes Major Program

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 3 - Major Program Disclosure:

I. U.S. Department of Agriculture

1) School Breakfast and National School Lunch Program

The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

II. U.S. Department of Education:

1) Title I, Part A to Local Educational Agencies

The Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act, provides for a comprehensive overhaul of Federal support for education, and restructures how these programs provide services.

Under the No Child Left Behind Act, Federal education programs authorized in the Elementary and Secondary Education Act (ESEA) of 1965 are designed to work in concert with each other, rather than separately. By emphasizing program coordination, planning, and service delivery among Federal programs and enhancing integration with State and Local instructional programs, the ESEA reinforces comprehensive State and local educational reform efforts geared toward ensuring that all children can meet challenging State standards regardless of their background or the school they attend.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
Excel Academy Public Charter School
2501 Martin Luther King, Jr., Avenue, SE
Washington, DC 20020

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 Excel Academy Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Excel Academy Public Charter School'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 Excel Academy Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Excel Academy Public Charter School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2015-001)

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Excel Academy Public Charter School'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*.

Excel Academy Public Charter School's Response to Findings

Excel Academy Public Charter School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Excel Academy Public Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 6, 2015

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
Excel Academy Public Charter School
2501 Martin Luther King, Jr., Avenue, SE
Washington, DC 20020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited Excel Academy Public Charter School's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Excel Academy Public Charter School's major federal programs for the year ended June 30, 2015. Excel Academy Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and in the notes to the Schedule of Expenditures of Federal Awards.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Excel Academy Public Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Excel Academy Public Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Excel Academy Public Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, Excel Academy Public Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Excel Academy Public Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Excel Academy Public Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Excel Academy Public Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, Excel Academy Public Charter School's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Excel Academy Public Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 6, 2015

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Findings relating to federal awards, which are required to be reported in accordance with OMB Circular A-133

2014-001 Title I, Part A, Grants to Local Educational Agencies: CFDA# 84.010A

Condition: In accordance with the procurement standards as promulgated in Section 45 of OMB Circular A-102 of the Common Rule, as well as code Section 74.45 of the Education Department General Administrative Regulations (EDGAR), a cost and price analysis is required to be completed for every procurement action (including those actions less than the small purchase threshold) for the purchase of supplies, expendable property, equipment and other services with the use of Federal Funds. This price analysis may be accomplished in various ways, including the comparison of price quotations, market price and similar indicia. Cost analysis is required for the purpose of determining reasonableness, allocability and allowability. During the year ended June 30, 2014, Excel Academy Public Charter School entered into a procurement action with the utilization of federal dollars under the Title I, Part A, Grants to Local Educational Agencies in the amount of \$10,457 whereby Excel Academy purchased curricular material from Pearson Education Inc. Per discussions with organization personnel, there was no cost analysis completed related to this purchase, and there were no documents included in a procurement file indicating that a price analysis was completed.

Status: This has been reported as a significant deficiency during the year ended June 30, 2015.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on the financial statements of the Excel Academy Public Charter School.
- b. One material weakness relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the Excel Academy Public Charter School were disclosed during the audit.
- d. One significant deficiency in internal control over major federal award programs is reported in the audit report. No material weaknesses are reported.
- e. The Auditor's report on compliance for the major federal award programs for Excel Academy Public Charter School expresses an unmodified opinion on all major federal programs.
- f. Audit findings that are required to be reported in accordance with section 510 (a) of OMB Circular A-133 are reported in this schedule.
- g. The major programs of the Excel Academy Public Charter School were as follows:

<u>Programs</u>	<u>CFDA #</u>
National School Lunch and Breakfast Program	10.553/10.555
Title I, Part A, Grants to Local Educational Agencies	84.010A

- h. The dollar threshold utilized to determine Type A programs was \$300,000.
 - i. The Excel Academy Public Charter School did not qualify as a low-risk auditee.
- II. Findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards

2015-001

Condition: During the year ended June 30, 2015, a contract was entered into to provide food services to Excel Academy including the providing of Breakfast, Lunch and Supper through the National School Lunch and Breakfast program. During a six-month period, the school was billed by the food service provider at meal counts far in excess of actual meal usage. For each of these months, the invoice was approved for payment and the food service provider was paid in excess of the amounts actually earned. Prior to year end, the overbilling was addressed and a credit was provided and utilized during the months of May and June.

Criteria: As part of the National School Lunch and Breakfast program, actual meal counts are taken on a daily basis so that a reimbursement request may be made to the U.S. Department of Agriculture. When an invoice is submitted for payment, a responsible individual should be tasked with verifying that the numbers of meals billed equals the number of meals served.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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

2015-001 (Continued)

Cause: There was no one employee tasked with verifying the number of meals being invoiced. The invoices were being paid based on the assumption that the meal counts were accurate.

Effect: In this particular scenario, the food vendor repeatedly invoiced for amounts in excess of actual meal counts. As a result, the School was unknowingly paying this food vendor inflated amounts for the service they were actually providing.

Recommendation: It is our belief that the underlying issue is an internal control procedural concern larger than the food vendor itself. We recommend that all invoices that are contract based be compared to the original contract terms to ensure that the contractor is being held to the original agreed upon rates. An internal control process should be established whereby contract based payments are forwarded to the respective employee most familiar with the contract terms to add one more layer of approval to the entire process.

Views of Responsible Officials: Either the Chief Financial Officer (CFO) or their designated person reconciles the food vendor's monthly invoice with the quantities reported by our Federal Grants specialist to the Office of State Supervision of Education (OSSE). If reconciled, the designated person will initial and date the invoice; attach the OSSE report as backup; and submit the documents to the CFO to reconcile the invoiced rates to the contracted rates. All discrepancies will be reported to the CFO for resolution.

III. Findings relating to federal awards, which are required to be reported in accordance with OMB Circular A-133

2015-002 Title I, Part A, Grants to Local Educational Agencies: CFDA# 84.010A

Criteria and Condition: In accordance with the procurement standards as promulgated in Section 45 of OMB Circular A-102 of the Common Rule, as well as code Section 74.45 of the Education Department General Administrative Regulations (EDGAR), a cost and price analysis is required to be completed for every procurement action (including those actions less than the small purchase threshold) for the purchase of supplies, expendable property, equipment and other services with the use of Federal Funds. This price analysis may be accomplished in various ways, including the comparison of price quotations, market price and similar indicia. Cost analysis is required for the purpose of determining reasonableness, allocability and allowability.

Context: During the year ended June 30, 2015, Excel Academy Public Charter School entered into a procurement action with the utilization of federal dollars under the Title I, Part A, Grants to Local Educational Agencies to purchase a laptop computer. Per discussions with organization's personnel, the responsible official for this purchase is no longer employed at Excel, and therefore, Excel cannot confirm if a cost analysis was performed by the official. However, it is confirmed that there were no related documents included in a procurement file indicating that a price analysis was completed.

EXCEL ACADEMY PUBLIC CHARTER SCHOOL
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III. Findings relating to federal awards, which are required to be reported in accordance with OMB Circular A-133 (Continued)

2015-002 Title I, Part A, Grants to Local Educational Agencies: CFDA# 84.010A (Continued)

Cause: Excel Academy has written procurement policies that correspond to the procurement standards as promulgated by the District of Columbia Public Charter School Board which addresses those procedures necessary for procurement actions greater than \$25,000. It was management's belief that following the procedures as presented by the District of Columbia Public Charter School Board was sufficient enough to satisfy the federal procurement standards when in fact the federal standards apply regardless of the amount involved.

Effect: The Federal Procurement standards have been established to ensure that all procurement actions are conducted in a manner to ensure, to the maximum extent practical that the solicitation and award of a procurement transaction is most advantageous to both the federal government and Excel Academy Public Charter School based on the analysis of price, quality, and other factors considered. When a cost and price analysis is not conducted for those transactions less than the \$25,000 threshold, there can be no guarantee that the federal government has received the most advantageous award possible.

Recommendation: We recommend that the written procurement procedures be expanded to include processes necessary to conduct a cost and price analysis for those items less than the small purchase threshold established by the District of Columbia Public Charter School Board currently established at an amount of \$25,000 when utilizing federal funds. These procedures should include at a minimum managements justification for the award of the contract. In addition, this justification should be retained in a separately maintained procurement file.

Views of Responsible Official: We are in agreement with this issue and we will update our procurement procedures manual to address those items that are purchased which are less than the small purchase procedure threshold. Appropriate steps are being taken to ensure that an analysis will be completed on those items purchased with the use of federal dollars on items less than the small purchase threshold.